NOHMI

ANNUAL REPORT 2016

For the Year Ended March 31, 2016

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 2016, ended March 31, 2016, the Company realized consolidated net sales of ¥100.7 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.

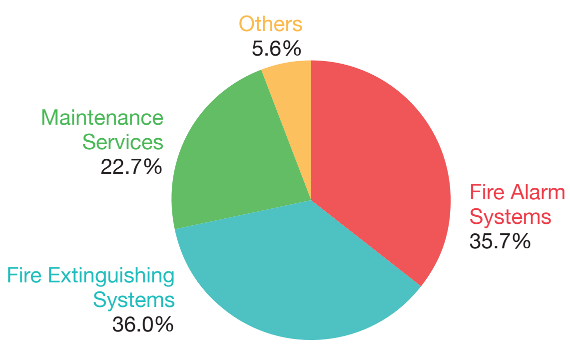
Consolidated Financial Highlights

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2014, 2015 and 2016

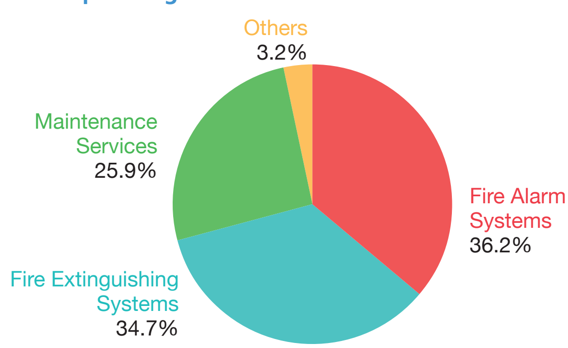
	Millions of Yen			Percentage Change	Thousands of U.S. Dollars*4
	2014	2015	**2016**	2016/2015	**2016**
For the year:					
New orders	¥ 96,774	¥ 107,185	**¥ 97,686**	(8.9)%	**$ 866,933**
Net sales	93,758	93,834	**100,666**	7.3	**893,379**
Cost of sales	64,715	63,833	**68,549**	7.4	**608,351**
Operating income	7,988	9,299	**10,674**	14.8	**94,728**
Net income attributable to owners of the parent	4,815	5,635	**6,634**	17.7	**58,875**
Comprehensive income	5,633	7,167	**4,619**	(35.6)	**40,992**
At year-end:					
Total assets	¥ 95,364	¥ 102,936	**¥ 107,145**	4.1 %	**$ 950,879**
Total net assets	60,789	66,222	**69,628**	5.1	**617,927**
Backlog of orders	37,994	51,345	**48,365**	(5.8)	**429,224**
Number of employees	2,213	2,217	**2,248**	1.4	**—**
Per share (in yen and U.S. dollars):					
Net income*1	¥ 79.83	¥ 93.45	**¥ 110.01**	17.7 %	**$ 0.98**
Net assets*2	983.90	1,071.20	**1,128.22**	5.3	**10.01**
Cash dividends	17.50	20.00	**22.00**	10.0	**0.20**

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 as there are no shares with dilutive effect.
*4. All dollar figures herein refer to U.S. currency unless otherwise specified. The dollar amounts in this report represent the translation of yen, for convenience only, at the rate of ¥112.68=US$1, the prevailing exchange rate at March 31, 2016.
*5. All amounts are in millions of yen or thousands of U.S. dollars, except number of employees and per share amounts.

FY2016 Net Sales Breakdown

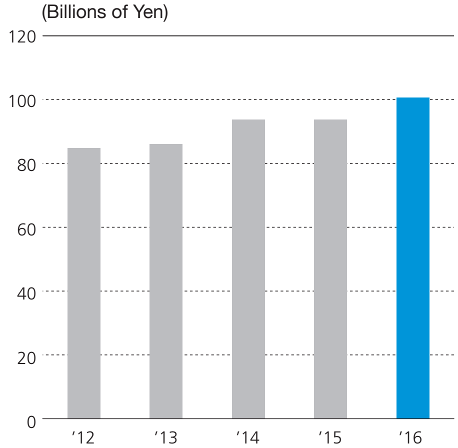


FY2016 Operating Income Breakdown



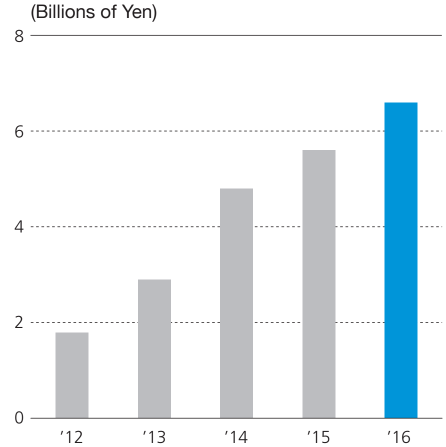
Net Sales

(Billions of Yen)



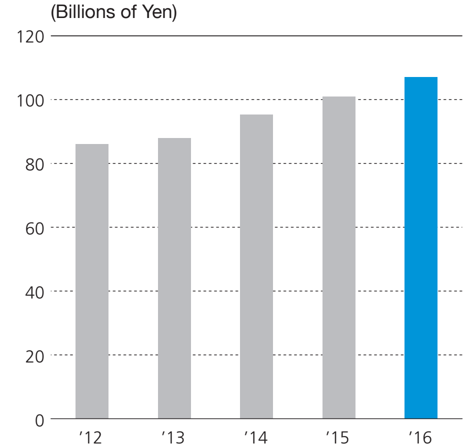
Net Income Attributable to Owners of the Parent

(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

Kiyotaka Fujii
President

Operating Environment and Business Results in Fiscal 2016

During fiscal 2016 (ended March 31, 2016), the Japanese economy witnessed a mild recovery overall on the back of the government's economic policies and other measures. However, the economic slowdown and other factors in China, emerging countries and resource-rich countries preclude optimism.

In the domestic fire protection industry, although the market was relatively solid, concerns about higher personnel and materials costs persist.

Amid this climate, the Nohmi Bosai Group formulated a three-year medium-term business plan starting from fiscal 2014 entitled "Project 27—Toward a Brilliant 100th Anniversary." Under this plan, we have been implementing a variety of priority measures based on the three keywords of "product appeal," "human resources capabilities" and "organizational strengths" as we strive to grow into "a brilliant company." Such priority measures include strengthening earnings power; strengthening renewal business; strengthening service business; expanding overseas business; bolstering consolidated management; strengthening development/production capabilities and quickly launching new products; strengthening quality, cost, delivery (QCD) competitiveness for production and logistics; bolstering human resources development; and strengthening corporate social responsibility (CSR).

During fiscal 2016, the medium-term business plan's final year, we proactively made efforts toward sales expansion. As a result, in fiscal 2016, net sales rose 7.3% to ¥100,666 million due mainly to a relative concentration of large-scale properties despite a decrease in new orders to ¥97,686 million, or 8.9%.

At the profit level, due primarily to a rise in net sales and a reduction in selling, general and administrative expenses (SG&A), operating income increased 14.8% to ¥10,674 million and net income attributable to owners of the parent increased 17.7% to ¥6,634 million.

By business segment, the Fire Alarm Systems segment posted net sales of ¥35,904 million, an increase of 1.2% from the previous year, and operating income of ¥6,088 million, down 7.2%. Both net sales and operating income in the Fire Extinguishing Systems segment rose, increasing 22.0% year-on-year to ¥36,220 million and 52.3% to ¥5,828 million, respectively. Although net sales in the Maintenance Services segment decreased 0.6% to ¥22,868 million, operating income increased 3.8% to ¥4,358 million. Net sales in the Others segment edged up 0.5% to ¥5,674 million, while operating income jumped 141.6% to ¥543 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, in gearing up to celebrate our centennial in December 2016, we 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, 2016, the Company declared total dividends per share of ¥22.00, which includes a year-end dividend per share of ¥12.00, up ¥2.00, and interim dividend of ¥10.00 per share.

For fiscal 2017, we plan to declare annual dividends per share of ¥24.00, which include an interim dividend of ¥11.00 per share and a year-end dividend per share of ¥11.00, in addition to a commemorative dividend of ¥2.00 to mark our 100th anniversary.

Outlook for Fiscal 2017

Although the Japanese economy is expected to continue on its path to a moderate recovery, uncertainties remain regarding unstable economic conditions overseas and the impact of fluctuations in financial and capital markets.

In the fire protection industry, although the market is expected to expand, concerns about higher personnel and materials costs persist in addition to cautiousness in the corporate economic outlook.

To address these circumstances, the Nohmi Bosai Group has formulated the medium-term business plan "Project 30—Evolution toward Next-Generation Fire Protection," which will be implemented over three years from fiscal 2017. In fiscal 2017, the plan's first year, we will place a particular focus on promoting renewal business, establishing a more efficient installation system structure, improving productivity, promoting sales of differentiated products and promoting cost reductions.

For fiscal 2017, we are projecting consolidated net sales of ¥101,000 million, operating income of ¥10,000 million and net income attributable to owners of the parent of ¥6,500 million.

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

July 2016

Kiyotaka Fujii

Kiyotaka Fujii
President

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

Vision

—Evolution toward Next-Generation Fire Protection—

As we celebrate our 100th anniversary and embark 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 2016 increased ¥416 million, or 1.2%, from the previous year to ¥35,904 million, accounting for 35.7% of consolidated net sales. Operating income was down ¥476 million, or 7.2%, to ¥6,088 million. New orders decreased ¥433 million, or 1.2%, to ¥34,858 million.

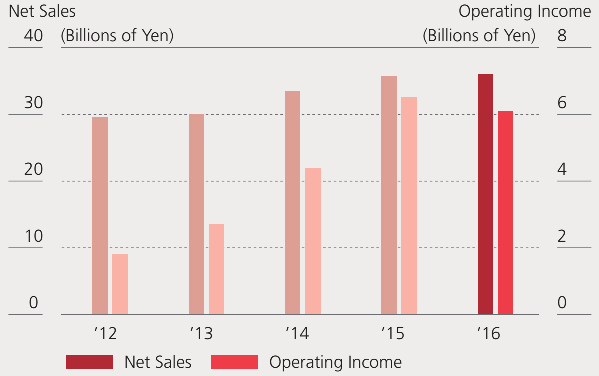
During the fiscal year under review, although increases in sales from installation work and product sales resulted in increases in net sales of this segment, operating income decreased due mainly to deterioration in the cost of sales ratio.

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 sprinkler 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 2016 increased ¥6,525 million, or 22.0%, from the previous year to ¥36,220 million, accounting for 36.0% of consolidated net sales. Operating income was up ¥2,001 million, or 52.3%, to ¥5,828 million. New orders, however, decreased ¥8,606 million, or 19.9%, to ¥34,541 million.

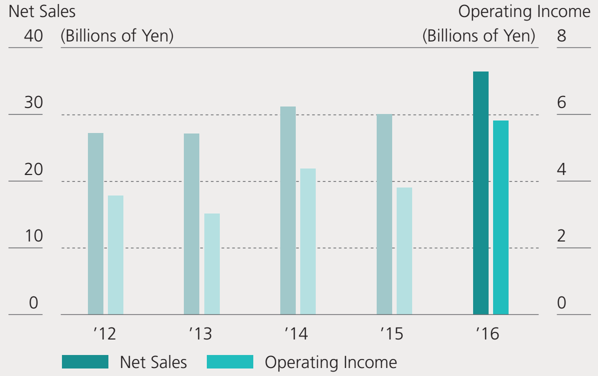
During the fiscal year under review, revenue increased in fire extinguishing systems for general properties such as high-rise buildings, as well as from systems used in special facilities that include industrial plants and factories and from systems used in road tunnels. As a result, we posted increases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

Foam Extinguishing 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 2016 were down ¥135 million, or 0.6%, from the previous year to ¥22,868 million, representing 22.7% of consolidated net sales. Operating income increased ¥158 million, or 3.8%, to ¥4,358 million. New orders fell ¥431 million, or 1.9%, to ¥22,504 million.

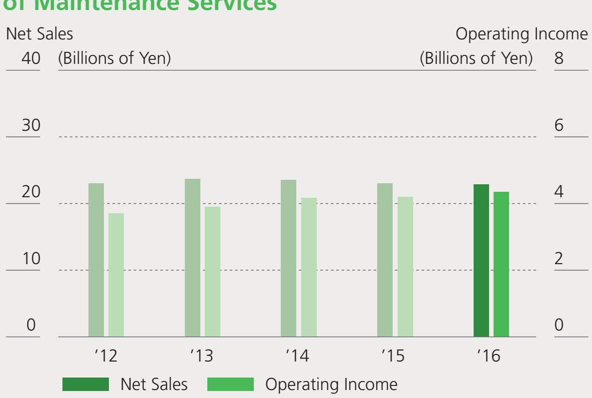
During the fiscal year under review, revenues decreased in both maintenance and inspection services and repair/renewal services. Conversely, overall operating income increased due primarily to cost reduction efforts.


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 2016 increased ¥26 million, or 0.5%, from the previous year to ¥5,674 million, representing 5.6% of consolidated net sales. Operating income was up ¥318 million, or 141.6%, to ¥543 million. New orders decreased ¥29 million, or 0.5%, to ¥5,783 million.

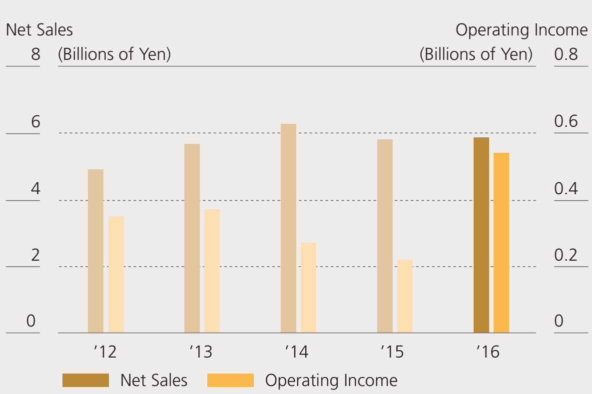
During the fiscal year under review, an increase in revenue from parking lot driving lane control systems resulted in increases in both overall net sales and operating income.


Parking Lot Driving Lane Control Systems

Major Products and Services

- 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

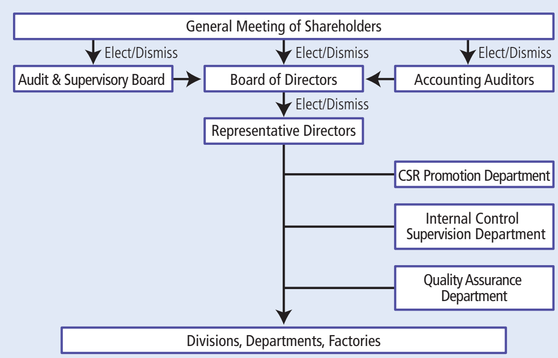
Corporate Governance Structure

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 five 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. Matters concerning employees who, based on requests of Audit & Supervisory Board members, are dispatched to assist Audit & Supervisory Board members with work duties
8. Matters concerning the independence of employees mentioned in 7 above from directors as well as matters 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. Matters concerning the advance payment of expenses that arise from the execution of duties by Audit & Supervisory Board members, matters concerning expenses that arise from reimbursement procedures and the execution of such procedures and matters 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 24, 2016)

Representative Director and Chairman
Takeshi Hashizume

Director/Vice Chairman
Teruhisa Yoshimura

Representative Director and President
Kiyotaka Fujii

Senior Managing Director
Jun Uchiyama

Managing Directors
Hiroaki Ishii
Tatsunori Ito
Nobuyuki Ichikawa

Directors
Shin Shiotani†
Hiroyuki Fushimi†
Kensuke Shindo
Keiji Kageyama
Naoto Sakaguchi
Hiroshi Takeuchi
Takahito Yaguchi
Yasuo Ariga
Masahiro Hasegawa
Yuji Hara
Yuichi Sugiyama
Takeshi Okamura
Hisato Miura

Standing Audit & Supervisory Board Members
Yoshihisa Asakura
Hiroshi Kondo

Audit & Supervisory Board Members
Tojiro Ishii†
Kazuo Kondo†
Fumio Ito†

† 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.

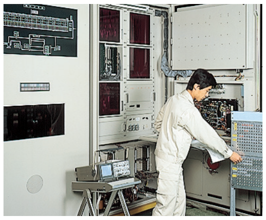
Manufacturing and Quality Assurance

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 2016 is shown below.

With regard to the Nohmi Bosai Group's business results for the fiscal year under review, we recorded overall increases in both revenue and profits as a result of promoting respective key measures of the medium-term business plan. Under such conditions, the Nohmi Bosai Group's business results by segment were as follows.

Net sales in the Fire Alarm Systems segment increased ¥416 million, or 1.2%, year-on-year to ¥35,904 million due to higher revenue from installation work and product sales.

In the Fire Extinguishing Systems segment, net sales increased ¥6,525 million, or 22.0%, year-on-year to ¥36,220 million due mainly to revenue increases in fire extinguishing equipment for general properties such as high-rise buildings, as well as from systems used in special facilities that include industrial plants and factories and from systems used in road tunnels.

Net sales in the Maintenance Services segment were down ¥135 million, or 0.6%, year-on-year to ¥22,868 million as a result of decreases in revenue from both maintenance and inspection services and repair/renewal services.

For other businesses, net sales were up ¥26 million, or 0.5%, year-on-year to ¥5,674 million. This was attributable to an increase in revenue from parking lot driving lane control systems.

Consequently, consolidated net sales increased ¥6,832 million, or 7.3%, from the previous year to ¥100,666 million.

The cost-of-sales ratio improved from the previous fiscal year to 68.1% as a result of efforts to reduce expenses and costs despite a harsh business environment.

While gross profit increased 7.1% to ¥32,117 million, the gross profit margin decreased 0.1 percentage point from the previous year to 31.9%.

Although selling, general and administrative (SG&A) expenses increased ¥741 million, the SG&A expenses-to-net-sales ratio improved 0.8% from the previous fiscal year at 21.3%.

As a result of these factors, operating income increased 14.8% from the previous year to ¥10,674 million. Net income attributable to owners of the parent increased 17.7% year-on-year to ¥6,634 million. Net income per share was ¥110.01 compared with ¥93.45 in the previous fiscal year.

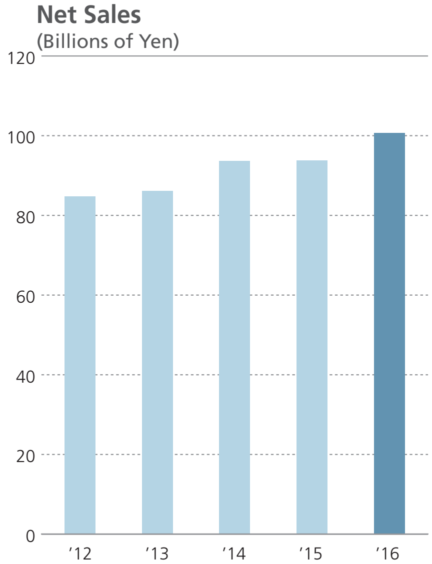
Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2016 amounted to ¥107,145 million, up ¥4,209 million, or 4.1%, from the previous fiscal year-end. This was mainly attributable to an increase of ¥1,510 million in trade receivables, an increase of ¥1,325 million in construction in progress and an increase of ¥1,252 million in cash and bank deposits although inventories decreased ¥2,343 million.

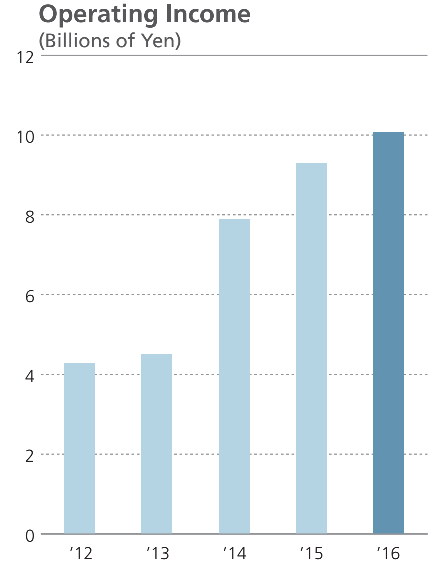
Total liabilities increased ¥803 million, or 2.2%, to ¥37,517 million. This was primarily because liability for retirement benefits increased ¥2,224 million despite a decrease of ¥852 million in advances received on uncompleted construction contracts.

Total net assets increased ¥3,406 million, or 5.1%, from the end of the previous fiscal year to ¥69,628 million. The equity ratio was 63.5%, up 0.7 percentage point from 62.8% at the end of the previous fiscal year. Net assets per share rose to ¥1,128.22 from ¥1,071.20 per share at the end of the previous fiscal year.

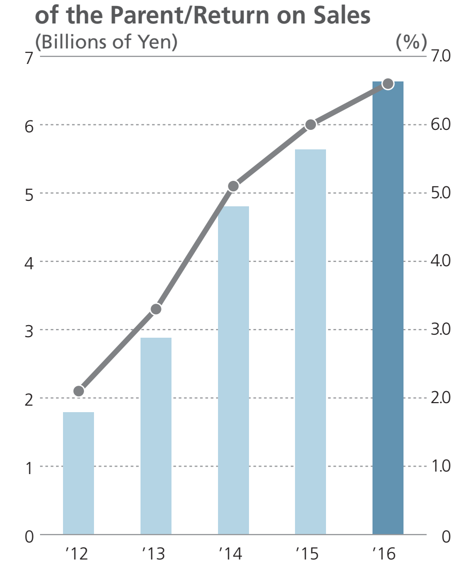
Net Sales



Operating Income



Net Income Attributable to Owners of the Parent/Return on Sales



Cash Flow

Net cash provided by operating activities amounted to ¥7,509 million compared with ¥6,238 million in the previous fiscal year. This consisted mainly of such inflows as income before income taxes of ¥10,573 million and a decrease in inventories of ¥2,291 million, offsetting such outflows as income taxes paid of ¥4,050 million and an increase in trade receivables of ¥1,559 million.

Net cash used in investing activities amounted to ¥4,756 million compared with ¥3,482 million in the previous fiscal year, consisting mainly of payments for purchase of property, plant and equipment.

Net cash used in financing activities amounted to ¥1,213 million compared with ¥1,224 million in the previous fiscal year, consisting mainly of cash dividends paid.

As a result, net increase in cash and cash equivalents amounted to ¥1,495 million, and cash and cash equivalents at end of year totaled ¥28,545 million.

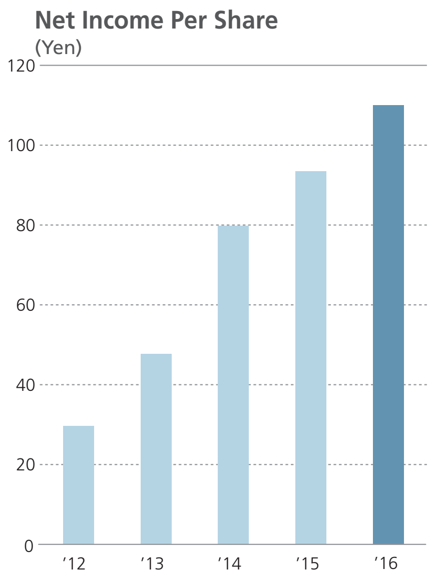
Outlook for Fiscal 2017

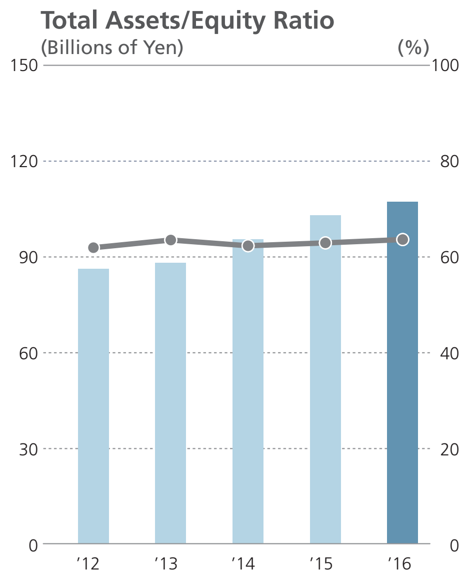
The Nohmi Bosai Group has formulated the medium-term business plan "Project 30—Evolution toward Next-Generation Fire Protection," which is being implemented for three years from fiscal 2017. In fiscal 2017, ending March 2017, the plan's first year, we aim to achieve targets by focusing on such measures as promoting renewal business, establishing a more efficient installation system structure, improving productivity, promoting sales of differentiated products and promoting cost reductions.

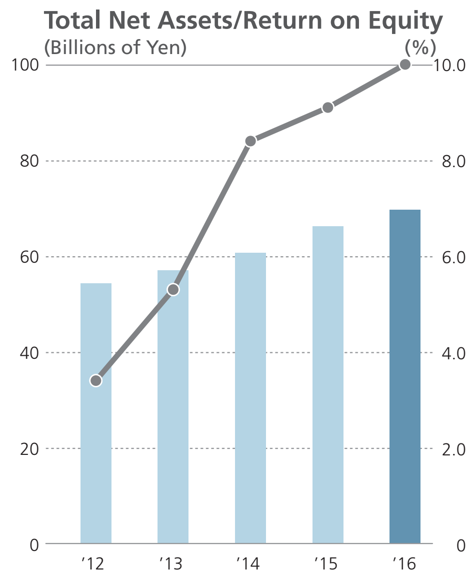
For fiscal 2017, we are projecting consolidated net sales of ¥101,000 million, operating income of ¥10,000 million and net income attributable to owners of the parent of ¥6,500 million.

Although we anticipate uncertainties surrounding the market environment to persist, we are aiming for a ¥334 million increase in net sales by implementing various measures such as strengthening our proposal-based sales. However, we foresee operating income and net income attributable to owners of the parent to decrease 6.3% and 2.0%, respectively.

For fiscal 2017, we plan to declare annual dividends per share of ¥24.00, which include an interim dividend of ¥11.00 per share and a year-end dividend per share of ¥11.00, in addition to a commemorative dividend of ¥2.00 to mark our 100th anniversary.







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, 2015 and 2016

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2016	2016
Current Assets:			
Cash and bank deposits (Notes 5 and 12)	¥ 26,940	¥ 28,192	$ 250,195
Short-term investments (Notes 5, 6 and 12)	2,000	2,000	17,749
Trade receivables (Notes 12 and 18):			
Notes	6,302	5,722	50,781
Accounts	25,814	27,998	248,474
Unconsolidated subsidiaries and affiliates	205	111	985
	32,321	33,831	300,240
Less: Allowance for bad debts	(419)	(373)	(3,310)
	31,902	33,458	296,930
Inventories (Note 8)	15,542	13,199	117,137
Deferred tax assets (Note 13)	2,095	2,082	18,477
Prepaid expenses and other current assets	1,087	1,077	9,558
Total current assets	79,566	80,008	710,046
Property, Plant and Equipment (Note 7):			
Buildings and structures	11,121	12,248	108,697
Machinery and equipment	2,439	2,378	21,104
Tools and furniture	6,745	6,904	61,271
	20,305	21,530	191,072
Less: Accumulated depreciation	(13,238)	(13,606)	(120,749)
	7,067	7,924	70,323
Construction in progress	11	1,336	11,857
Land	6,315	6,988	62,016
Net property, plant and equipment	13,393	16,248	144,196
Intangible Assets:			
Software	501	923	8,191
Other intangible assets	69	69	613
Total intangible assets	570	992	8,804
Investments and Other Assets:			
Investments in securities (Notes 6 and 12)	2,757	2,428	21,548
Investments in unconsolidated subsidiaries and affiliates (Note 12)	2,522	2,404	21,335
Long-term loans receivable (Note 12)	111	74	657
Deferred tax assets (Note 13)	1,777	2,564	22,755
Other assets (Note 5)	2,294	2,483	22,035
	9,461	9,953	88,330
Less: Allowance for bad debts	(54)	(56)	(497)
Total investments and other assets	9,407	9,897	87,833
Total assets	¥102,936	¥107,145	$ 950,879

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	**2016**	**2016**
Current Liabilities:			
Short-term debt (Notes 9 and 12)	¥ 19	**¥ 18**	**$ 160**
Trade payables (Notes 12 and 18):			
Notes	1,772	**1,491**	**13,232**
Accounts	2,575	**2,334**	**20,714**
Electronically recorded obligations	3,157	**2,931**	**26,012**
Unconsolidated subsidiaries and affiliates	2,107	**2,098**	**18,619**
	9,611	**8,854**	**78,577**
Non-trade accounts payable (Note 12)	6,673	**6,630**	**58,839**
Advances received on uncompleted construction contracts	4,431	**3,579**	**31,763**
Accrued bonuses to employees	2,936	**3,023**	**26,828**
Provision for product warranties	64	**19**	**169**
Provision for warranties for completed construction contracts	59	**55**	**488**
Income taxes payable (Note 12)	3,252	**3,175**	**28,177**
Provision for losses on construction contracts	488	**454**	**4,029**
Provision for demolition costs	—	**22**	**195**
Other current liabilities	1,895	**2,170**	**19,258**
Total current liabilities	29,428	**27,999**	**248,483**
Long-term Liabilities:			
Long-term debt (Note 9)	384	**390**	**3,461**
Liability for retirement benefits (Note 10)	5,912	**8,136**	**72,204**
Directors' and Audit & Supervisory Board members' retirement benefits	564	**469**	**4,163**
Provision for product warranties	330	**350**	**3,106**
Provision for demolition costs	—	**71**	**630**
Other long-term liabilities	22	**15**	**133**
Asset retirement obligations	74	**87**	**772**
Total long-term liabilities	7,286	**9,518**	**84,469**
Total liabilities	36,714	**37,517**	**332,952**
Contingent liabilities (Note 14)			
Net Assets (Note 15)			
Shareholders' Equity:			
Common stock:			
Authorized: 160,000,000 shares at March 31, 2015 and 2016			
Issued: 60,832,771 shares at March 31, 2015 and 2016, respectively	13,302	**13,302**	**118,051**
Capital surplus	12,880	**12,880**	**114,306**
Retained earnings	37,053	**42,479**	**376,988**
Less: Treasury stock, at cost			
532,548 shares and 532,986 shares at March 31, 2015 and 2016, respectively	(278)	**(279)**	**(2,476)**
Total shareholders' equity	62,957	**68,382**	**606,869**
Accumulated Other Comprehensive Income (Note 16):			
Unrealized gains on securities, net of taxes	1,054	**662**	**5,875**
Foreign currency translation adjustments	730	**606**	**5,378**
Accumulated adjustments for retirement benefits, net of taxes (Note 10)	(147)	**(1,619)**	**(14,368)**
Total accumulated other comprehensive income	1,637	**(351)**	**(3,115)**
Non-controlling interests	1,628	**1,597**	**14,173**
Total net assets	66,222	**69,628**	**617,927**
Total liabilities and net assets	¥102,936	**¥107,145**	**$ 950,879**

Consolidated Statements of Income

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2014, 2015 and 2016

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2014	2015	**2016**	**2016**
Net Sales (Note 18)	¥ 93,758	¥ 93,834	**¥100,666**	**$ 893,379**
Cost of Sales (Note 18)	64,715	63,833	**68,549**	**608,351**
Gross profit	29,043	30,001	**32,117**	**285,028**
Selling, General and Administrative Expenses (Note 11)	21,055	20,702	**21,443**	**190,300**
Operating income	7,988	9,299	**10,674**	**94,728**
Other Income (Expenses):				
Interest income	46	49	**46**	**408**
Interest expense	(3)	(3)	**(2)**	**(18)**
Dividend income	40	42	**43**	**382**
Dividend on insurance policies	6	13	**24**	**213**
Insurance return	42	37	**24**	**213**
Rental revenue	61	56	**49**	**435**
Rental expense	(51)	(90)	**(36)**	**(319)**
Equity in earnings of affiliates	207	95	**110**	**976**
Cash discount	(71)	(81)	**(86)**	**(763)**
Foreign exchange gains (losses)	1	63	**(25)**	**(222)**
Commitment fee	(7)	(7)	**(45)**	**(399)**
Gain on sales of investments in securities	—	7	**4**	**35**
Loss on sales/disposals of property, plant and equipment	(30)	(43)	**(39)**	**(346)**
Loss on devaluation of investments in securities	—	(12)	**(222)**	**(1,970)**
Loss on devaluation of investments in capital of subsidiaries and affiliates	(81)	—	**—**	**—**
Impairment loss on fixed assets (Note 7)	(21)	—	**—**	**—**
Others, net	87	71	**54**	**479**
	226	197	**(101)**	**(896)**
Income before income taxes	8,214	9,496	**10,573**	**93,832**
Income Taxes (Note 13):				
Current	3,666	3,654	**3,890**	**34,522**
Deferred	(249)	181	**1**	**9**
	3,417	3,835	**3,891**	**34,531**
Net income	4,797	5,661	**6,682**	**59,301**
Net income attributable to non-controlling interests	18	(26)	**(48)**	**(426)**
Net income attributable to owners of the parent	¥ 4,815	¥ 5,635	**¥ 6,634**	**$ 58,875**

	Yen			U.S. Dollars (Note 1)
Per Share:				
Net income	¥ 79.83	¥ 93.45	**¥ 110.01**	**$ 0.98**
Net assets	983.90	1,071.20	**1,128.22**	**10.01**
Cash dividends	17.50	20.00	**22.00**	**0.20**
Weighted Average Number of Shares Issued (in thousands)	60,314	60,302	**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, 2014, 2015 and 2016

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2014	2015	**2016**	**2016**
Net Income	¥ 4,797	¥ 5,661	**¥ 6,682**	**$ 59,301**
Other Comprehensive Income (Note 16):				
Unrealized gains (losses) on securities, net of taxes	164	378	**(390)**	**(3,461)**
Foreign currency translation adjustments	671	395	**(199)**	**(1,766)**
Adjustments for retirement benefits, net of taxes	—	731	**(1,472)**	**(13,064)**
Share of other comprehensive income of affiliates accounted for under the equity method	1	2	**(2)**	**(18)**
Total other comprehensive income	836	1,506	**(2,063)**	**(18,309)**
Comprehensive income	¥ 5,633	¥ 7,167	**¥ 4,619**	**$ 40,992**
Total Comprehensive Income Attributable to:				
Owners of the parent	¥ 5,385	¥ 6,989	**¥ 4,647**	**$ 41,241**
Non-controlling interests	248	178	**(28)**	**(249)**

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, 2014, 2015 and 2016

	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 April 1, 2013	60,832	¥13,302	¥12,745	¥29,365	¥ (258)	¥55,154	¥ 509	¥ 81	¥ —	¥ 590	¥ 1,271	¥57,015
Net income attributable to owners of the parent				4,815		4,815						4,815
Cash dividends paid				(907)		(907)						(907)
Acquisition of treasury stock					(10)	(10)						(10)
Disposal of treasury stock			1		0	1						1
Net changes during the year	—	—	—	—	—	—	165	406	(878)	(307)	182	(125)
Total changes of items during the period	—	—	1	3,908	(10)	3,899	165	406	(878)	(307)	182	3,774
Balance at March 31, 2014	60,832	¥13,302	¥12,746	¥33,273	¥ (268)	¥59,053	¥ 674	¥ 487	¥ (878)	¥ 283	¥ 1,453	¥60,789
Cumulative effects of change in accounting policies			134	(647)		(513)						(513)
Restated balance at April 1, 2014	60,832	¥13,302	¥12,880	¥32,626	¥ (268)	¥58,540	¥ 674	¥ 487	¥ (878)	¥ 283	¥ 1,453	¥60,276
Net income attributable to owners of the parent				5,635		5,635						5,635
Cash dividends paid				(1,208)		(1,208)						(1,208)
Acquisition of treasury stock					(10)	(10)						(10)
Net changes during the year	—	—	—	—	—	—	380	243	731	1,354	175	1,529
Total changes of items during the period	—	—	—	4,427	(10)	4,417	380	243	731	1,354	175	5,946
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**

	Thousands of U.S. Dollars (Note1)										
	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, 2015	**$118,051**	**$114,306**	**$328,834**	**$(2,467)**	**$558,724**	**$ 9,354**	**$ 6,478**	**$(1,304)**	**$ 14,528**	**$ 14,448**	**$587,700**
Net income attributable to owners of the parent			**58,875**		**58,875**						**58,875**
Cash dividends paid			**(10,721)**		**(10,721)**						**(10,721)**
Acquisition of treasury stock				**(9)**	**(9)**						**(9)**
Net changes during the year	**—**	**—**	**—**	**—**	**—**	**(3,479)**	**(1,100)**	**(13,064)**	**(17,643)**	**(275)**	**(17,918)**
Total changes of items during the period	**—**	**—**	**48,154**	**(9)**	**48,145**	**(3,479)**	**(1,100)**	**(13,064)**	**(17,643)**	**(275)**	**30,227**
Balance at March 31, 2016	**$118,051**	**$114,306**	**$376,988**	**$(2,476)**	**$606,869**	**$ 5,875**	**$ 5,378**	**$(14,368)**	**$ (3,115)**	**$ 14,173**	**$617,927**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2014, 2015 and 2016

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2014	2015	**2016**	**2016**
Cash Flows from Operating Activities:				
Income before income taxes	¥ 8,214	¥ 9,496	**¥ 10,573**	**$ 93,832**
Adjustments for:				
Depreciation and amortization	1,329	1,260	**1,223**	**10,854**
Impairment loss on fixed assets	21	—	**—**	**—**
Amortization of goodwill	21	16	**—**	**—**
Increase (decrease) in allowance for bad debts	37	62	**(42)**	**(373)**
Decrease in accrued retirement benefits	(4,974)	—	**—**	**—**
Increase in liability for retirement benefits	4,651	249	**108**	**958**
Decrease in directors' and Audit & Supervisory Board members' retirement benefits	(1)	(30)	**(95)**	**(843)**
Increase (decrease) in accrued bonuses	27	(30)	**89**	**790**
Increase (decrease) in provision for product warranties	1	308	**(26)**	**(231)**
Increase in provision for demolition costs	—	—	**93**	**825**
Increase (decrease) in provision for warranties for completed construction contracts	(32)	13	**(5)**	**(44)**
Increase (decrease) in provision for losses on construction contracts	81	(62)	**(34)**	**(302)**
Interest and dividend income	(86)	(91)	**(89)**	**(790)**
Insurance return	(42)	(37)	**(24)**	**(213)**
Interest expenses	3	3	**2**	**18**
Equity in earnings of affiliates	(207)	(95)	**(110)**	**(976)**
Loss on sales/disposal of property, plant and equipment	30	43	**39**	**346**
Loss on devaluation of investments in securities	—	12	**222**	**1,970**
Loss on devaluation of investments in capital of subsidiaries and affiliates	81	—	**—**	**—**
Gain on sales of investments in securities	—	(7)	**(4)**	**(35)**
Decrease (increase) in trade receivables	(1,409)	115	**(1,559)**	**(13,836)**
Decrease (increase) in inventories	(424)	(2,804)	**2,291**	**20,332**
Increase (decrease) in trade payables	479	(99)	**(1,073)**	**(9,522)**
Increase (decrease) in advances received on uncompleted construction contracts	(22)	1,660	**(852)**	**(7,561)**
Others, net	757	20	**757**	**6,718**
Subtotal	8,535	10,002	**11,484**	**101,917**
Interest and dividend income received	89	93	**77**	**683**
Interest expenses paid	(3)	(3)	**(2)**	**(18)**
Income taxes paid	(1,986)	(3,854)	**(4,050)**	**(35,942)**
Net cash provided by operating activities	6,635	6,238	**7,509**	**66,640**
Cash Flows from Investing Activities:				
Decrease (increase) in time deposits	(145)	21	**72**	**639**
Payments into long-term deposits	—	—	**(184)**	**(1,633)**
Proceeds from withdrawal of long-term deposits	—	—	**129**	**1,145**
Payments for purchase of property, plant and equipment	(940)	(3,092)	**(4,652)**	**(41,285)**
Proceeds from sales of property, plant and equipment	79	35	**44**	**390**
Payments for purchase of investments in securities	(7)	(107)	**(204)**	**(1,810)**
Proceeds from sales of investments in securities	—	8	**18**	**160**
Payments for purchase of shares of subsidiaries	(364)	—	**—**	**—**
Payments for loans receivable	(1)	(22)	**(4)**	**(35)**
Proceeds from loans receivable	43	32	**40**	**355**
Proceeds from cancellation of insurance contracts	448	128	**100**	**887**
Others, net	(474)	(485)	**(115)**	**(1,021)**
Net cash used in investing activities	(1,361)	(3,482)	**(4,756)**	**(42,208)**
Cash Flows from Financing Activities:				
Cash dividends paid	(907)	(1,208)	**(1,208)**	**(10,721)**
Cash dividends paid to non-controlling shareholders	(26)	(3)	**(3)**	**(26)**
Payments for purchase of treasury stock	(9)	(10)	**(1)**	**(9)**
Others, net	(2)	(3)	**(1)**	**(9)**
Net cash used in financing activities	(944)	(1,224)	**(1,213)**	**(10,765)**
Effect of exchange rate changes on cash and cash equivalents	161	79	**(45)**	**(399)**
Net increase in cash and cash equivalents	4,491	1,611	**1,495**	**13,268**
Cash and cash equivalents at beginning of year	20,948	25,439	**27,050**	**240,060**
Cash and cash equivalents at end of year (Note 5)	¥ 25,439	¥ 27,050	**¥ 28,545**	**$ 253,328**

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2014, 2015 and 2016

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 issued on May 17, 2006).

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, 2016, which is ¥112.68 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 26 and 25 subsidiaries at March 31, 2015 and 2016, respectively.

The consolidated financial statements include the accounts of the Company and 20 and 19 subsidiaries at March 31, 2015 and 2016, respectively.

The 19 subsidiaries which have been consolidated with the Company at March 31, 2016 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%
Nohmi Taiwan Ltd.	82.3%
Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd.	60.0%

Osaka Nohmi Co., Ltd. was eliminated from the scope of consolidation due to completion of liquidation during the year ended March 31, 2016.

The accounts of the remaining 6 unconsolidated subsidiaries had insignificant amounts of total assets, net sales, net income and retained earnings and therefore 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 book value of investments 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, 2015 and 2016, 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 6 unconsolidated subsidiaries and 3 affiliates do not have a material effect on net income or retained earnings in the consolidated financial statements. Accordingly, the investments in these 6 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

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)

The percentage-of-completion method has been applied to construction contracts whose outcomes are deemed certain and the completed-contract method has been applied to other construction contracts.

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 ($34,966 thousand) and operating income and income before income taxes increased by ¥1,277 million ($11,333 thousand) for the year ended March 31, 2016.

(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.

(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 data have been made to conform with current classifications.

3. Changes in Accounting Policies

(1) Accounting Standard for Retirement Benefits

Effective from the year ended March 31, 2014, the Company and its consolidated subsidiaries adopted the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012) (except for the provisions indicated in Paragraph 35 of the "Accounting Standard for Retirement Benefits" and Paragraph 67 of the "Guidance on the Accounting Standard for Retirement Benefits"). Accordingly, liability for retirement benefits was recorded by deducting plan assets from retirement benefit obligations, and unrecognized actuarial gains and losses and unrecognized prior service costs were also recorded as liability for retirement benefits.

In accordance with the provisions on transitional implementation stipulated in Paragraph 37 of the "Accounting Standard for Retirement Benefits," the impact of these changes is included in accumulated adjustments for retirement benefits in accumulated other comprehensive income as of March 31, 2014.

As a result of the adoption, as of March 31, 2014, ¥6,011 million was recorded as liability for retirement benefits, and accumulated other comprehensive income as of March 31, 2014 decreased by ¥878 million.

Net assets per share as of March 31, 2014 decreased by ¥14.55.

Effective from the year ended March 31, 2015, the Company and its consolidated subsidiaries adopted the provisions indicated in Paragraph 35 of the "Accounting Standard for Retirement Benefits" and Paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits." Accordingly, the calculation method of retirement benefit obligations and service costs has been revised, the method of attributing expected benefits to the fiscal year has been changed from the straight-line method to the benefit formula basis, and the method for determining the discount rate has been changed from the method based on yield of bonds for the period approximating the average remaining service period of the employees at fiscal year-end to the method using a single weighted average discount rate reflecting the estimated period and amount of retirement benefit payments.

In accordance with the provision on transitional implementation stipulated in Paragraph 37 of the "Accounting Standard for Retirement Benefits," the impact of the change in calculation method of retirement benefit obligations and service costs has been recognized in retained earnings as of April 1, 2014.

As a result of the adoption of these provisions, the liability for retirement benefits increased by ¥795 million and retained earnings decreased by ¥513 million as of April 1, 2014. The impact on net income for the year ended March 31, 2015 was immaterial. Net assets per share as of March 31, 2015 decreased by ¥8.51. The impact on net income per share for the year ended March 31, 2015 was immaterial.

(2) Accounting Standard for Business Combinations, etc.

The "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on September 13, 2013 (hereinafter, "Statement No. 21")), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on September 13, 2013 (hereinafter, "Statement No. 22")) and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on September 13, 2013 (hereinafter, the "Statement No. 7")), etc. were effective from April 1, 2014. Accordingly, effective from the year ended March 31, 2015, the Company and its consolidated subsidiaries adopted these accounting standards, etc. (except for Paragraph 39 of Statement No. 22) and the difference from changes in interest of the Company in a subsidiary in which the Company keeps continued control is recorded as capital surplus and acquisition related costs are charged to income in the year when such costs are incurred. With regards to business combinations undertaken on or after April 1, 2014, revision of allocating acquisition costs due to settlements of transitional treatment is reflected in the consolidated financial statement for the year when the date of the business combination belongs to.

In accordance with the provisions on transitional implementation stipulated in Paragraph 58-2 (4) of Statement No. 21, Paragraph 44-5 (4) of Statement No. 22 and Paragraph 57-4 (4) of Statement No. 7, cumulative effects of adopting these new accounting standards retrospectively to all prior periods as of April 1, 2014 are recognized in capital surplus and retained earnings.

As a result of the adoption, capital surplus increased by ¥134 million and retained earnings decreased by the same amount as of April 1, 2014. There were no impacts on profit or loss for the year ended March 31, 2015.

Accordingly, capital surplus in the consolidated statements of changes in net assets also increased by ¥134 million and retained earnings decreased by the same amount as of April 1, 2014.

There were no impacts on per share information.

Effective from the year ended March 31, 2016, the Company and its consolidated subsidiaries adopted Paragraph 39 of Statement No. 22 and changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests." Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

4. Accounting Standard Issued But Not Yet Adopted

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued on March 28, 2016)

(a) Overview

Following the framework in Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets," which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:

1) Treatment for an entity that does not meet any of the criteria in types 1 to 5;

2) Criteria for types 2 and 3;

3) Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;

4) Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and

5) Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(b) Effective Dates

The guidance is expected to be effective from the beginning of the year ending March 31, 2017.

(c) Impact of the application of the guidance

The effects of the 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, 2014, 2015 and 2016 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2014	2015	**2016**	**2016**
Cash and bank deposits	¥ 25,165	¥ 26,940	**¥ 28,192**	**$ 250,195**
Short-term investments	2,000	2,000	**2,000**	**17,749**
Long-term deposit	121	—	**184**	**1,633**
Total	27,286	28,940	**30,376**	**269,577**
Time deposits with deposit terms of over mainly three months	(1,847)	(1,890)	**(1,831)**	**(16,249)**
Cash and cash equivalents	¥ 25,439	¥ 27,050	**¥ 28,545**	**$ 253,328**

6. Securities

The following tables summarize the acquisition costs and book value/fair value of securities with available fair values as of March 31, 2015 and 2016.

Available-for-sale securities

Securities with book value exceeding acquisition costs

	Millions of Yen		
	2015		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	¥ 2,561	¥ 1,191	¥ 1,370

	Millions of Yen		
	2016		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	**¥ 1,998**	**¥ 1,126**	**¥ 872**

	Thousands of U.S. Dollars		
	2016		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	**$ 17,732**	**$ 9,993**	**$ 7,739**

Securities with book value not exceeding acquisition cost

	Millions of Yen		
	2015		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	¥ 1	¥ 1	¥ (0)
Negotiable certificate of deposit	¥ 2,000	¥ 2,000	¥ —

	Millions of Yen		
	2016		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	**¥ 122**	**¥ 145**	**¥ (23)**
Negotiable certificate of deposit	**¥ 2,000**	**¥ 2,000**	**¥ —**

	Thousands of U.S. Dollars		
	2016		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	**$ 1,083**	**$ 1,287**	**$ (204)**
Negotiable certificate of deposit	**$ 17,749**	**$ 17,749**	**$ —**

The following tables summarize book value of securities with no available fair market values as of March 31, 2015 and 2016.

Available-for-sale securities

	Millions of Yen		Thousands of U.S. Dollars
	2015	**2016**	**2016**
Non-listed equity securities	¥ 195	**¥ 308**	**$ 2,733**

7. Impairment Loss on Fixed Assets

For the Year Ended March 31, 2014

The Company and its consolidated subsidiaries have recognized impairment losses of ¥21 million for the year ended March 31, 2014:

Use	Location	Category
Business properties	Branch office (Shizuoka Prefecture) and International division (Chiyoda Ward, Tokyo Metropolis)	Future minimum lease payments and others

The Company and its consolidated subsidiaries recognized impairment losses amounting to ¥21 million on the business properties due to low profitability caused by fierce competition inside and outside of Japan. The breakdown of impairment losses on the business properties is future minimum lease payments of ¥8 million and others of ¥13 million. The recoverable amount is measured by the net realizable value based on disposable value.

8. Inventories

Inventories as of March 31, 2015 and 2016 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	**2016**	**2016**
Products	¥ 3,553	**¥ 2,839**	**$ 25,195**
Raw materials	4,052	**3,694**	**32,783**
Work in progress	914	**684**	**6,070**
Cost of construction contracts in progress	7,023	**5,982**	**53,089**
	¥ 15,542	**¥ 13,199**	**$ 117,137**

9. Short-term Debt and Long-term Debt

Short-term debt at March 31, 2016 bore interest at an annual rate of 1.57% 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, 2015 and 2016 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	**2016**	**2016**
Guarantee deposits received	¥ 384	**¥ 390**	**$ 3,641**
Total long-term debt	¥ 384	**¥ 390**	**$ 3,641**

The average interest rate of 0.51% as of March 31, 2016 represents the weighted-average rate applicable to the year-end balance.

Since there are no annual maturities of guarantee deposits received, the annual maturities and the aggregate annual maturities are not presented.

10. Accrued Retirement Benefits

The Company and its consolidated subsidiaries provide defined benefit plans, defined contribution plans and lump-sum payment 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 14 consolidated subsidiaries provide lump-sum payment plans, and pension plans are individually structured by each company as of March 31, 2016.

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
	2015	**2016**	**2016**
Projected benefit obligations at beginning of year	¥ 12,119	**¥ 13,074**	**$ 116,028**
Cumulative effects of change in accounting policies	795	**—**	**—**
Restated projected benefit obligations at beginning of year	¥ 12,914	**¥ 13,074**	**$ 116,028**
Service costs	673	**659**	**5,848**
Interest expenses	181	**183**	**1,624**
Actuarial losses (gains)	(287)	**1,809**	**16,054**
Retirement benefits paid	(407)	**(585)**	**(5,191)**
Projected benefit obligations at end of year	¥ 13,074	**¥ 15,140**	**$ 134,363**

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
	2015	**2016**	**2016**
Plan assets at beginning of year	¥ 6,554	**¥ 7,544**	**$ 66,951**
Expected return on plan assets	164	**188**	**1,668**
Actuarial gains (losses)	654	**(407)**	**(3,612)**
Employer's contribution	453	**461**	**4,091**
Retirement benefits paid	(281)	**(387)**	**(3,434)**
Plan assets at end of year	¥ 7,544	**¥ 7,399**	**$ 65,664**

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
	2015	**2016**	**2016**
Liability for retirement benefits at beginning of year	¥ 446	**¥ 382**	**$ 3,390**
Net pension and employees' severance costs	65	**87**	**772**
Retirement benefits paid	(75)	**(20)**	**(178)**
Contributions to the plan	(54)	**(54)**	**(479)**
Liability for retirement benefits at end of year	¥ 382	**¥ 395**	**$ 3,505**

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
	2015	**2016**	**2016**
Projected benefit obligations (funded)	¥ 9,334	**¥ 10,750**	**$ 95,403**
Plan assets	(8,046)	**(7,931)**	**(70,385)**
	1,288	**2,819**	**25,018**
Projected benefit obligations (unfunded)	4,624	**5,317**	**47,186**
Liability for retirement benefits	¥ 5,912	**¥ 8,136**	**$ 72,204**

The components of net pension and employees' severance costs for the years ended March 31, 2014, 2015 and 2016 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2014	2015	**2016**	**2016**
Service costs	¥ 623	¥ 673	**¥ 659**	**$ 5,848**
Interest expenses	166	181	**183**	**1,624**
Expected return on plan assets	(151)	(164)	**(188)**	**(1,668)**
Recognized actuarial differences	205	202	**100**	**888**
Net pension and employees' severance costs calculated using the simplified method	146	65	**87**	**772**
Net periodic benefit costs	¥ 989	¥ 957	**¥ 841**	**$ 7,464**

The components of adjustments for retirement benefits (before applicable tax effects) for the years ended March 31, 2014, 2015 and 2016 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2014	2015	**2016**	**2016**
Actuarial losses (gains)	¥ —	¥ 1,143	**¥(2,116)**	**$(18,779)**
Total	¥ —	¥ 1,143	**¥(2,116)**	**$(18,779)**

The components of accumulated adjustments for retirement benefits (before applicable tax effects) as of March 31, 2015 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	**2016**	**2016**
Unrecognized actuarial differences	¥ 217	**¥ 2,333**	**$ 20,705**
Total	¥ 217	**¥ 2,333**	**$ 20,705**

Breakdown of plan assets as of March 31, 2015 and 2016 was as follows:

	2015	**2016**
Equity securities	43%	**38%**
General accounts	34	**36**
Bonds	21	**24**
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 various components of the plan assets.

Significant assumptions used in determining the projected benefit obligations at March 31, 2014, 2015 and 2016 were as follows:

	2014	2015	2016
Discount rate	Mainly 1.4%	Mainly 1.4%	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, 2014, 2015, and 2016 was ¥9 million, ¥12 million, and ¥12 million ($106 thousand), respectively.

11. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2014, 2015 and 2016 were ¥1,757 million, ¥1,776 million and ¥1,868 million ($16,578 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 receivables 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. Regarding securities, the Company and its consolidated subsidiaries invest in negotiable certificates of deposit with counterparties that have high credit ratings. In addition, 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. Short-term debt comprises amounts borrowed from banks by affiliates. Current liabilities such as trade payables and non-trade accounts payable 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, 2015 and 2016 was as follows:

	Millions of Yen		
	2015		
	Carrying amount	Fair value	Unrecognized gain (loss)
Cash and bank deposits	¥ 26,940	¥ 26,940	¥ —
Trade receivables	32,321	32,321	—
Short-term investments and investments in securities	4,562	4,562	—
Long-term loan receivable	111	114	3
Total	¥ 63,934	¥ 63,937	¥ 3
Trade payables	¥ 9,611	¥ 9,611	¥ —
Short-term debt	19	19	—
Non-trade accounts payable	6,673	6,673	—
Income taxes payable	3,252	3,252	—
Total	¥ 19,555	¥ 19,555	¥ —
Derivatives	¥ —	¥ —	¥ —

	Millions of Yen		
	2016		
	Carrying amount	Fair value	Unrecognized gain (loss)
Cash and bank deposits	**¥ 28,192**	**¥ 28,192**	**¥ —**
Trade receivables	**33,831**	**33,831**	**—**
Short-term investments and investments in securities	**4,120**	**4,120**	**—**
Long-term loan receivable	**74**	**74**	**0**
Total	**¥ 66,217**	**¥ 66,217**	**¥ 0**
Trade payables	**¥ 8,854**	**¥ 8,854**	**¥ —**
Short-term debt	**18**	**18**	**—**
Non-trade accounts payable	**6,630**	**6,630**	**—**
Income taxes payable	**3,175**	**3,175**	**—**
Total	**¥ 18,677**	**¥ 18,677**	**¥ —**
Derivatives	**¥ —**	**¥ —**	**¥ —**

	Thousands of U.S. Dollars		
	2016		
	Carrying amount	Fair value	Unrecognized gain (loss)
Cash and bank deposits	**$ 250,195**	**$ 250,195**	**$ —**
Trade receivables	**300,240**	**300,240**	**—**
Short-term investments and investments in securities	**36,564**	**36,564**	**—**
Long-term loan receivable	**657**	**657**	**0**
Total	**$ 587,656**	**$ 587,656**	**$ 0**
Trade payables	**$78,577**	**$78,577**	**$ —**
Short-term debt	**160**	**160**	**—**
Non-trade accounts payable	**58,839**	**58,839**	**—**
Income taxes payable	**28,177**	**28,177**	**—**
Total	**$ 165,753**	**$ 165,753**	**$ —**
Derivatives	**$ —**	**$ —**	**$ —**

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.

Short-term investments and investments in securities

The fair value of short-term investments and investments in securities is measured at the quoted market price on the stock exchange. The carrying values of negotiable certificates of deposit approximate fair value. Information of the fair value for the short-term investments and 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.

Derivatives

There are no derivative transactions.

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

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, 2015 and 2016 were ¥2,717 million and ¥2,712 million ($24,068 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 and in the fair value of financial instruments above.

3. Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2016:

	Millions of Yen			
	2016			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and bank deposits	**¥ 28,192**	**¥ —**	**¥ —**	**¥ —**
Trade receivables	**33,831**	**—**	**—**	**—**
Short-term investments and investments in securities				
Available-for-sale securities with contractual maturities (negotiable certificate of deposit)	**2,000**	**—**	**—**	**—**
Long-term loans receivable	**—**	**71**	**3**	**0**
Total	**¥ 64,023**	**¥ 71**	**¥ 3**	**¥ 0**

	Thousands of U.S. Dollars			
	2016			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and bank deposits	**$ 250,195**	**$ —**	**$ —**	**$ —**
Trade receivables	**300,240**	**—**	**—**	**—**
Short-term investments and investments in securities				
Available-for-sale securities with contractual maturities (negotiable certificate of deposit)	**17,749**	**—**	**—**	**—**
Long-term loans receivable	**—**	**630**	**27**	**0**
Total	**$ 509,786**	**$ 630**	**$ 27**	**$ 0**

13. Income Taxes

At March 31, 2015 and 2016, significant components of deferred tax assets and liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	**2016**	**2016**
Deferred tax assets:			
Liability for retirement benefits	¥ 1,916	**¥ 2,500**	**$ 22,187**
Accrued bonuses	978	**950**	**8,431**
Directors' and Audit & Supervisory Board members' retirement benefits	187	**148**	**1,313**
Loss on write-off of fixed assets	197	**187**	**1,660**
Accrued legal welfare expenses	124	**123**	**1,092**
Accrued enterprise taxes	243	**221**	**1,961**
Allowance for bad debts	114	**95**	**843**
Impairment loss on fixed assets	128	**123**	**1,092**
Devaluation of inventories	203	**166**	**1,473**
Provision for losses on construction contracts	153	**148**	**1,313**
Others	704	**893**	**7,925**
Subtotal	4,947	**5,554**	**49,290**
Valuation allowance	(698)	**(664)**	**(5,893)**
Total	¥ 4,249	**¥ 4,890**	**$ 43,397**
Deferred tax liabilities:			
Special depreciation of acquired assets	¥ (54)	**¥ (51)**	**$ (452)**
Unrealized gains on securities	(323)	**(193)**	**(1,713)**
Total	¥ (377)	**¥ (244)**	**$ (2,165)**
Net deferred tax assets	¥ 3,872	**¥ 4,646**	**$ 41,232**

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 35.5% for the year ended March 31, 2015 and 33.1% for the year ended March 31, 2016.

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes for the years ended March 31, 2015 and 2016 is as follows:

	2015	**2016**
Statutory tax rate	35.5%	**33.1%**
Adjustments:		
Entertainment expenses and other non-deductible expenses	1.4	**1.4**
Tax rate difference for foreign consolidated subsidiaries	(0.2)	**0.2**
Per capita levy of local resident income taxes	0.9	**0.8**
Reduction of net deferred tax assets due to changes in statutory tax rate	3.3	**2.2**
Tax credit for R&D expenses	(1.3)	**(1.3)**
Equity in earnings of affiliates	(0.4)	**(0.3)**
Changes in valuation allowance	0.9	**0.2**
Other	0.3	**0.5**
Effective tax rate	40.4%	**36.8%**

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014 and as a result, the special restoration surtax was abolished from fiscal years starting on or after April 1, 2014. As a result, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from 37.9% at March 31, 2013 to 35.5% at March 31, 2014 for the temporary differences that were expected to reverse in the fiscal year starting on April 1, 2014. As a result, deferred tax assets, net of deferred tax liabilities as of March 31, 2014, decreased by ¥139 million and income taxes—deferred increased by ¥139 million for the year ended March 31, 2014.

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act on Partial Revision of Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015 and as a result, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from 35.5% at March 31, 2014 to 33.1% and 32.3% at March 31, 2015 for the temporary differences that were expected to reverse in the period from April 1, 2015 to March 31, 2016 and the periods after April 1, 2016, respectively. As a result, deferred tax assets, net of deferred tax liabilities decreased by ¥284 million and income taxes—deferred, unrealized gains on securities, net of taxes, and accumulated adjustments for retirement benefits increased by ¥308 million, ¥32 million and ¥(7) million, respectively, as of and for the year ended March 31, 2015.

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 ($2,316 thousand) and income taxes—deferred, unrealized gains on securities, net of taxes, and accumulated adjustments for retirement benefits increased by ¥232 million ($2,059 thousand), ¥11 million ($98 thousand) and ¥(40) million ($(355) thousand), respectively, as of and for the year ended March 31, 2016.

14. Contingent Liabilities

The Company and its consolidated subsidiaries were contingently liable for trade notes endorsed for payment to third parties in the ordinary course of business in the amount of ¥181 million and ¥337 million ($2,991 thousand) and performance guarantees made for unconsolidated subsidiaries of ¥15 million and ¥81 million ($719 thousand) at March 31, 2015 and 2016, 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 24, 2016, the distribution of cash dividends amounting to ¥725 million ($6,434 thousand) was approved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2016 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, 2016

The following was approved by the annual shareholders' meeting held on June 25, 2015:

(a) Total dividends .... ¥604 million ($5,361 thousand)
(b) Cash dividends per common share ¥10.00 ($0.09)
(c) Record date .... March 31, 2015
(d) Effective date .... June 26, 2016

The following was approved by the Board of Directors on November 6, 2015:

(a) Total dividends .... ¥604 million ($5,360 thousand)
(b) Cash dividends per common share ¥10.00 ($0.09)
(c) Record date .... September 30, 2015
(d) Effective date .... December 4, 2015

b) Dividends to be paid after March 31, 2016 but the record date for the payment belongs to the year ended March 31, 2016

The following was approved by the annual shareholders' meeting held on June 24, 2016:

(a) Total dividends .... ¥725 million ($6,434 thousand)
(b) Cash dividends per common share ¥12.00 ($0.11)
(c) Record date .... March 31, 2016
(d) Effective date .... June 27, 2016

16. Comprehensive Income

The amount of reclassification adjustments and tax effect relating to other comprehensive income for the years ended March 31, 2014, 2015 and 2016 comprised the following:

	Millions of Yen			Thousands of U.S. Dollars
	2014	2015	**2016**	**2016**
Unrealized gains (losses) on securities, net of taxes:				
Increase (decrease) during the year	¥ 193	¥ 495	**¥ (516)**	**$ (4,579)**
Reclassification adjustments	—	(7)	**(4)**	**(36)**
Amount before tax effect adjustment	193	488	**(520)**	**(4,615)**
Tax effect	(29)	(110)	**130**	**1,154**
Unrealized gains (losses) on securities, net of taxes	164	378	**(390)**	**(3,461)**
Foreign currency translation adjustments:				
Increase (decrease) during the year	671	395	**(199)**	**(1,766)**
Adjustments for retirement benefits, net of taxes:				
Increase (decrease) during the year	—	944	**(2,218)**	**(19,684)**
Reclassification adjustments	—	199	**102**	**905**
Amount before tax effect adjustment	—	1,143	**(2,116)**	**(18,779)**
Tax effect	—	(412)	**644**	**5,715**
Adjustments for retirement benefits, net of taxes	—	731	**(1,472)**	**(13,064)**
Share of other comprehensive income of affiliates accounted for under the equity method:				
Increase (decrease) during the year	1	2	**(2)**	**(18)**
Total other comprehensive income	¥ 836	¥ 1,506	**¥ (2,063)**	**$ (18,309)**

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.

As described in Note 3 "Changes in Accounting Policies," effective from the year ended March 31, 2015, the calculation method of retirement benefit obligations and service costs has been revised. Accordingly, the calculation method of retirement benefit obligations and service costs for reportable segments has also been revised.

The impact on income of each reportable segment was immaterial.

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

	Millions of Yen							
	2014							
	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	¥ 33,439	¥ 30,672	¥ 23,562	¥ 87,673	¥ 6,085	¥ 93,758	¥ —	¥ 93,758
Inter-segment	67	451	1	519	184	703	(703)	—
Total	33,506	31,123	23,563	88,192	6,269	94,461	(703)	93,758
Segment income	¥ 4,397	¥ 4,389	¥ 4,170	¥ 12,956	¥ 267	¥ 13,223	¥ (5,235)	¥ 7,988
Segment assets	¥ 31,514	¥ 22,607	¥ 11,954	¥ 66,075	¥ 4,633	¥ 70,708	¥ 24,656	¥ 95,364
Other:								
Depreciation	¥ 512	¥ 150	¥ 102	¥ 764	¥ 122	¥ 886	¥ 443	¥ 1,329
Amortization of goodwill	¥ 5	¥ —	¥ 16	¥ 21	¥ —	¥ 21	¥ —	¥ 21
Impairment loss	¥ 16	¥ 1	¥ 4	¥ 21	¥ —	¥ 21	¥ —	¥ 21
Affiliates accounted for under the equity method	¥ —	¥ 1,826	¥ —	¥ 1,826	¥ —	¥ 1,826	¥ —	¥ 1,826
Increase in property, plant and equipment and intangible assets	¥ 566	¥ 150	¥ 117	¥ 833	¥ 52	¥ 885	¥ 159	¥ 1,044

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

Note 2: (1) ¥(5,235) 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) ¥24,656 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) ¥443 million included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥159 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							
	2015							
	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	¥ 35,488	¥ 29,695	¥ 23,003	¥ 88,186	¥ 5,648	¥ 93,834	¥ —	¥ 93,834
Inter-segment	270	314	1	585	185	770	(770)	—
Total	35,758	30,009	23,004	88,771	5,833	94,604	(770)	93,834
Segment income	¥ 6,564	¥ 3,827	¥ 4,200	¥ 14,591	¥ 225	¥ 14,816	¥ (5,517)	¥ 9,299
Segment assets	¥ 36,020	¥ 23,443	¥ 11,571	¥ 71,034	¥ 5,004	¥ 76,038	¥ 26,898	¥ 102,936
Other:								
Depreciation	¥ 486	¥ 147	¥ 95	¥ 728	¥ 124	¥ 852	¥ 400	¥ 1,252
Amortization of goodwill	¥ —	¥ —	¥ 16	¥ 16	¥ —	¥ 16	¥ —	¥ 16
Affiliates accounted for under the equity method	¥ —	¥ 1,922	¥ —	¥ 1,922	¥ —	¥ 1,922	¥ —	¥ 1,922
Increase in property, plant and equipment and intangible assets	¥ 1,734	¥ 311	¥ 107	¥ 2,152	¥ 80	¥ 2,232	¥ 1,018	¥ 3,250

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

Note 2: (1) ¥(5,517) 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) ¥26,898 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) ¥400 million included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥1,018 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							
	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**

	Thousands of U.S. Dollars							
	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	**$ 318,637**	**$ 321,441**	**$ 202,947**	**$ 843,025**	**$ 50,354**	**$ 893,379**	**$ —**	**$ 893,379**
Inter-segment	**1,642**	**1,802**	**8**	**3,452**	**1,678**	**5,130**	**(5,130)**	**—**
Total	**320,279**	**323,243**	**202,955**	**846,477**	**52,032**	**898,509**	**(5,130)**	**893,379**
Segment income	**$ 54,029**	**$ 51,722**	**$ 38,676**	**$ 144,427**	**$ 4,819**	**$ 149,246**	**$ (54,518)**	**$ 94,728**
Segment assets	**$ 318,486**	**$ 239,040**	**$ 95,509**	**$ 653,035**	**$ 36,724**	**$ 689,759**	**$ 261,120**	**$ 950,879**
Other:								
Depreciation	**$ 4,695**	**$ 1,296**	**$ 674**	**$ 6,665**	**$ 1,047**	**$ 7,712**	**$ 3,044**	**$ 10,756**
Affiliates accounted for under the equity method	**$ —**	**$ 17,989**	**$ —**	**$ 17,989**	**$ —**	**$ 17,989**	**$ —**	**$ 17,989**
Increase in property, plant and equipment and intangible assets	**$ 18,619**	**$ 4,455**	**$ 1,376**	**$ 24,450**	**$ 1,322**	**$ 25,772**	**$ 14,981**	**$ 40,753**

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 ($(54,518) 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) ¥29,423 million ($261,120 thousand) 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 ($3,044 thousand) included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥1,688 million ($14,981 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

	Millions of Yen							
	2015							
	Reportable segments							
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others	Total	Adjustments	Consolidated
Amortization during the year	¥ —	¥ —	¥ 16	¥ 16	¥ —	¥ 16	¥ —	¥ 16
Unamortized balance	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

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

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, 2015 and 2016 and for the years ended March 31, 2014, 2015 and 2016, were as follows. 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, 2016				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	2014	2015	**2016**	2015	**2016**
¥66,378 million	Security service	Direct: 50.7% (*) Indirect: 0.1%	Sale of products	¥2,195	¥1,987	**¥1,336 ($11,857)**	Trade receivables ¥229	Trade receivables **¥56 ($497)**

KOATSU Co., Ltd.

As of March 31, 2016				
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			
2014	2015	**2016**	2015		**2016**	
¥4,814	¥3,265	**¥4,451 ($39,501)**	Trade payables ¥885	Electronically recorded obligations ¥1,148	Trade payables **¥759 ($6,736)**	Electronically recorded obligations **¥1,271 ($11,280)**

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

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, 2016 and 2015, 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, 2016, 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, 2016 and 2015, and their financial performance and cash flows for each of the years in the three-year period ended March 31, 2016, 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, 2016 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 24, 2016
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Investor Information

(As of March 31, 2016)

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	101,412	16.68
Japanese securities companies	21	1,637	0.27
Other Japanese corporations	196	355,993	58.54
Japanese individuals and others	2,950	110,055	18.10
Foreign institutions and individuals	108	34,919	5.74
Treasury stocks	1	4,094	0.67
Total	3,309	608,110	100.00

Major Stockholders

	Number of Shares Held (Thousands)	Percentage of Total Shares in Issue (%)
SECOM Co., Ltd.	30,598	50.30
Japan Trustee Services Bank, Ltd. (Trust Account)	2,426	3.99
Shareholding Commission of Nohmi Bosai Distributors	2,015	3.31
Shareholding Commission of Nohmi Bosai Partners	1,748	2.87
Shareholding Commission of Nohmi Bosai Employees	1,014	1.67
The Bank of Tokyo-Mitsubishi UFJ , Ltd.	1,000	1.64
The Master Trust Bank of Japan, Ltd. (Trust Account)	898	1.48
Fuji Electric Co., Ltd.	868	1.43
Sumitomo Mitsui Banking Corporation	765	1.26
Tokio Marine & Nichido Fire Insurance Co., Ltd.	745	1.23

• HEAD OFFICE: 7-3, Kudan-Minami 4-chome, Chiyoda-ku, Tokyo 102-8277, Japan
• TEL: 81-3-3265-0211 FAX: 81-3-3263-4948
• URL: http://www.nohmi.co.jp

Printed in Japan