ANNUAL REPORT 2018

For the Year Ended March 31, 2018

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 fiscal 2018, ended March 31, 2018, the Company realized consolidated net sales of ¥105.0 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.

Contents

Cautionary Statement with Respect to Forward-Looking Statements

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

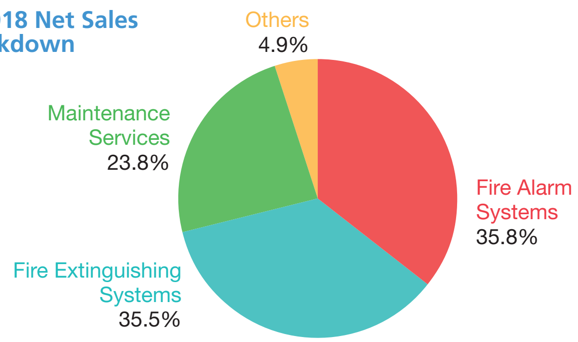
Consolidated Financial Highlights

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2016, 2017 and 2018

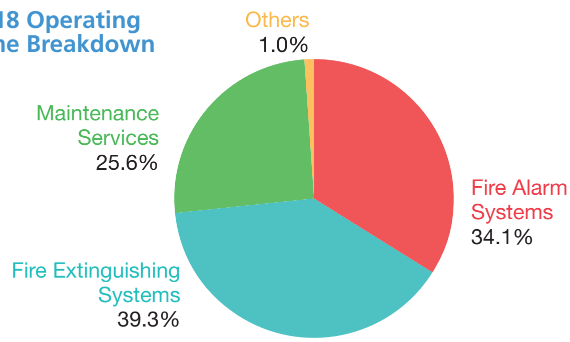
	Millions of Yen			Percentage Change	Thousands of U.S. Dollars*5
	2016	2017	**2018**	2018/2017	**2018**
For the year:					
New orders	¥ 97,686	¥ 97,947	**¥ 109,020**	11.3 %	**$1,026,167**
Net sales	100,666	95,328	**105,032**	10.2	**988,630**
Cost of sales	68,549	63,232	**69,448**	9.8	**653,690**
Operating income	10,674	10,190	**12,882**	26.4	**121,254**
Net income attributable to owners of the parent	6,634	6,943	**9,136**	31.6	**85,994**
Comprehensive income	4,619	7,191	**9,661**	34.3	**90,935**
At year-end:					
Total assets	¥ 107,145	¥ 114,094	**¥ 122,618**	7.5 %	**$1,154,160**
Total net assets	69,628	75,449	**83,684**	10.9	**787,688**
Backlog of orders	48,365	50,983	**54,971**	7.8	**517,423**
Number of employees	2,248	2,268	**2,388**	5.3	**—**
Per share (in yen and U.S. dollars):					
Net income*1	¥ 110.01	¥ 115.13	**¥ 151.51**	31.6 %	**$ 1.43**
Net assets*2	1,128.22	1,226.58	**1,362.16**	11.1	**12.82**
Cash dividends*4	22.00	24.00	**28.50**	18.8	**0.27**

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. Cash dividends per share for the year ended March 31, 2017 include a commemorative dividend of ¥2.00 for the 100th anniversary of the Company.
*5. 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 ¥106.24=US$1, the prevailing exchange rate at March 31, 2018.
*6. All amounts are in millions of yen or thousands of U.S. dollars, except number of employees and per share amounts.

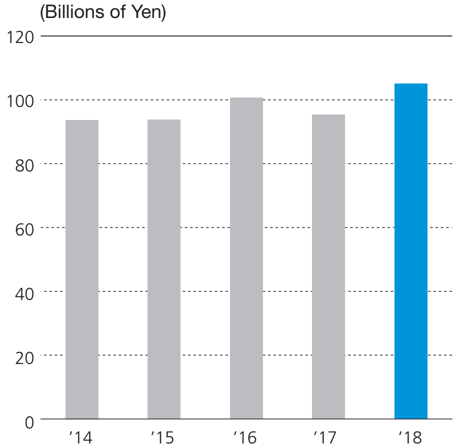
FY2018 Net Sales Breakdown



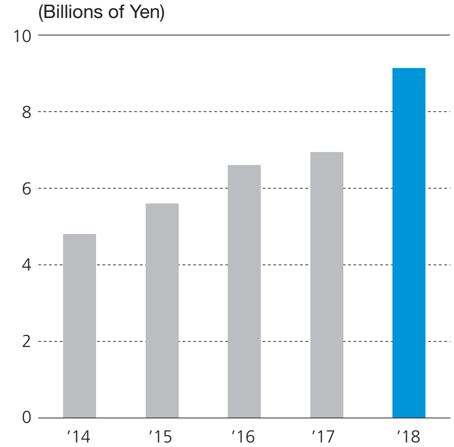
FY2018 Operating Income Breakdown



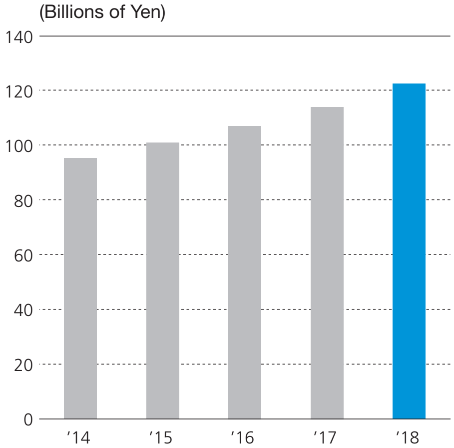
Net Sales
(Billions of Yen)



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



Total Assets
(Billions of Yen)



Nohmi's New Century — Contributing to the Safety of the World by Continuously Creating and Offering Next-Generation Fire Protection Systems and Services Responsive to Changes in Society

Tatsunori Ito
President

Operating Environment and Business Results in Fiscal 2018

During fiscal 2018 (ended March 31, 2018), the Japanese economy continued to recover mildly. Various economic policies set forth by the government and the Bank of Japan led to improvements in the employment and income environments as well as a rebound in consumer spending.

In the domestic fire protection industry, ongoing improvements in corporate earnings led to a mild increase in private-sector investments, resulting in a strong business environment.

Amid this climate, the Nohmi Bosai Group formulated a three-year medium-term business plan starting from fiscal 2017 entitled "Project 30—Evolution toward Next-Generation Fire Protection." Under this plan, we have been implementing a variety of priority measures based on the vision "Evolution toward Next-Generation Fire Protection" in our efforts to maximize corporate value and achieve targets. Such priority measures include investing in and utilizing production and test facilities; strengthening promotion of each business; bolstering human resources development; and strengthening Group-wide corporate governance.

During fiscal 2018, the medium-term business plan's second year, we proactively made efforts toward sales expansion. As a result, due to orders for large-scale properties, in fiscal 2018 new orders increased 11.3% to ¥109,020 million and net sales increased 10.2% to ¥105,032 million.

At the profit level, operating income increased 26.4% to ¥12,882 million and net income attributable to owners of the parent increased 31.6% to ¥9,136 million due mainly to higher net sales and ongoing efforts to reduce costs through streamlining and other measures.

By business segment, the Fire Alarm Systems segment posted net sales of ¥37,642 million and operating income of ¥6,640 million, increases of 9.6% and 19.8%, respectively, from the previous year. Both net sales and operating income in the Fire Extinguishing Systems segment rose, increasing 17.0% year-on-year to ¥37,328 million and 35.6% to ¥7,647 million, respectively. Net sales and operating income in the Maintenance Services segment also increased, up 3.4% to ¥24,890 million and 2.2% to ¥4,987 million, respectively. Net sales in the Others segment increased 3.2% to ¥5,172 million, while operating income decreased 47.5% to ¥185 million.

Management Policy & Formulation of Medium-Term Business Plan for Fiscal 2017 to 2019

The Nohmi Bosai Group is committed to our role as "pioneers in the fire protection industry and dedicated to making society safer," which is the Company's motto. In fulfilling this mission, the Group adheres to a fundamental policy of providing the latest, most optimal fire protection systems designed to protect life and property under an integrated structure ranging from R&D to sales, installation and maintenance. At the same time, we operate with an emphasis on conserving the environment, energy and natural resources in all our activities.

Based on this basic policy, the Nohmi Bosai Group, as we celebrated our centennial in December 2016, formulated a medium-term business plan entitled "Project 30—Evolution toward Next-Generation Fire Protection." The plan is being implemented over three years from fiscal 2017 with the aim of ensuring our next great leap forward. In order to strengthen our profit structure and enhance the business foundation, this plan sets the principal management benchmark targets of increasing net sales and improving the operating margin.

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, 2018, the Company declared total dividends per share of ¥28.50, which includes a year-end dividend per share of ¥16.00 and interim dividend of ¥12.50 per share.

For fiscal 2019, we plan to declare annual dividends per share of ¥32.00, which include an interim dividend of ¥16.00 per share and a year-end dividend per share of ¥16.00.

Outlook for Fiscal 2019

Although the Japanese economy is expected to continue on its path to a moderate recovery backed by improvements in corporate earnings and the employment situation, uncertainties regarding economic conditions overseas and other factors warrant close monitoring.

In the fire protection industry, although the market is expected to remain solid, concerns about increases in personnel and materials costs continue to persist.

To address these circumstances, the Nohmi Bosai Group formulated the medium-term business plan "Project 30 — Evolution toward Next-Generation Fire Protection," which is being implemented over three years from fiscal 2017. In fiscal 2019, the plan's final year, we will aim to maximize corporate value.

For fiscal 2019, we are projecting consolidated net sales of ¥110,000 million, operating income of ¥13,150 million and net income attributable to owners of the parent of ¥9,150 million.

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

July 2018

Tatsunori Ito
President

Medium-Term Business Plan "Project 30 — Evolution toward Next-Generation Fire Protection"

Vision

—Evolution toward Next-Generation Fire Protection—

As we celebrated our 100th anniversary and embarked on a new century, we will further strengthen the foundation of our fire protection business and contribute to the safety of the world by continuously creating and offering next-generation fire protection systems and services responsive to changes in society

Measures

(1) Establish the foundation for next-generation fire protection

(2) Improve profitability and expand sales of core businesses

(3) Further improve relationships of trust with customers

(4) Proactively take on challenges in promoting business in new markets and services

(5) Strengthen technological development and engineering capabilities

(6) Strengthen overseas business

(7) Promote M&A in and outside Japan aimed at expanding the fire protection business domain

(8) Bolster human resources development

(9) Strengthen Group-wide corporate social responsibility (CSR) and corporate governance

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 2018 increased ¥3,309 million, or 9.6%, from the previous year to ¥37,642 million, accounting for 35.8% of consolidated net sales. Operating income was up ¥1,096 million, or 19.8%, to ¥6,640 million. New orders increased ¥2,514 million, or 7.1%, to ¥38,107 million.

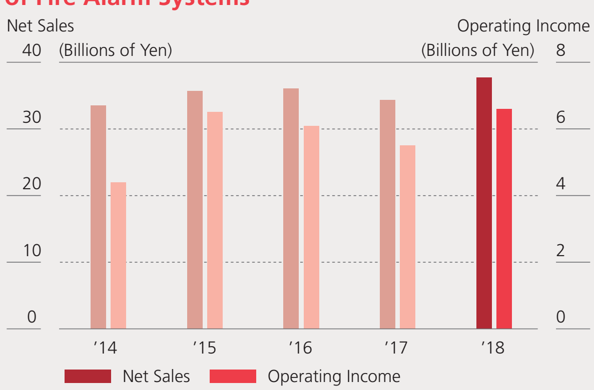
During the fiscal year under review, net sales and operating income of this segment rose due mainly to our proactive proposal-based sales promotion efforts for both new properties and renovation works amid the robust market environment.

Fire Monitoring Panels in Control Center

Major Products and Services

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

Net Sales/Operating Income of Fire Alarm Systems



Fire Extinguishing Systems

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

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

The Year in Review

Net sales in the Fire Extinguishing Systems segment in fiscal 2018 increased ¥5,425 million, or 17.0%, from the previous year to ¥37,328 million, accounting for 35.5% of consolidated net sales. Operating income was up ¥2,008 million, or 35.6%, to ¥7,647 million. New orders also rose ¥6,582 million, or 19.5%, to ¥40,324 million.

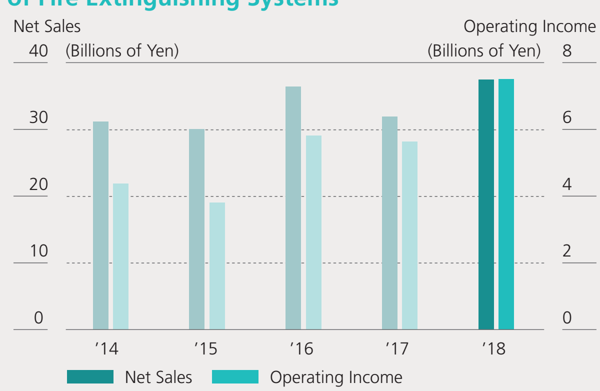
During the fiscal year under review, although revenue decreased in fire extinguishing systems for general properties such as high-rise buildings, revenue from systems used in special facilities that include industrial plants as well as from systems used in road tunnels increased due mainly to securing orders for large-scale properties. As a result, we posted increases in both overall net sales and operating income.

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 2018 were up ¥808 million, or 3.4%, from the previous year to ¥24,890 million, representing 23.8% of consolidated net sales. Operating income increased ¥109 million, or 2.2%, to ¥4,987 million. New orders increased ¥1,358 million, or 5.7%, to ¥25,297 million.

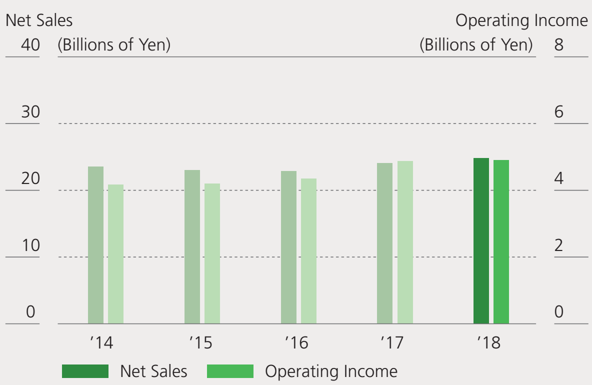
During the fiscal year under review, orders for both maintenance and inspection services and repair/renewal services were received on the back of the robust market environment. As a result, both net sales and operating income of this segment increased.

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 2018 increased ¥162 million, or 3.2%, from the previous year to ¥5,172 million, representing 4.9% of consolidated net sales. Operating income was down ¥168 million, or 47.5%, to ¥185 million. New orders increased ¥619 million, or 13.2%, to ¥5,293 million.

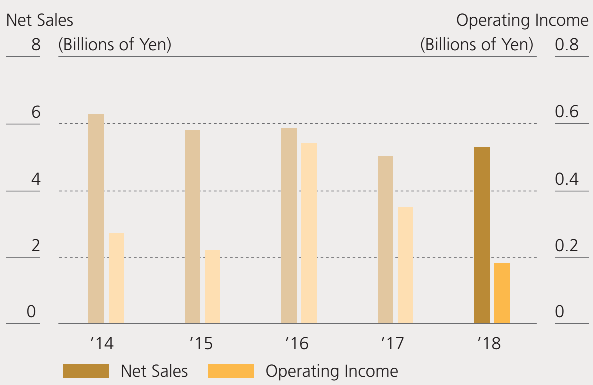
During the fiscal year under review, overall net sales increased despite a decrease in revenue from parking lot driving lane control systems. However, operating income decreased due to the harsh market environment.

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

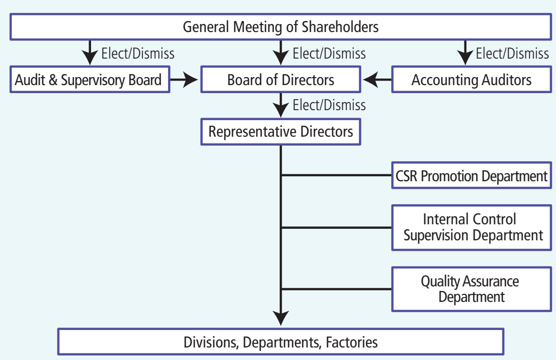
Corporate Governance Structure

The Company has adopted the Audit & Supervisory Board member system under the Japanese Companies Act and has appointed two outside directors and three outside Audit & Supervisory Board members. These outside directors and outside Audit & Supervisory Board members also attend meetings of the Board of Directors, which 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.

With regard to the Audit & Supervisory Board, the two standing Audit & Supervisory Board members attend important meetings, including those held by the Board of Directors and Board of Managing Directors, and examine all Group companies, monitor the independence of accounting auditors, and discuss matters with and receive reports and explanations from the accounting auditors. They hold meetings of Audit & Supervisory Board members on a regular basis to report and deliberate on these results to reinforce the Company's auditing functions.

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

Management Control Structure



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

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.

companies. The Internal Control Supervision Department provides recommendations for improvements based on the results of these audits and requires departments to regularly report on the status of any recommended improvements. At the same time, the department reports to the President and Audit & Supervisory Board members to help address any problems.

In addition, the Internal Control Supervision Department is tasked with addressing the evaluation and audit of internal controls over financial reporting based on the Japanese Financial Instruments and Exchange Act.

Concerning risk management, we have formulated the Risk Management Regulations and built a management structure. The Risk Management Committee, led by the director in charge of risk management, promotes activities to prevent risks from materializing.

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

In accordance with the Japanese Companies Act and the Ordinance for Enforcement of the Companies Act, we have established the 12 structures and related matters listed on page 6 to assure that we execute our business in an appropriate manner. Under these structures, the directors and employees act in accordance with our code of conduct and other internal rules, which serve as corporate conduct criteria prescribing the appropriate behavior for each employee. We aim for greater understanding of these behavioral criteria through training and communication to employees. We also gather information from a wide range of sources, including from a legal compliance helpline, while setting up compliance structures and other necessary structures to ensure the reliability of the Group’s financial reports.

Directors and Audit & Supervisory Board Members (As of June 26, 2018)

Representative Director and Chairman
Takeshi Hashizume

Representative Director and President
Tatsunori Ito

Senior Managing Director
Jun Uchiyama

Managing Directors
Nobuyuki Ichikawa
Takeshi Okamura
Hiroshi Takeuchi
Masahiro Hasegawa

Directors
Shin Shiotani†
Hiroyuki Fushimi†
Tatsuya Izumida
Kensuke Shindo
Keiji Kageyama
Naoto Sakaguchi
Takahito Yaguchi
Yasuo Ariga
Yuji Hara
Yuichi Sugiyama
Hisato Miura
Shinya Ikeda
Kazuto Yamamoto

Standing Audit & Supervisory Board Members
Yoshihisa Asakura
Hiroshi Kondo

Audit & Supervisory Board Members
Tojiro Ishii†
Kazuo Kondo†
Hidehiko Asahi†

† External

An Integrated Fire Protection Service

Nohmi Bosai's mission is to ensure that people have effective fire protection so they can enjoy safe and comfortable lives. To this end, we have established an integrated series of services that assume consistent responsibility for giving customers the best fire protection system for their needs.

Research and Development

Simulation experiments are performed in Nohmi Bosai's laboratories to enable the Company to develop fire alarm and extinguishing systems that provide an optimum degree of fire protection for the customer.

Risk Analysis

The first step in providing fire protection is to understand the customer's specific requirements. Nohmi Bosai conducts detailed analyses of the customer's premises to evaluate important environmental factors and potential fire hazards.

Consultation and System Design

Information obtained from simulation experiments and client consultation is important for both designing and developing customized fire protection systems.

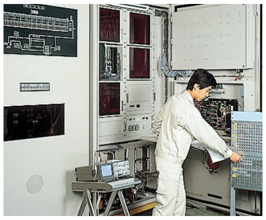
Manufacturing and Quality Assurance

All of Nohmi Bosai's products are manufactured under a strict quality control system. Evidence of our commitment to quality is the certification of our Menuma factory under ISO 9001—an internationally recognized standard for quality systems.

Installation

After designing an appropriate fire protection system, our specialists install the new system. Nohmi Bosai's abundant experience in installing fire protection systems ensures that work proceeds quickly and smoothly.

Commissioning



The commissioning stage is vital. At project completion, our specialists conduct a thorough inspection of the newly installed fire protection system to ensure that all fire alarm and extinguishing systems are working properly. The results of this inspection are then explained to the customer.

Maintenance

Nohmi Bosai's maintenance services give customers extra safety assurance. We ensure that existing systems work properly. Also, we check the appropriateness of existing systems in the event of a change in the occupancy or installation conditions of a building.

Performance 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 and business results for fiscal 2018 is shown below.

With regard to the Nohmi Bosai Group's business results for the fiscal year under review, we proactively promoted respective key measures of the medium-term business plan during its second year. As a result, the Nohmi Bosai Group posted increases in both net sales and operating income. A summary of business results by segment is as follows.

Net sales in the Fire Alarm Systems segment increased ¥3,309 million, or 9.6%, from the previous year to ¥37,642 million due mainly to increases in sales from installation work and product sales.

In the Fire Extinguishing Systems segment, net sales increased ¥5,425 million, or 17.0%, from the previous year to ¥37,328 million. The primary factor for this increase is that although revenue from fire extinguishing systems for general properties such as high-rise buildings decreased, revenue from systems used in special facilities that include industrial plants as well as from systems used in road tunnels increased.

Net sales in the Maintenance Services segment were up ¥808 million, or 3.4%, from the previous year to ¥24,890 million, due mainly to increases in revenues from both maintenance and inspection services and repair/renewal services.

For other businesses, net sales increased ¥162 million, or 3.2%, from the previous year to ¥5,172 million despite a decrease in revenue from parking lot driving lane control systems.

Consequently, consolidated net sales increased ¥9,704 million, or 10.2%, from the previous year to ¥105,032 million.

The cost-of-sales ratio improved 0.2 percentage point from the previous fiscal year to 66.1% as a result of ongoing efforts to reduce expenses and costs despite a harsh business environment.

Gross profit was up ¥3,488 million, or 10.9%, from the previous year to ¥35,584 million, and the gross profit margin increased 0.2 percentage point from the previous year to 33.9%.

Although selling, general and administrative (SG&A) expenses increased ¥796 million, the SG&A expenses-to-net-sales ratio improved by 1.4 percentage points from the previous fiscal year to 21.6%.

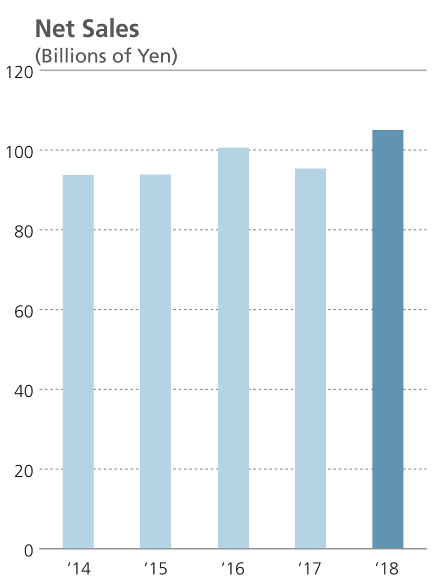
As a result of these factors, operating income increased 26.4% from the previous year to ¥12,882 million. Net income attributable to owners of the parent increased 31.6% year-on-year to ¥9,136 million. Net income per share was ¥151.51.

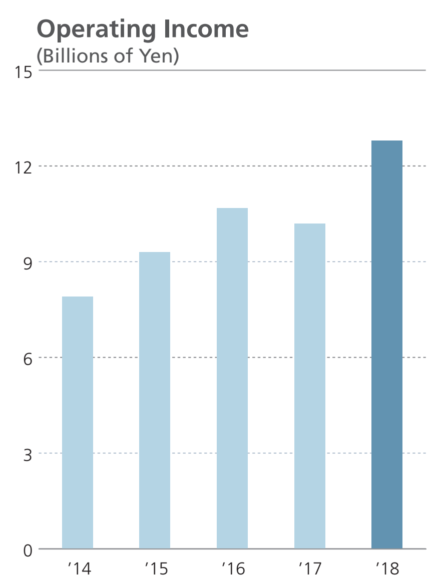
Assets, Liabilities and Net Assets

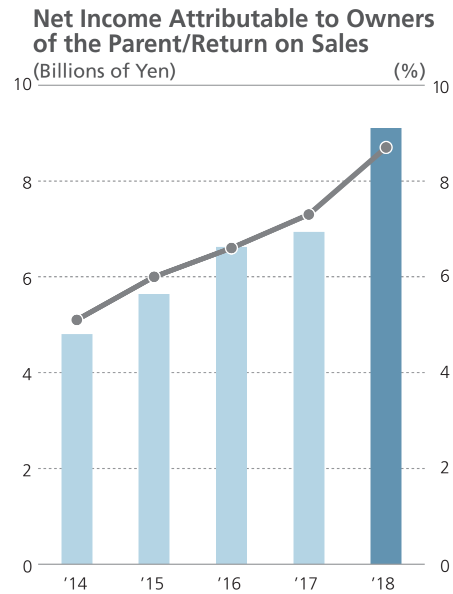
Total assets at the end of fiscal 2018 amounted to ¥122,618 million, up ¥8,524 million from the previous fiscal year-end. This was mainly attributable to an increase of ¥8,310 million in trade receivables and an increase of ¥3,561 million in buildings and structures despite a decrease of ¥3,604 million in cash and bank deposits and a decrease of ¥3,448 million in construction in progress.

Total liabilities increased ¥288 million from the end of the previous fiscal year to ¥38,934 million. This increase is due primarily to an increase of ¥346 million in long-term debt and an increase of ¥219 million in provision for losses on construction contracts despite a decrease of ¥452 million in non-trade accounts payable.

Total net assets increased ¥8,236 million from the end of the previous fiscal year to ¥83,684 million attributable mainly to an







increase in retained earnings.

Net assets per share rose to ¥1,362.16 from ¥1,226.58 per share at the end of the previous fiscal year.

Cash Flow

Cash and cash equivalents at the end of fiscal 2018 totaled ¥31,892 million, a decrease of ¥3,320 million from the end of the previous fiscal year. Details for each category of cash flows are as follows.

Net cash provided by operating activities

Despite such outflows as an increase in trade receivables of ¥8,007 million, income taxes paid of ¥4,631 million and an increase in inventories of ¥1,692 million, such inflows as income before income taxes of ¥13,188 million and depreciation and amortization of ¥1,671 million resulted in net cash provided by operating activities of ¥1,706 million compared with ¥12,532 million in the previous fiscal year.

Net cash used in investing activities

Net cash used in investing activities amounted to ¥3,423 million compared with ¥4,210 million in the previous fiscal year, consisting mainly of payments for purchase of property, plant and equipment.

Net cash used in financing activities

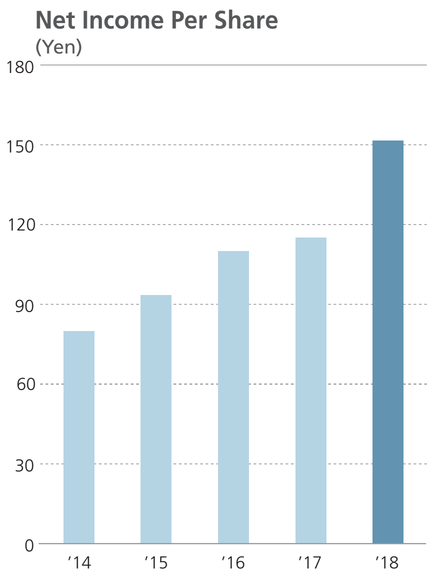
Net cash used in financing activities amounted to ¥1,631 million compared with ¥1,570 million in the previous fiscal year, consisting mainly of cash dividends paid.

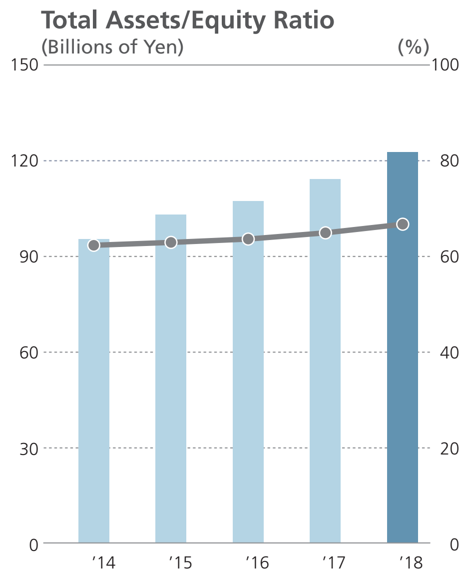
Outlook for Fiscal 2019

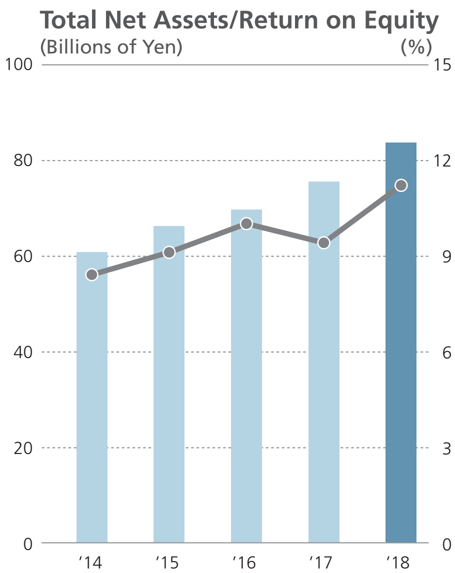
The Nohmi Bosai Group formulated the medium-term business plan "Project 30—Evolution toward Next-Generation Fire Protection," which is being implemented for three years from fiscal 2017. In fiscal 2019, ending March 2019, the plan's final year, we aim to maximize corporate value.

For fiscal 2019, we are projecting consolidated net sales of ¥110,000 million, operating income of ¥13,150 million and net income attributable to owners of the parent of ¥9,150 million.

Regarding cash dividends, we plan to declare annual dividends per share of ¥32.00, which include an interim dividend of ¥16.00 per share and a year-end dividend per share of ¥16.00.







Risk Information

The key risks that could have an adverse impact on the Nohmi Bosai Group's financial condition and business results are as follows:

(1) Business Environment

The Nohmi Bosai Group's businesses are closely associated with the construction industry and public works projects. 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 could have an adverse impact on the Nohmi Bosai Group's financial condition and business results.

(3) 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.

(4) Credit Risk of Business Partners

Credit risk of business partners could have an adverse impact on the Nohmi Bosai Group's financial condition and business results.

(5) Procurement of Raw Materials

Sharp rises in prices of raw materials or supply shortages of certain raw materials could have an adverse impact on the Nohmi Bosai Group's financial condition and business results.

(6) Asset Holding Risks

The Nohmi Bosai Group holds assets such as real estate and securities. Accordingly, a significant drop in the market value of these assets could have an adverse impact on the Nohmi Bosai Group's financial condition and business results.

(7) Retirement Benefit Expenses and Liabilities

The Nohmi Bosai Group's employee retirement benefit expenses and liabilities are calculated based on expected rates of return on pension assets as well as assumptions upon making actuarial calculations that incorporate discount rates and other factors. Accordingly, a drop in market value of pension assets or significant changes in the assumptions for calculating retirement benefit expenses and liabilities could have an adverse impact on the Nohmi Bosai Group's financial condition and business results.

(8) Effects of Natural Disasters

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.

Consolidated Balance Sheets

Nohmi Bosai Ltd. and Subsidiaries
As of March 31, 2017 and 2018

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	**2018**	**2018**
Current Assets:			
Cash and bank deposits (Notes 5 and 12)	¥ 36,978	**¥ 33,374**	**$ 314,138**
Trade receivables (Notes 12 and 18):			
Notes	7,089	**8,322**	**78,332**
Accounts	23,111	**30,197**	**284,234**
Unconsolidated subsidiaries and affiliates	85	**76**	**715**
	30,285	**38,595**	**363,281**
Less: Allowance for bad debts	(359)	**(359)**	**(3,379)**
	29,926	**38,236**	**359,902**
Inventories (Note 8)	13,387	**15,326**	**144,258**
Deferred tax assets (Note 13)	2,157	**2,399**	**22,581**
Prepaid expenses and other current assets	755	**957**	**9,008**
Total current assets	83,203	**90,292**	**849,887**
Property, Plant and Equipment (Notes 7 and 9):			
Buildings and structures	12,875	**16,436**	**154,706**
Machinery and equipment	2,305	**2,489**	**23,428**
Tools and furniture	7,141	**8,084**	**76,092**
	22,321	**27,009**	**254,226**
Less: Accumulated depreciation	(14,159)	**(14,433)**	**(135,853)**
	8,162	**12,576**	**118,373**
Construction in progress	3,514	**66**	**632**
Land	6,951	**7,018**	**66,058**
Net property, plant and equipment	18,627	**19,660**	**185,053**
Intangible Assets:			
Software	1,124	**1,341**	**12,622**
Goodwill	—	**55**	**518**
Other intangible assets	69	**69**	**649**
Total intangible assets	1,193	**1,465**	**13,789**
Investments and Other Assets:			
Investments in securities (Notes 6 and 12)	2,595	**2,570**	**24,191**
Investments in unconsolidated subsidiaries and affiliates (Note 12)	3,051	**3,158**	**29,725**
Long-term loans receivable (Note 12)	39	**13**	**122**
Deferred tax assets (Note 13)	2,819	**2,707**	**25,480**
Other assets (Note 5)	2,630	**2,809**	**26,440**
	11,134	**11,257**	**105,958**
Less: Allowance for bad debts	(63)	**(56)**	**(527)**
Total investments and other assets	11,071	**11,201**	**105,431**
Total assets	¥114,094	**¥122,618**	**$ 1,154,160**

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	**2018**	**2018**
Current Liabilities:			
Short-term debt (Notes 9 and 12)	¥ 18	**¥ 30**	**$ 282**
Trade payables (Notes 12 and 18):			
Notes	1,381	**1,532**	**14,420**
Accounts	2,294	**2,170**	**20,425**
Electronically recorded obligations	2,907	**3,240**	**30,497**
Unconsolidated subsidiaries and affiliates	2,580	**2,379**	**22,393**
	9,162	**9,321**	**87,735**
Non-trade accounts payable (Note 12)	7,094	**6,642**	**62,519**
Advances received on uncompleted construction contracts	4,705	**4,770**	**44,898**
Accrued bonuses to employees	2,907	**3,096**	**29,142**
Provision for product warranties	10	**16**	**151**
Provision for warranties for completed construction contracts	51	**46**	**433**
Income taxes payable (Note 12)	3,098	**2,841**	**26,741**
Provision for losses on construction contracts	640	**859**	**8,085**
Provision for demolition costs	71	**—**	**—**
Other current liabilities	1,573	**1,805**	**16,991**
Total current liabilities	29,329	**29,426**	**276,977**
Long-term Liabilities:			
Long-term debt (Note 9)	391	**737**	**6,937**
Liability for retirement benefits (Note 10)	8,055	**7,814**	**73,550**
Directors' and Audit & Supervisory Board members' retirement benefits	487	**602**	**5,666**
Provision for product warranties	276	**244**	**2,297**
Other long-term liabilities	14	**15**	**141**
Asset retirement obligations	93	**96**	**904**
Total long-term liabilities	9,316	**9,508**	**89,495**
Total liabilities	38,645	**38,934**	**366,472**
Contingent liabilities (Note 14)			
Net Assets (Note 15)			
Shareholders' Equity:			
Common stock:			
Authorized: 160,000,000 shares at March 31, 2017 and 2018			
Issued: 60,832,771 shares at March 31, 2017 and 2018	13,302	**13,302**	**125,207**
Capital surplus	12,870	**12,870**	**121,141**
Retained earnings	48,110	**55,825**	**525,461**
Less: Treasury stock, at cost			
533,132 shares and 533,251 shares at March 31, 2017 and 2018, respectively	(279)	**(279)**	**(2,626)**
Total shareholders' equity	74,003	**81,718**	**769,183**
Accumulated Other Comprehensive Income (Note 16):			
Unrealized gains (losses) on securities, net of taxes	807	**830**	**7,812**
Foreign currency translation adjustments	428	**508**	**4,782**
Accumulated adjustments for retirement benefits, net of taxes (Note 10)	(1,275)	**(919)**	**(8,650)**
Total accumulated other comprehensive income	(40)	**419**	**3,944**
Non-controlling interests	1,486	**1,547**	**14,561**
Total net assets	75,449	**83,684**	**787,688**
Total liabilities and net assets	¥114,094	**¥122,618**	**$ 1,154,160**

Consolidated Statements of Income

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2016, 2017 and 2018

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2016	2017	**2018**	**2018**
Net Sales (Note 17)	¥100,666	¥ 95,328	**¥105,032**	**$ 988,630**
Cost of Sales (Note 17)	68,549	63,232	**69,448**	**653,690**
Gross profit	32,117	32,096	**35,584**	**334,940**
Selling, General and Administrative Expenses (Note 11)	21,443	21,906	**22,702**	**213,686**
Operating income	10,674	10,190	**12,882**	**121,254**
Other Income (Expenses):				
Interest income	46	38	**32**	**301**
Interest expense	(2)	(3)	**(4)**	**(38)**
Dividend income	43	55	**53**	**499**
Subsidy income	—	—	**60**	**565**
Dividend on insurance policies	24	5	**8**	**75**
Insurance return	24	4	**10**	**94**
Rental revenue	49	51	**49**	**461**
Rental expense	(36)	(25)	**(25)**	**(235)**
Equity in earnings of affiliates	110	153	**117**	**1,101**
Cash discounts	(86)	(84)	**(101)**	**(951)**
Foreign exchange gains (losses)	(25)	10	**(31)**	**(292)**
Commitment fee	(45)	(7)	**(7)**	**(66)**
Gain on sales of investments in securities	4	8	**102**	**960**
Gain (Loss) on sales/disposals of property, plant and equipment	(39)	(21)	**89**	**838**
Loss on devaluation of investments in securities	(222)	(70)	**—**	**—**
Loss on sales of investments in capital of subsidiaries and affiliates	—	—	**(69)**	**(649)**
Impairment loss on fixed assets (Note 7)	—	(48)	**—**	**—**
Loss on liquidation of subsidiaries and affiliates	—	(30)	**(8)**	**(75)**
Others, net	54	38	**31**	**292**
	(101)	74	**306**	**2,880**
Income before income taxes	10,573	10,264	**13,188**	**124,134**
Income Taxes (Note 13):				
Current	3,890	3,560	**4,346**	**40,907**
Deferred	1	(304)	**(319)**	**(3,002)**
	3,891	3,256	**4,027**	**37,905**
Net income	6,682	7,008	**9,161**	**86,229**
Net income attributable to non-controlling interests	(48)	(65)	**(25)**	**(235)**
Net income attributable to owners of the parent	¥ 6,634	¥ 6,943	**¥ 9,136**	**$ 85,994**

	Yen			U.S. Dollars (Note 1)
Per Share:				
Net income	¥ 110.01	¥ 115.13	**¥ 151.51**	**$ 1.43**
Net assets	1,128.22	1,226.58	**1,362.16**	**12.82**
Cash dividends	22.00	24.00	**28.50**	**0.27**
Weighted Average Number of Shares Issued (in thousands)	60,300	60,300	**60,300**	**—**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2016, 2017 and 2018

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2016	2017	**2018**	**2018**
Net Income	¥ 6,682	¥ 7,008	**¥ 9,161**	**$ 86,229**
Other Comprehensive Income (Note 16):				
Unrealized gains (losses) on securities, net of taxes	(390)	142	**21**	**198**
Foreign currency translation adjustments	(199)	(306)	**121**	**1,139**
Adjustments for retirement benefits, net of taxes	(1,472)	344	**356**	**3,351**
Share of other comprehensive income of affiliates accounted for under the equity method	(2)	3	**2**	**18**
Total other comprehensive income	(2,063)	183	**500**	**4,706**
Comprehensive income	¥ 4,619	¥ 7,191	**¥ 9,661**	**$ 90,935**
Total Comprehensive Income Attributable to:				
Owners of the parent	¥ 4,647	¥ 7,253	**¥ 9,595**	**$ 90,314**
Non-controlling interests	(28)	(62)	**66**	**621**

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, 2016, 2017 and 2018

	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 (losses) 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, 2015	60,832	¥13,302	¥12,880	¥37,053	¥ (278)	¥62,957	¥ 1,054	¥ 730	¥ (147)	¥1,637	¥ 1,628	¥66,222
Net income attributable to owners of the parent				6,634		6,634						6,634
Cash dividends paid				(1,208)		(1,208)						(1,208)
Acquisition of treasury stock					(1)	(1)						(1)
Net changes during the year	—	—	—	—	—	—	(392)	(124)	(1,472)	(1,988)	(31)	(2,019)
Total changes of items during the period	—	—	—	5,426	(1)	5,425	(392)	(124)	(1,472)	(1,988)	(31)	3,406
Balance at March 31, 2016	60,832	¥13,302	¥12,880	¥42,479	¥ (279)	¥68,382	¥ 662	¥ 606	¥(1,619)	¥ (351)	¥ 1,597	¥69,628
Cumulative effects of change in accounting policies				199		199						199
Restated balance at April 1, 2016	60,832	¥13,302	¥12,880	¥42,678	¥ (279)	¥68,581	¥ 662	¥ 606	¥(1,619)	¥ (351)	¥1,597	¥69,827
Net income attributable to owners of the parent				6,943		6,943						6,934
Cash dividends paid				(1,511)		(1,511)						(1,511)
Acquisition of treasury stock					(0)	(0)						(0)
Purchase of shares of consolidated subsidiaries			(10)			(10)						(10)
Net changes during the year	—	—	—	—	—	—	145	(178)	344	311	(111)	200
Total changes of items during the period	—	—	(10)	5,432	(0)	5,422	145	(178)	344	311	(111)	5,622
Balance at March 31, 2017	**60,832**	**¥13,302**	**¥12,870**	**¥48,110**	**¥ (279)**	**¥74,003**	**¥ 807**	**¥ 428**	**¥(1,275)**	**¥ (40)**	**¥ 1,486**	**¥75,449**
Net income attributable to owners of the parent				**9,136**		**9,136**						**9,136**
Cash dividends paid				**(1,421)**		**(1,421)**						**(1,421)**
Acquisition of treasury stock					**(0)**	**(0)**						**(0)**
Net changes during the year	**—**	**—**	**—**	**—**	**—**	**—**	**23**	**80**	**356**	**459**	**61**	**520**
Total changes of items during the period	**—**	**—**	**—**	**7,715**	**(0)**	**7,715**	**23**	**80**	**356**	**459**	**61**	**8,235**
Balance at March 31, 2018	**60,832**	**¥13,302**	**¥12,870**	**¥55,825**	**¥ (279)**	**¥81,718**	**¥ 830**	**¥ 508**	**¥ (919)**	**¥ 419**	**¥ 1,547**	**¥83,684**

	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 (losses) 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, 2017	**$125,207**	**$121,141**	**$452,843**	**$(2,626)**	**$696,565**	**$ 7,596**	**$ 4,029**	**$ (12,002)**	**$ (377)**	**$ 13,987**	**$710,175**
Net income attributable to owners of the parent			**85,994**		**85,994**						**85,994**
Cash dividends paid			**(13,376)**		**(13,376)**						**(13,376)**
Acquisition of treasury stock				**(0)**	**(0)**						**(0)**
Net changes during the year	**—**	**—**	**—**	**—**	**—**	**216**	**753**	**3,352**	**4,321**	**574**	**4,895**
Total changes of items during the period	**—**	**—**	**72,618**	**(0)**	**72,618**	**216**	**753**	**3,352**	**4,321**	**574**	**77,513**
Balance at March 31, 2018	**$125,207**	**$121,141**	**$525,461**	**$(2,626)**	**$769,183**	**$ 7,812**	**$ 4,782**	**$ (8,650)**	**$ 3,944**	**$ 14,561**	**$787,688**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2016, 2017 and 2018

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2016	2017	**2018**	**2018**
Cash Flows from Operating Activities:				
Income before income taxes	¥ 10,573	¥ 10,264	**¥ 13,188**	**$ 124,134**
Adjustments for:				
Depreciation and amortization	1,223	1,397	**1,671**	**15,729**
Impairment loss on fixed assets	—	48	**—**	**—**
Amortization of goodwill	—	—	**3**	**28**
Decrease in allowance for bad debts	(42)	(1)	**(18)**	**(169)**
Increase in liability for retirement benefits	108	415	**273**	**2,570**
Increase (decrease) in directors' and Audit & Supervisory Board members' retirement benefits	(95)	18	**69**	**649**
Increase (decrease) in accrued bonuses	89	(116)	**188**	**1,770**
Decrease in provision for product warranties	(26)	(83)	**(26)**	**(245)**
Increase (decrease) in provision for demolition costs	93	(22)	**(71)**	**(668)**
Decrease in provision for warranties for completed construction contracts	(5)	(4)	**(5)**	**(47)**
Increase (decrease) in provision for losses on construction contracts	(34)	186	**219**	**2,061**
Interest and dividend income	(89)	(93)	**(85)**	**(800)**
Insurance return	(24)	(4)	**(10)**	**(94)**
Interest expenses	2	3	**4**	**38**
Equity in earnings of affiliates	(110)	(153)	**(117)**	**(1,101)**
Loss (gain) on sales/disposal of property, plant and equipment	39	21	**(89)**	**(838)**
Loss on devaluation of investments in securities	222	70	**—**	**—**
Loss on liquidation of subsidiaries and affiliates	—	30	**8**	**75**
Loss on sales of investments in capital of subsidiaries and affiliates	—	—	**69**	**649**
Gain on sales of investments in securities	(4)	(8)	**(102)**	**(960)**
Decrease (increase) in trade receivables	(1,559)	3,472	**(8,007)**	**(75,367)**
Decrease (increase) in inventories	2,291	(259)	**(1,692)**	**(15,926)**
Increase (decrease) in trade payables	(1,073)	(25)	**522**	**4,913**
Increase (decrease) in advances received on uncompleted construction contracts	(852)	1,127	**56**	**527**
Others, net	757	(15)	**212**	**1,995**
Subtotal	11,484	16,268	**6,260**	**58,923**
Interest and dividend income received	77	89	**81**	**763**
Interest expenses paid	(2)	(3)	**(4)**	**(38)**
Income taxes paid	(4,050)	(3,822)	**(4,631)**	**(43,590)**
Net cash provided by operating activities	7,509	12,532	**1,706**	**16,058**
Cash Flows from Investing Activities:				
Decrease (increase) in time deposits	72	(168)	**473**	**4,452**
Payments into long-term deposits	(184)	—	**—**	**—**
Proceeds from withdrawal of long-term deposits	129	—	**—**	**—**
Payments for purchase of property, plant and equipment	(4,652)	(3,338)	**(3,871)**	**(36,436)**
Proceeds from sales of property, plant and equipment	44	38	**211**	**1,986**
Payments for purchase of investments in securities	(204)	(600)	**(76)**	**(715)**
Proceeds from sales of investments in securities	18	9	**200**	**1,883**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	—	**277**	**2,607**
Payments for loans receivable	(4)	(22)	**(560)**	**(5,271)**
Proceeds from loans receivable	40	54	**184**	**1,732**
Proceeds from cancellation of insurance contracts	100	15	**53**	**499**
Others, net	(115)	(198)	**(314)**	**(2,956)**
Net cash used in investing activities	(4,756)	(4,210)	**(3,423)**	**(32,219)**
Cash Flows from Financing Activities:				
Net decrease in short-term debt	—	—	**(169)**	**(1,591)**
Repayment of long-term debt	—	—	**(6)**	**(56)**
Repayments of bonds	—	—	**(30)**	**(282)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(53)	**—**	**—**
Cash dividends paid	(1,208)	(1,511)	**(1,421)**	**(13,376)**
Cash dividends paid to non-controlling shareholders	(3)	(5)	**(5)**	**(47)**
Payments for purchase of treasury stock	(1)	(0)	**(0)**	**(0)**
Others, net	(1)	(1)	**(0)**	**(0)**
Net cash used in financing activities	(1,213)	(1,570)	**(1,631)**	**(15,352)**
Effect of exchange rate changes on cash and cash equivalents	(45)	(85)	**28**	**263**
Net increase (decrease) in cash and cash equivalents	1,495	6,667	**(3,320)**	**(31,250)**
Cash and cash equivalents at beginning of year	27,050	28,545	**35,212**	**331,438**
Cash and cash equivalents at end of year (Note 5)	¥ 28,545	¥ 35,212	**¥ 31,892**	**$ 300,188**

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2016, 2017 and 2018

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, 2018, which is ¥106.24 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 25 and 24 subsidiaries at March 31, 2017 and 2018, respectively.

The consolidated financial statements include the accounts of the Company and 19 and 20 subsidiaries at March 31, 2017 and 2018, respectively.

The 20 subsidiaries which have been consolidated with the Company at March 31, 2018 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.	81.8%
System Service Co., Ltd.	100.0%
Nohmi Taiwan Ltd.	96.3%
Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd.	60.0%

System Service Co., Ltd. became a consolidated subsidiary during the year ended March 31, 2018 because the Company acquired additional shares.

The accounts of the remaining 6 and 4 unconsolidated subsidiaries at March 31, 2017 and 2018, respectively, 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, 2017 and 2018, 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 (6 in 2017) 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 (6 in 2017) 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) Provision for Demolition Costs

Provision for demolition costs is provided at the estimated amount for expenditures on demolition of buildings if those expenditures are judged to be probable at the balance sheet date and reasonable estimation of the amounts of such expenditures is possible.

(14) Accounting for Leases

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

(15) Revenue Recognition for Construction Contracts

The percentage-of-completion method is applied to construction contracts, commencing on or after April 1, 2009, 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, 2016, the percentage-of-completion method has been applied to certain other construction contracts since reliable estimates can be made as a result of the Company's strengthened cost management system.

As a result, net sales increased by ¥3,940 million and operating income and income before income taxes increased by ¥1,277 million for the year ended March 31, 2016 compared to the amounts under the previous method.

(16) 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.

(17) 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.

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

Retirement benefits for directors and Audit & Supervisory Board members are provided for at an amount calculated based upon internal rules at the balance sheet date.

(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. Changes in Accounting Policies

Revised Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the year ended March 31, 2017, the Company and its consolidated subsidiaries adopted the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued on March 28, 2016 (hereinafter, "Guidance No. 26")) and made some changes to the accounting treatment related to recoverability of deferred tax assets.

Guidance No. 26 was adopted with the provision on transitional implementation stipulated in paragraph 49(4) of Guidance No. 26, and the difference between a) the amounts of deferred tax assets and deferred tax liabilities calculated with application of paragraph 49(3)(i) to (iii) of Guidance No. 26 as of April 1, 2016, the beginning of the fiscal year ended March 31, 2017, and b) the amounts of deferred tax assets and deferred tax liabilities as of March 31, 2016, the end of the previous fiscal year, were included in retained earnings as of the beginning of the fiscal year ended March 31, 2017.

As a result of the adoption, deferred tax assets included in (investments and other assets) increased by ¥199 million and retained earnings increased by the same amount as of April 1, 2016.

Accordingly, retained earnings in the consolidated statement of changes in net assets also increased by ¥199 million as of April 1, 2016.

4. Accounting Standard Issued But Not Yet Adopted

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 30, 2018) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30 issued, on March 30, 2018)

(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 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 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 dates

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. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2016, 2017 and 2018 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2016	2017	**2018**	**2018**
Cash and bank deposits	¥ 28,192	¥ 36,978	**¥ 33,374**	**$ 314,138**
Short-term investments	2,000	—	**—**	**—**
Long-term deposit	184	167	**—**	**—**
Total	30,376	37,145	**33,374**	**314,138**
Time deposits with deposit terms of over three months	(1,831)	(1,933)	**(1,482)**	**(13,950)**
Cash and cash equivalents	¥ 28,545	¥ 35,212	**¥ 31,892**	**$ 300,188**

6. Securities

The following tables summarize the acquisition costs and book value/fair value of securities with available fair values as of March 31, 2017 and 2018.

Available-for-sale securities

Securities with book value exceeding acquisition costs

	Millions of Yen 2017		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	¥ 2,164	¥ 1,112	¥ 1,052

	Millions of Yen **2018**		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	**¥ 2,135**	**¥ 1,016**	**¥ 1,119**

	Thousands of U.S. Dollars **2018**		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	**$ 20,096**	**$ 9,563**	**$ 10,533**

Securities with book value not exceeding acquisition cost

	Millions of Yen 2017		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	¥ 124	¥ 165	¥ (41)

	Millions of Yen **2018**		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	**¥ 128**	**¥ 172**	**¥ (44)**

	Thousands of U.S. Dollars **2018**		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	**$ 1,205**	**$ 1,619**	**$ (414)**

The following tables summarize book value of securities with no available fair values as of March 31, 2017 and 2018.

Available-for-sale securities

	Millions of Yen		Thousands of U.S. Dollars
	2017	**2018**	**2018**
Non-listed equity securities	¥ 307	**¥ 307**	**$ 2,890**

A summary of other securities sold in the years ended March 31, 2017 and 2018 is shown below:

	Millions of Yen		Thousands of U.S. Dollars
	2017	**2018**	**2018**
Total amount of sales	—	**¥ 96**	**$ 904**
Total amount of gains on sales	—	**¥ 102**	**$ 960**
Total amount of losses on sales	—	**—**	**—**

7. Impairment Loss on Fixed Assets

For the Year Ended March 31, 2017

The Company and its consolidated subsidiaries have recognized impairment losses of ¥48 million for the year ended March 31, 2017:

Use	Location	Category
Idle properties	Shiroi-city, Chiba Prefecture	Land, Buildings and structures

The Company and its consolidated subsidiaries classify assets or asset groups based on each branch office for business properties or based on each individual asset for rental properties and idle properties.

The Company and its consolidated subsidiaries recognized impairment losses amounting to ¥48 million on the idle properties since they are unlikely to be used in the future. The breakdown of impairment losses on the idle properties is land of ¥40 million and buildings and structures of ¥8 million. The recoverable amount was measured by the net realizable value based on disposal value.

8. Inventories

Inventories as of March 31, 2017 and 2018 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	**2018**	**2018**
Products	¥ 3,221	**¥ 3,146**	**$ 29,612**
Raw materials	3,477	**3,603**	**33,914**
Work in progress	1,094	**1,040**	**9,789**
Cost of construction contracts in progress	5,595	**7,537**	**70,943**
	¥ 13,387	**¥ 15,326**	**$ 144,258**

9. Short-term Debt and Long-term Debt

Short-term debt at March 31, 2018 bore interest at an annual average rate of 1.00% and was represented generally by bank overdrafts and short-term notes maturing at various dates within one year.

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

Long-term debt at March 31, 2017 and 2018 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	**2018**	**2018**
Collateralized 1.50% long-term borrowings due in 2022	¥ —	**¥ 83**	**$ 781**
Unsecured 0.26% domestic standard bonds due in 2021	—	**70**	**659**
Unsecured 0.25% domestic standard bonds due in 2021	—	**70**	**659**
Unsecured 0.31% domestic standard bonds due in 2023	—	**39**	**366**
Unsecured 0.40% domestic standard bonds due in 2024	—	**26**	**245**
Unsecured 0.29% domestic standard bonds due in 2022	—	**40**	**377**
Guarantee deposits received	391	**409**	**3,850**
	391	**737**	**6,937**
Less-portion due within one year	—	**—**	**—**
Total long-term debt	¥ 391	**¥ 737**	**$ 6,937**

The average interest rate of 0.51% as of March 31, 2018 represents the weighted-average rate applicable to the year-end balance.

The annual maturities and the aggregate annual maturities of long-term debt as of March 31, 2018 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
2019	**¥ —**	**$ —**
2020	**168**	**1,581**
2021	**80**	**753**
2022	**56**	**527**
2023 and thereafter	**24**	**226**
Total	**¥ 328**	**$ 3,087**

As of March 31, 2018, the following assets are pledged as collateral for long-term borrowings:

	Millions of Yen	Thousands of U.S. Dollars
Building and structures	**¥ 13**	**$ 122**
Land	**100**	**941**
Total	**¥ 113**	**$ 1,063**

10. Accrued Retirement Benefits

The Company and its consolidated subsidiaries provide defined benefit plans, defined contribution plans and lump-sum payment plans. In addition, from the year ended March 31, 2017, 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 15 (14 in 2017) consolidated subsidiaries provide lump-sum payment plans, and pension plans that are individually structured by each company as of March 31, 2018.

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
	2017	**2018**	**2018**
Projected benefit obligations at beginning of year	¥ 15,141	**¥ 15,620**	**$ 147,026**
Service costs	797	**809**	**7,615**
Interest expenses	61	**63**	**593**
Actuarial losses (gains)	29	**46**	**433**
Retirement benefits paid	(408)	**(531)**	**(4,999)**
Projected benefit obligations at end of year	¥ 15,620	**¥ 16,007**	**$ 150,668**

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
	2017	**2018**	**2018**
Plan assets at beginning of year	¥ 7,399	**¥ 7,976**	**$ 75,075**
Expected return on plan assets	185	**199**	**1,873**
Actuarial gains (losses)	165	**240**	**2,259**
Employer contributions	499	**484**	**4,556**
Retirement benefits paid	(272)	**(363)**	**(3,417)**
Plan assets at end of year	¥ 7,976	**¥ 8,536**	**$ 80,346**

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
	2017	**2018**	**2018**
Liability for retirement benefits at beginning of year	¥ 394	**¥ 411**	**$ 3,869**
Net pension and employees' severance costs	102	**47**	**442**
Retirement benefits paid	(30)	**(63)**	**(593)**
Employer contributions to the plan	(55)	**(57)**	**(537)**
Liability for retirement benefits at end of year	¥ 411	**¥ 338**	**$ 3,181**

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
	2017	**2018**	**2018**
Projected benefit obligations (funded)	¥ 11,099	**¥ 11,367**	**$ 106,994**
Plan assets	(8,558)	**(9,169)**	**(86,305)**
	2,541	**2,198**	**20,689**
Projected benefit obligations (unfunded)	5,514	**5,611**	**52,814**
Total net liability for retirement benefits on the consolidated balance sheets	¥ 8,055	**¥ 7,809**	**$ 73,503**
Liability for retirement benefits	¥ 8,055	**¥ 7,814**	**$ 73,550**
Asset for retirement benefits	—	**(5)**	**(47)**
Total net liability for retirement benefits on the consolidated balance sheets	¥ 8,055	**¥ 7,809**	**$ 73,503**

The components of net pension and employees' severance costs for the years ended March 31, 2016, 2017 and 2018 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2016	2017	**2018**	**2018**
Service costs	¥ 659	¥ 797	**¥ 809**	**$ 7,615**
Interest expenses	183	61	**63**	**593**
Expected return on plan assets	(188)	(185)	**(199)**	**(1,873)**
Recognized actuarial differences	100	361	**319**	**3,003**
Net pension and employees' severance costs calculated using the simplified method	87	102	**47**	**442**
Net periodic benefit costs	¥ 841	¥ 1,136	**¥ 1,039**	**$ 9,780**

The components of adjustments for retirement benefits in other comprehensive income (before applicable tax effects) for the years ended March 31, 2016, 2017 and 2018 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2016	2017	**2018**	**2018**
Actuarial losses (gains)	¥(2,116)	¥ 496	**¥ 513**	**$ 4,829**
Total	¥(2,116)	¥ 496	**¥ 513**	**$ 4,829**

The components of accumulated adjustments for retirement benefits in accumulated other comprehensive income (before applicable tax effects) as of March 31, 2017 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	**2018**	**2018**
Unrecognized actuarial differences	¥ 1,837	**¥ 1,324**	**$ 12,462**
Total	¥ 1,837	**¥ 1,324**	**$ 12,462**

Breakdown of plan assets as of March 31, 2017 and 2018 was as follows:

	2017	**2018**
Equity securities	36%	**36%**
General accounts	35	**34**
Bonds	27	**28**
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, 2016, 2017 and 2018 were as follows:

	2016	2017	2018
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, 2016, 2017 and 2018 was ¥12 million, ¥11 million and ¥12 million ($113 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, 2017 and 2018 was ¥470 million and ¥497 million ($4,678 thousand), respectively.

11. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2016, 2017 and 2018 were ¥1,868 million, ¥1,782 million and ¥2,064 million ($19,428 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 and long-term loans receivable to customers are exposed to customers' credit risk. With respect to receivables, in order to control customers' credit risk, the balance of receivables and payment date of each customer are monitored. Investments in securities comprise equities of customer-related business or capital tie-ups, and are exposed to the issuer's credit risk and market price fluctuation risk. However, investments in securities are managed by monitoring market values and the financial position of issuers on a regular basis.

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, 2017 and 2018 was as follows:

	Millions of Yen		
	2017		
	Carrying amount	Fair value	Unrecognized gain (loss)
Cash and bank deposits	¥ 36,978	¥ 36,978	¥ —
Trade receivables	30,285	30,285	—
Investments in securities	2,288	2,288	—
Long-term loan receivable	39	39	0
Total	¥ 69,590	¥ 69,590	¥ 0
Trade payables	¥ 9,162	¥ 9,162	¥ —
Short-term debt	18	18	—
Non-trade accounts payable	7,094	7,094	—
Income taxes payable	3,098	3,098	—
Total	¥ 19,372	¥ 19,372	¥ —

	Millions of Yen		
	2018		
	Carrying amount	Fair value	Unrecognized gain (loss)
Cash and bank deposits	**¥ 33,374**	**¥ 33,374**	**¥ —**
Trade receivables	**38,595**	**38,595**	**—**
Investments in securities	**2,263**	**2,263**	**—**
Long-term loan receivable	**13**	**13**	**0**
Total	**¥ 74,245**	**¥ 74,245**	**¥ 0**
Trade payables	**¥ 9,321**	**¥ 9,321**	**¥ —**
Short-term debt	**30**	**30**	**—**
Non-trade accounts payable	**6,642**	**6,642**	**—**
Income taxes payable	**2,841**	**2,841**	**—**
Bonds	**245**	**245**	**(0)**
Long-term debt	**83**	**82**	**(1)**
Total	**¥ 19,162**	**¥ 19,161**	**¥ (1)**

	Thousands of U.S. Dollars		
	2018		
	Carrying amount	Fair value	Unrecognized gain (loss)
Cash and bank deposits	**$ 314,138**	**$ 314,138**	**$ —**
Trade receivables	**363,281**	**363,281**	**—**
Investments in securities	**21,301**	**21,301**	**—**
Long-term loan receivable	**122**	**122**	**0**
Total	**$ 698,842**	**$ 698,842**	**$ 0**
Trade payables	**$ 87,735**	**$ 87,735**	**$ —**
Short-term debt	**282**	**282**	**—**
Non-trade accounts payable	**62,519**	**62,519**	**—**
Income taxes payable	**26,741**	**26,741**	**—**
Bonds	**2,306**	**2,306**	**(0)**
Long-term debt	**781**	**772**	**(9)**
Total	**$ 180,364**	**$ 180,355**	**$ (9)**

1. Calculation methods of fair value of financial instruments and matters concerning derivative transactions:

Cash and bank deposits and trade receivables

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

Investments in securities

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

Long-term loans receivable

The fair value of long-term loans receivable is determined by discounting the amount of the total principal and interest at the interest rate assumed when new, similar loans are made. However, because long-term loans receivable with floating rates are contingent upon the interest rate being reviewed within set periods, the carrying values of such long-term loans receivable with floating rates approximate fair 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, 2017 and 2018 were ¥3,358 million and ¥3,465 million ($32,615 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, 2018:

	Millions of Yen			
	2018			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and bank deposits	¥ **33,374**	¥ **—**	¥ **—**	¥ **—**
Trade receivables	**38,595**	**—**	**—**	**—**
Long-term loans receivable	**—**	**11**	**2**	**—**
Total	¥ **71,969**	¥ **11**	¥ **2**	¥ **—**

	Thousands of U.S. Dollars			
	2018			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and bank deposits	$ **314,138**	$ **—**	$ **—**	$ **—**
Trade receivables	**363,281**	**—**	**—**	**—**
Long-term loans receivable	**—**	**103**	**19**	**—**
Total	$ **677,419**	$ **103**	$ **19**	$ **—**

13. Income Taxes

At March 31, 2017 and 2018, significant components of deferred tax assets and liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	**2018**	**2018**
Deferred tax assets:			
Liability for retirement benefits	¥ 2,480	¥ **2,402**	$ **22,609**
Accrued bonuses	912	**963**	**9,064**
Directors' and Audit & Supervisory Board members' retirement benefits	154	**191**	**1,798**
Loss on write-off of fixed assets	186	**154**	**1,450**
Accrued legal welfare expenses	126	**131**	**1,233**
Accrued enterprise taxes	218	**203**	**1,911**
Allowance for bad debts	98	**95**	**894**
Impairment loss on fixed assets	147	**118**	**1,111**
Devaluation of inventories	192	**187**	**1,760**
Provision for losses on construction contracts	200	**267**	**2,513**
Loss on valuation of shares of subsidiaries and affiliates	156	**173**	**1,628**
Others	828	**977**	**9,197**
Subtotal	5,697	**5,861**	**55,168**
Valuation allowance	(457)	**(447)**	**(4,208)**
Total	¥ 5,240	¥ **5,414**	$ **50,960**
Deferred tax liabilities:			
Special depreciation of acquired assets	¥ (51)	¥ **(51)**	$ **(480)**
Unrealized gains on securities	(213)	**(257)**	**(2,419)**
Total	¥ (264)	¥ **(308)**	$ **(2,899)**
Net deferred tax assets	¥ 4,976	¥ **5,106**	$ **48,061**

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 33.1% for the year ended March 31, 2016 and 30.9% for the years ended March 31, 2017 and 2018.

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes for the year ended March 31, 2016 was as follows:

	2016
Statutory tax rate	33.1%
Adjustments:	
Entertainment expenses and other non-deductible expenses	1.4
Tax rate difference for foreign consolidated subsidiaries	0.2
Per capita levy of inhabitants' tax	0.8
Reduction of net deferred tax assets due to changes in statutory tax rate	2.2
Tax credit for R&D expenses	(1.3)
Equity in earnings of affiliates	(0.3)
Changes in valuation allowance	0.2
Other	0.5
Effective tax rate	36.8%

Since the difference between the statutory tax rate and effective tax rate for the fiscal years ended March 31, 2017 and 2018 is less than 5% of theeffective tax rate, a reconciliation of these two rates is not presented.

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act on Partial Revision of Local Tax Act, etc." (Act No. 13 of 2016) were promulgated on March 29, 2016 and as a result, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities has been changed from 32.3% at March 31, 2015 to 30.9% and 30.6% at March 31, 2016 for the temporary differences that are expected to reverse in the period from April 1, 2016 to March 31, 2018 and the periods after April 1, 2018, respectively. As a result, deferred tax assets, net of deferred tax liabilities decreased by ¥261 million and income taxes – deferred, unrealized gains on securities, net of taxes, and accumulated adjustments for retirement benefits increased by ¥232 million, ¥11 million and decreased by ¥40 million, respectively, as of and for the year ended March 31, 2016.

14. Contingent Liabilities

The Company and its consolidated subsidiaries were contingently liable for borrowings from financial institutions in the amount of nil and ¥90 million ($847 thousand), trade notes endorsed for payment to third parties in the ordinary course of business in the amount of ¥58 million and ¥54 million ($508 thousand) and performance guarantees made for unconsolidated subsidiaries of ¥257 million and ¥241 million ($2,268 thousand) at March 31, 2017 and 2018, respectively.

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 26, 2018, the distribution of cash dividends amounting to ¥967 million ($9,102 thousand) was approved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2018 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, 2018

The following was approved by the annual shareholders' meeting held on June 27, 2017:

(a) Total dividends .... ¥665 million ($6,259 thousand)
(b) Cash dividends per common share ¥11.00 ($0.10)
(c) Record date .... March 31, 2017
(d) Effective date .... June 28, 2017

The following was approved by the Board of Directors on November 8, 2017:

(a) Total dividends .... ¥755 million ($7,107 thousand)
(b) Cash dividends per common share ¥12,50 ($0.12)
(c) Record date .... September 30, 2017
(d) Effective date .... December 5, 2017

b) Dividends to be paid after March 31, 2018 but the record date for the payment belongs to the year ended March 31, 2018

The following was approved by the annual shareholders' meeting held on June 26, 2018:

(a) Total dividends .... ¥967 million ($9,102 thousand)
(b) Cash dividends per common share ¥16.00 ($0.15)
(c) Record date .... March 31, 2018
(d) Effective date .... June 27, 2018

16. Comprehensive Income

The amount of reclassification adjustments and tax effect relating to other comprehensive income for the years ended March 31, 2016, 2017 and 2018 comprised the following:

	Millions of Yen			Thousands of U.S. Dollars
	2016	2017	**2018**	**2018**
Unrealized gains (losses) on securities, net of taxes:				
Increase (decrease) during the year	¥ (516)	¥ 161	**¥ 167**	**$ 1,572**
Reclassification adjustments	(4)	(0)	**(102)**	**(960)**
Amount before tax effect adjustment	(520)	161	**65**	**612**
Tax effect	130	(19)	**(44)**	**(414)**
Unrealized gains (losses) on securities, net of taxes	(390)	142	**21**	**198**
Foreign currency translation adjustments:				
Increase (decrease) during the year	(199)	(306)	**121**	**1,139**
Adjustments for retirement benefits, net of taxes:				
Increase (decrease) during the year	(2,218)	136	**194**	**1,826**
Reclassification adjustments	102	360	**319**	**3,003**
Amount before tax effect adjustment	(2,116)	496	**513**	**4,829**
Tax effect	644	(152)	**(157)**	**(1,478)**
Adjustments for retirement benefits, net of taxes	(1,472)	344	**356**	**3,351**
Share of other comprehensive income of affiliates accounted for under the equity method:				
Increase (decrease) during the year	(2)	3	**2**	**18**
Total other comprehensive income	¥ (2,063)	¥ 183	**¥ 500**	**$ 4,706**

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							
	2016							
	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	¥ 35,904	¥ 36,220	¥ 22,868	¥ 94,992	¥ 5,674	¥ 100,666	¥ —	¥ 100,666
Inter-segment	185	203	1	389	189	578	(578)	—
Total	36,089	36,423	22,869	95,381	5,863	101,244	(578)	100,666
Segment income	¥ 6,088	¥ 5,828	¥ 4,358	¥ 16,274	¥ 543	¥ 16,817	¥ (6,143)	¥ 10,674
Segment assets	¥ 35,887	¥ 26,935	¥ 10,762	¥ 73,584	¥ 4,138	¥ 77,722	¥ 29,423	¥ 107,145
Other:								
Depreciation	¥ 529	¥ 146	¥ 76	¥ 751	¥ 118	¥ 869	¥ 343	¥ 1,212
Affiliates accounted for under the equity method	¥ —	¥ 2,027	¥ —	¥ 2,027	¥ —	¥ 2,027	¥ —	¥ 2,027
Increase in property, plant and equipment and intangible assets	¥ 2,098	¥ 502	¥ 155	¥ 2,755	¥ 149	¥ 2,904	¥ 1,688	¥ 4,592

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

Note 2: (1) ¥(6,143) 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) ¥29,423 million included in "Adjustments" for "Segment assets" is for corporate assets. Corporate assets mainly consist of surplus operating funds such as cash, bank deposits, securities, 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) ¥343 million included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥1,688 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							
	2017							
	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	¥ 34,333	¥ 31,903	¥ 24,082	¥ 90,318	¥ 5,010	¥ 95,328	¥ —	¥ 95,328
Inter-segment	112	91	1	204	196	400	(400)	—
Total	34,445	31,994	24,083	90,522	5,206	95,728	(400)	95,328
Segment income	¥ 5,545	¥ 5,639	¥ 4,878	¥ 16,062	¥ 353	¥ 16,415	¥ (6,225)	¥ 10,190
Segment assets	¥ 37,487	¥ 24,126	¥ 12,668	¥ 74,281	¥ 3,839	¥ 78,120	¥ 35,974	¥ 114,094
Other:								
Depreciation	¥ 603	¥ 165	¥ 94	¥ 862	¥ 111	¥ 973	¥ 406	¥ 1,379
Impairment loss	¥ —	¥ 48	¥ —	¥ 48	¥ —	¥ 48	¥ —	¥ 48
Affiliates accounted for under the equity method	¥ —	¥ 2,180	¥ —	¥ 2,180	¥ —	¥ 2,180	¥ —	¥ 2,180
Increase in property, plant and equipment and intangible assets	¥ 744	¥ 260	¥ 224	¥ 1,228	¥ 123	¥ 1,351	¥ 2,758	¥ 4,109

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

Note 2: (1) ¥(6,225) million included in "Adjustments" for "Segment income" is for total corporate expenses. Corporate expenses are mainly general and administrative expenses and research and development expenses, which cannot be allocated to each reportable segment.

(2) ¥35,974 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) ¥406 million included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥2,758 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							
	2018							
	Reportable segments							
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales:								
Outside customers	**¥ 37,642**	**¥ 37,328**	**¥ 24,890**	**¥ 99,860**	**¥ 5,172**	**¥ 105,032**	**¥ —**	**¥ 105,032**
Inter-segment	**77**	**115**	**1**	**193**	**196**	**389**	**(389)**	**—**
Total	**37,719**	**37,443**	**24,891**	**100,053**	**5,368**	**105,421**	**(389)**	**105,032**
Segment income	**¥ 6,640**	**¥ 7,648**	**¥ 4,987**	**¥ 19,275**	**¥ 185**	**¥ 19,460**	**¥ (6,578)**	**¥ 12,882**
Segment assets	**¥ 38,923**	**¥ 32,015**	**¥ 12,628**	**¥ 83,566**	**¥ 3,552**	**¥ 87,118**	**¥ 35,500**	**¥ 122,618**
Other:								
Depreciation	**¥ 591**	**¥ 152**	**¥ 82**	**¥ 825**	**¥ 129**	**¥ 954**	**¥ 694**	**¥ 1,648**
Amortization of goodwill	**¥ 3**	**¥ —**	**¥ —**	**¥ 3**	**¥ —**	**¥ 3**	**¥ —**	**¥ 3**
Affiliates accounted for under the equity method	**¥ —**	**¥ 2,297**	**¥ —**	**¥ 2,297**	**¥ —**	**¥ 2,297**	**¥ —**	**¥ 2,297**
Increase in property, plant and equipment and intangible assets	**¥ 1,830**	**¥ 363**	**¥ 108**	**¥ 2,301**	**¥ 175**	**¥ 2,476**	**¥ 525**	**¥ 3,001**

	Thousands of U.S. Dollars							
	2018							
	Reportable segments							
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales:								
Outside customers	$ 354,311	$ 351,356	$ 234,281	$ 939,948	$ 48,682	$ 988,630	$ —	$ 988,630
Inter-segment	725	1,083	9	1,817	1,845	3,662	(3,662)	—
Total	355,036	352,439	234,290	941,765	50,527	992,292	(3,662)	988,630
Segment income	$ 62,500	$ 71,988	$ 46,941	$ 181,429	$ 1,741	$ 183,170	$ (61,916)	$ 121,254
Segment assets	$ 366,369	$ 301,346	$ 118,863	$ 786,578	$ 33,433	$ 820,011	$ 334,149	$ 1,154,160
Other:								
Depreciation	$ 5,563	$ 1,431	$ 772	$ 7,766	$ 1,214	$ 8,980	$ 6,532	$ 15,512
Amortization of goodwill	$ 28	$ —	$ —	$ 28	$ —	$ 28	$ —	$ 28
Affiliates accounted for under the equity method	$ —	$ 21,621	$ —	$ 21,621	$ —	$ 21,621	$ —	$ 21,621
Increase in property, plant and equipment and intangible assets	$ 17,225	$ 3,417	$ 1,017	$ 21,659	$ 1,647	$ 23,306	$ 4,942	$ 28,248

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

Note 2: (1) ¥(6,578) million ($(61,916) 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) ¥35,500 million ($334,149 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) ¥694 million ($6,532 thousand) included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥525 million ($4,942 thousand) included in "Adjustments" for "Increase in property, plant and equipment and intangible assets" is the increase in corporate assets.

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

Related information

(1) Information about products and services

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

(2) Information about geographical areas

(a) Sales

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

(b) Property, plant and equipment

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

(3) Information about major customers

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

(4) Information about impairment loss on property, plant and equipment by reportable segment

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

(5) Information about amortization and unamortized balances of goodwill by reportable segment

There were no amortization or unamortized balances of goodwill by reportable segment as of and for the years ended March 31, 2016 and 2017.

Amortization and unamortized balances of goodwill by reportable segment as of and for the year ended March 31, 2018 were as follows:

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

	Thousands of U.S. Dollars							
	2018							
	Reportable segments							
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others	Total	Adjustments	Consolidated
Amortization during the year	**$ 28**	**$ —**	**$ —**	**$ 28**	**$ —**	**$ 28**	**$ —**	**$ 28**
Unamortized balance	**$ 518**	**$ —**	**$ —**	**$ 518**	**$ —**	**$ 518**	**$ —**	**$ 518**

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, 2017 and 2018 and for the years ended March 31, 2016, 2017 and 2018, 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, 2018				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	2016	2017	**2018**	2017	**2018**
¥66,385 million	Security service	Direct: 50.7% (*) Indirect: 0.1%	Sale of products etc.	¥1,336	¥1,439	**¥1,528 ($14,383)**	Trade receivables ¥176	Trade receivables **¥247 ($2,325)**

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

KOATSU Co., Ltd.

As of March 31, 2018				
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			
2016	2017	**2018**	2017		**2018**	
			Trade payables	Electronically recorded obligations	Trade payables	Electronically recorded obligations
¥4,451	¥3,056	**¥4,487 ($42,235)**	¥1,001	¥1,510	**¥908 ($8,547)**	**¥1,336 ($12,575)**

19. Significant Subsequent Events

Abolition of retirement benefits to directors and Audit & Supervisory Board members

At the meeting of the Board of Directors held on March 29, 2018, the Company resolved to abolish retirement benefits to the Company's directors and Audit & Supervisory Board members. In connection with the abolition of retirement benefits to directors and Audit & Supervisory Board members, a proposal for payment of retirement benefits for the period of their services until the abolition was submitted to the annual shareholders' meeting held on June 26, 2018, and the proposal has been resolved as proposed. The payment of retirement benefits will be made at the time of retirement as directors and Audit & Supervisory Board members.

The effect of the abolition on the results of operations is immaterial since a reserve for retirement benefits for directors and Audit & Supervisory Board members has been provided for at an amount calculated based upon internal rules at the balance sheet date.

Independent Auditor's Report

To the Board of Directors of NOHMI BOSAI LTD.:

We have audited the accompanying consolidated financial statements of NOHMI BOSAI LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2018 and 2017, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for each of the years in the three-year period ended March 31, 2018, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NOHMI BOSAI LTD. and its consolidated subsidiaries as at March 31, 2018 and 2017, and their financial performance and cash flows for each of the years in the three-year period ended March 31, 2018, in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 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.

KPMG AZSA LLC

KPMG AZSA LLC
June 26, 2018
Tokyo, Japan

(As of March 31, 2018)

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	33	92,874	15.27
Japanese securities companies	21	1,566	0.26
Other Japanese corporations	190	355,513	58.46
Japanese individuals and others	2,505	101,795	16.74
Foreign institutions and individuals	139	52,278	8.60
Treasury stocks	1	4,097	0.67
Total	2,889	608,123	100.00

Major Stockholders

	Number of Shares Held (Thousands)	Percentage of Total Shares in Issue (%)*1
SECOM Co., Ltd.	30,598	50.64
Shareholding Commission of Nohmi Bosai Distributors	2,063	3.41
Shareholding Commission of Nohmi Bosai Partners	1,698	2.81
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,216	2.01
Japan Trustee Services Bank, Ltd. (Trust Account)	1,148	1.90
The Bank of Tokyo-Mitsubishi UFJ, Ltd.*2	1,000	1.66
Shareholding Commission of Nohmi Bosai Employees	935	1.55
Fuji Electric Co., Ltd.	868	1.44
Sumitomo Mitsui Banking Corporation	765	1.27
Tokio Marine & Nichido Fire Insurance Co., Ltd.	745	1.23

*1: The percentage of total shares in issue is calculated after deducting treasury stocks.
*2: The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd. on April 1, 2018.

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