NOHMI

# ANNUAL REPORT 2014

For the Year Ended March 31, 2014

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 2014, ended March 31, 2014, the Company realized consolidated net sales of ¥93.8 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


| | |
|---|---|
| Consolidated Financial Highlights | **1** |
| A Message from the President | **2** |
| Review of Operations | **4** |
| Corporate Governance | **6** |
| An Integrated Fire Protection Service | **8** |
| Management's Discussion and Analysis | **9** |
| Consolidated Balance Sheets | **12** |
| Consolidated Statements of Income | **14** |
| Consolidated Statements of Comprehensive Income | **15** |
| Consolidated Statements of Changes in Net Assets | **16** |
| Consolidated Statements of Cash Flows | **17** |
| Notes to the Consolidated Financial Statements | **18** |
| Independent Auditor's Report | **32** |
| Investor Information | **33** |


**Cautionary Statement with Respect to Forward-Looking Statements**

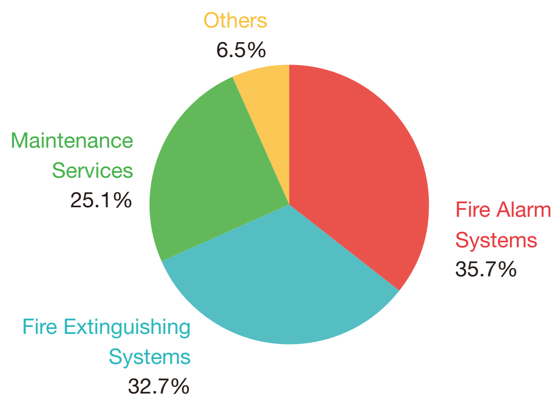
# Consolidated Financial Highlights

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2012, 2013 and 2014

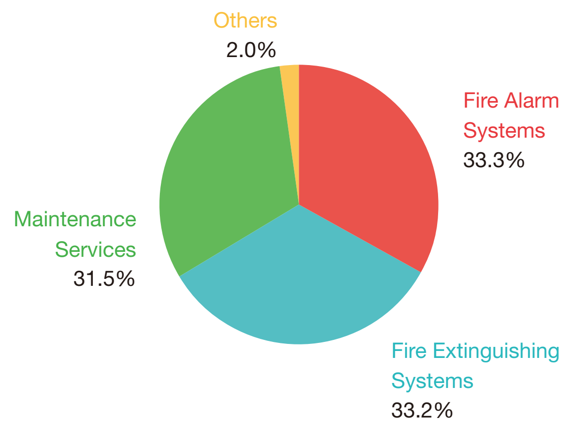
| | Millions of Yen | | | Percentage Change | Thousands of U.S. Dollars*3 |
|---|---|---|---|---|---|
| | 2012 | 2013 | **2014** | 2014/2013 | **2014** |
| **For the year:** | | | | | |
| New orders | ¥84,979 | ¥87,750 | **¥96,774** | 10.3 % | **$940,284** |
| Net sales | 84,762 | 86,097 | **93,758** | 8.9 | **910,979** |
| Cost of sales | 60,422 | 61,163 | **64,715** | 5.8 | **628,789** |
| Operating income | 4,278 | 4,521 | **7,988** | 76.7 | **77,614** |
| Net income | 1,787 | 2,881 | **4,815** | 67.1 | **46,784** |
| Comprehensive income | 1,896 | 3,625 | **5,633** | 55.4 | **54,732** |
| **At year-end:** | | | | | |
| Total assets | ¥86,085 | ¥87,946 | **¥95,364** | 8.4 % | **$926,584** |
| Total net assets | 54,330 | 57,015 | **60,789** | 6.6 | **590,643** |
| Backlog of orders | 33,324 | 34,978 | **37,994** | 8.6 | **369,161** |
| Number of employees | 2,220 | 2,206 | **2,213** | 0.3 | **—** |
| **Per share (in yen and U.S. dollars):** | | | | | |
| Net income*1 | ¥ 29.62 | ¥ 47.76 | **¥ 79.83** | 67.1 % | **$ 0.78** |
| Net assets*2 | 882.03 | 924.20 | **983.90** | 6.5 | **9.56** |
| Cash dividends | 15.00 | 15.00 | **17.50** | 16.7 | **0.17** |

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. 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 ¥102.92=US$1, the prevailing exchange rate at March 31, 2014.
*4. All amounts are in millions of yen or thousands of U.S. dollars, except number of employees and per share amounts.

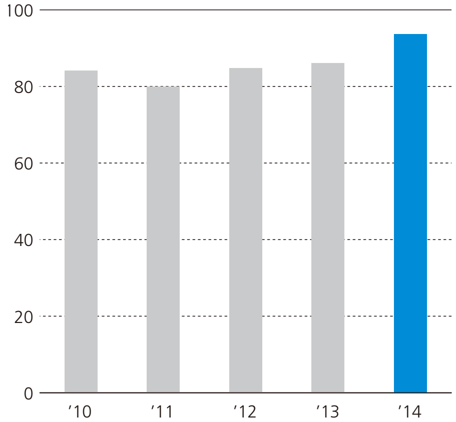
### FY2014 Net Sales Breakdown



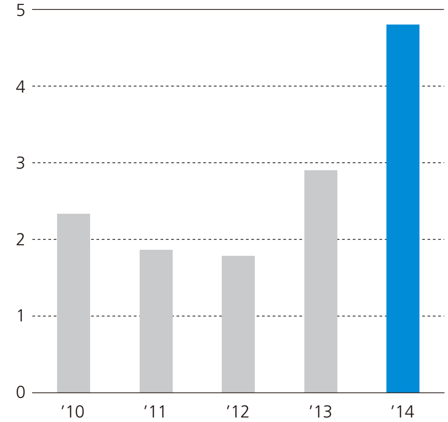

### FY2014 Operating Income Breakdown



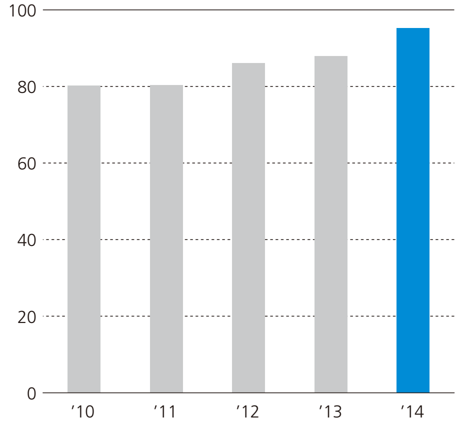

### Net Sales
(Billions of Yen)




### Net Income
(Billions of Yen)




### Total Assets
(Billions of Yen)



# Aiming to Be "a Brilliant Company" Based on the Three Keywords of "Product Appeal," "Human Resources Capabilities" and "Organizational Strengths"

## Operating Environment and Business Results in Fiscal 2014

During fiscal 2014 (ended March 31, 2014), the Japanese economy witnessed signs of a mild recovery due mainly to the effects of the government's economic policies aimed at overcoming deflation.

In the fire protection industry, there was a glimpse of recovery in the market environment. 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 manufacturing functions 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 2014, the medium-term business plan's first year, we proactively made efforts toward sales expansion. As a result, in fiscal 2014, new orders increased 10.3% to ¥96,774 million and net sales rose 8.9% to ¥93,758 million on a consolidated basis compared with the previous year.

At the profit level, operating income increased 76.7% to ¥7,988 million and net income increased by 67.1% to ¥4,815 million.

By business segment, the Fire Alarm Systems segment posted net sales of ¥33,439 million, an increase of 11.6% from the previous year, and operating income of ¥4,397 million, up 65.7%. Both net sales and operating income in the Fire Extinguishing Systems segment rose, increasing 13.8% year-on-year to ¥30,672 million and 44.5% to ¥4,389 million, respectively. Although net sales in the Maintenance Services segment decreased 0.6% to ¥23,562 million, operating income rose 6.2% to ¥4,170 million. Net sales in the Others segment increased 10.8% to ¥6,085 million, while operating income declined 27.1% to ¥267 million.

## Management Policy & Formulation of Medium-Term Business Plan for Fiscal 2014 to 2016

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 27—Toward a Brilliant 100th Anniversary." The plan is being implemented over three years from fiscal 2014 with the aim of further contributing to the safety of society. In order to ensure increases in sales and profits, this plan sets the principal management benchmark targets of increasing net sales and improving the operating margin through the reduction of the ratio of selling, general and administrative expenses (SG&A) to net sales.

## 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 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

For the fiscal year ended March 31, 2014, the Company declared total cash dividends per share of ¥17.50, which includes a year-end cash dividend per share of ¥10.00 and interim dividend of ¥7.50 per share. With 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.

## Outlook for Fiscal 2015

Although the Japanese economy is expected to continue on its path to recovery, the future outlook is uncertain due to such factors as economic deceleration triggered by the impact of the consumption tax rate increase.

In the fire protection industry, despite an improvement in the market environment, the Nohmi Bosai Group is expected to face a challenging business environment arising from such potential risks as a labor shortage as well as higher material and personnel costs in the construction sector as a whole.

To address these circumstances, the Nohmi Bosai Group has formulated a medium-term business plan, "Project 27—Toward a Brilliant 100th Anniversary," which is being implemented over three years from fiscal 2014. In fiscal 2015, the plan's second year, we will place a particular focus on strengthening "product appeal," "human resources capabilities" and "organizational power"; strengthening earning power; strengthening customer-oriented and proposal-based sales; and undertaking better, more efficient and higher quality business operations.

For fiscal 2015, we are projecting consolidated net sales of ¥95,000 million, operating income of ¥8,100 million and net income of ¥4,950 million.

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

July 2014

Kiyotaka Fujii

Kiyotaka Fujii
President

Kiyotaka Fujii
President

## Medium-Term Business Plan "Project 27—Toward a Brilliant 100th Anniversary"

### Vision

Aim to be "a brilliant company" based on the three keywords of "product appeal," "human resources capabilities" and "organizational strengths"

### Measures

(1) Strengthen earnings power
- Strengthen the structure of core businesses
- Secure increases in sales and profits
- Reduce the SG&A expenses-to-net-sales ratio

(2) Strengthen renewal business
- Strengthen proposal-based sales
- Strengthen support for distributors and others

(3) Strengthen service business
- Expand maintenance services
- Strengthen customer-oriented service capabilities

(4) Expand overseas business

(5) Bolster consolidated management
- Bolster Group ties and enhance target management

(6) Strengthen manufacturing functions and quickly launch new products
- Steadily introduce and promote basic technologies and basic research
- Promote R&D closely aligned with sales strategies
- Quickly launch new products and subsequently upgrade these as products

(7) Strengthen quality, cost, delivery (QCD) competitiveness for production and logistics

(8) Bolster human resources development

(9) Strengthen corporate social responsibility (CSR)

## 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 the analog addressable fire alarm equipment that satisfies overseas standards.

### The Year in Review

Net sales in the Fire Alarm Systems segment in fiscal 2014 increased ¥3,483 million, or 11.6%, from the previous year to ¥33,439 million, accounting for 35.7% of consolidated net sales. Operating income was up ¥1,744 million, or 65.7%, to ¥4,397 million. New orders increased ¥2,149 million, or 6.6%, to ¥34,797 million.

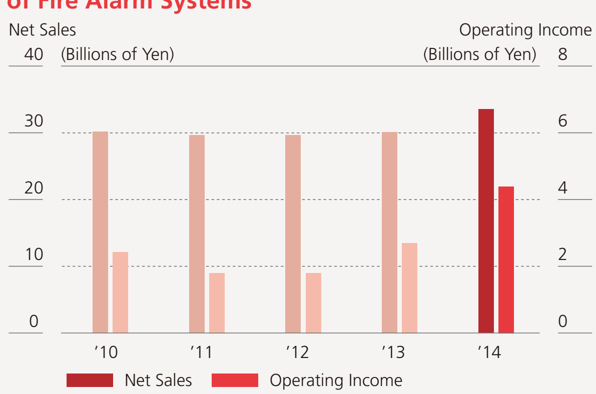
During the fiscal year under review, increases in revenue from installation work and product sales resulted in increases in both overall net sales and operating income.


Fire Monitoring Panels in Control Center

### Major Products and Services

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

### Net Sales/Operating Income of Fire Alarm Systems




## Fire Extinguishing Systems

The Nohmi Bosai Group offers a wide choice of sprinkler systems, foam systems and fire protection equipment for large-scale buildings and facilities, including office buildings, leisure complexes, factories, industrial plants and road tunnels. We also offer residential sprinkler systems. 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 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 2014 increased ¥3,716 million, or 13.8%, from the previous year to ¥30,672 million, accounting for 32.7% of consolidated net sales. Operating income was up ¥1,353 million, or 44.5%, to ¥4,389 million. New orders increased ¥5,100 million, or 19.3%, to ¥31,472 million.

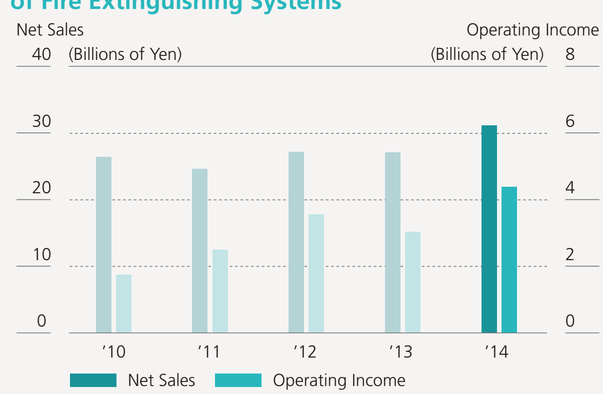
Revenue increased in fire extinguishing equipment for general properties such as high-rise buildings, as well as from systems used in specialty facilities that include industrial plants and factories and from systems used in road tunnels. As a result, we posted increases in both overall net sales and 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 online monitoring and 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 2014 were down ¥132 million, or 0.6%, from the previous year to ¥23,562 million, representing 25.1% of consolidated net sales. Operating income increased ¥241 million, or 6.2%, to ¥4,170 million. New orders rose ¥1,147 million, or 4.9%, to ¥24,516 million.

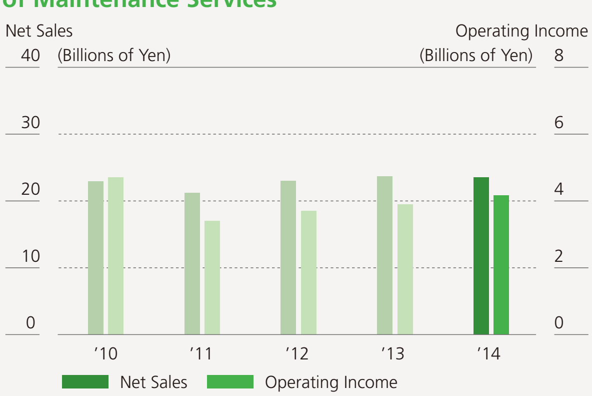
During the fiscal year under review, a decline in revenues from both maintenance and inspection services and repair/renewal services resulted in a decrease in net sales. Conversely, operating income increased due primarily to cost reduction efforts.


Maintenance and Inspection Services

### Major Services

- Maintenance and Inspection Services

### Net Sales/Operating Income of Maintenance Services




## Others

This segment 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 this segment in fiscal 2014 increased ¥594 million, or 10.8%, from the previous year to ¥6,085 million, representing 6.5% of consolidated net sales. Operating income was down ¥100 million, or 27.1%, to ¥267 million. New orders increased ¥626 million, or 11.7%, to ¥5,988 million.

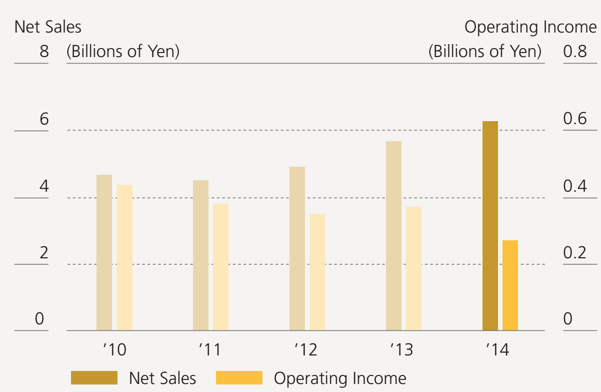
During the fiscal year under review, an increase in revenue from parking lot driving lane control systems resulted in an increase in net sales. On the other hand, operating income declined due mainly to a higher sales cost ratio in businesses other than parking lot driving lane control systems.


Parking Lot Driving Lane Control Systems

### Major Products and Services

- Parking Lot Maintenance Services

### Net Sales/Operating Income of Others



# Fundamental Policies

To ensure the transparency of management, we emphasize accountability to such key stakeholders as our shareholders and investors by disclosing information in a timely and appropriate manner. We have also set up a sound governance structure that encompasses various legal functions and systems, while undertaking compliance-based management that ensures strict Group-wide adherence to our code of conduct and internal rules.

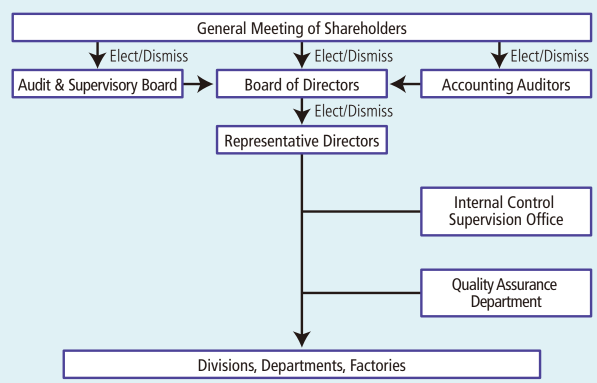
## Corporate Governance Structure

The Company has adopted the Audit & Supervisory Board member system under the Japanese Companies Act and has appointed three 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 in corporate management and enabling a quick decision-making process.

With regard to the Audit & Supervisory Board, 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 receive reports and explanations from the accounting auditors. They also hold meetings of Audit & Supervisory Board members on a regular basis to report and discuss these results, further reinforcing the Audit & Supervisory Board's auditing functions.

The Internal Control Supervision Office, 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 with laws and the Articles of Incorporation
2. Structure for preserving and managing information concerning the execution of work duties by directors
3. Structure for stipulations 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 Nohmi Bosai Ltd., 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
9. Structure for reporting by directors and employees to Audit & Supervisory Board members
10. Structure for assuring that audits of Audit & Supervisory Board members are performed effectively

companies. The Internal Control Supervision Office 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 Office 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 Risk Management Guidelines and built a risk response organizational structure. As part of this structure, we have established the Risk Management Committee, led by the director in charge of general affairs, and the Emergency Action Headquarters, headed by the President, to make appropriate responses depending on the nature of the risk-related issues.

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 10 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.

## Board of Directors and Audit & Supervisory Board Members (As of June 25, 2014)

**Chairman**
Takeshi Hashizume*

**President**
Kiyotaka Fujii*

**Senior Managing Directors**
Kazuo Kajita
Jun Uchiyama

**Managing Directors**
Hajime Arai
Hiroaki Ishii

**Directors**
Koukei Higuchi†
Kazuaki Anzai†
Masahiro Takeda†
Akira Igarashi
Tatsunori Ito
Keiji Kageyama
Naoto Sakaguchi
Hiroshi Takeuchi
Takahito Yaguchi
Nobuyuki Ichikawa
Yasuo Ariga
Masahiro Hasegawa
Yuji Hara

**Standing Audit & Supervisory Board Members**
Hiroshi Shiina
Shojiro Nohmi

**Audit & Supervisory Board Members**
Tojiro Ishii†
Kazuo Kondo†
Mitsunori Shirakura†

*Representative Director †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.

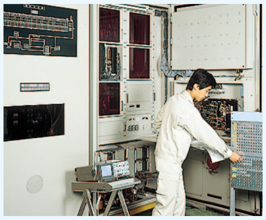
## Manufacturing and Quality Assurance

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 2014 is shown below.

With regard to the Nohmi Bosai Group's business results for the fiscal year under review, we recorded 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 ¥3,483 million, or 11.6%, year-on-year to ¥33,439 million due to higher revenue from installation work and product sales.

In the Fire Extinguishing Systems segment, net sales increased ¥3,716 million, or 13.8%, year-on-year to ¥30,672 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 specialty facilities that include industrial plants and factories and from systems used in road tunnels.

Net sales in the Maintenance Services segment were down ¥132 million, or 0.6%, year-on-year to ¥23,562 million as a result of decreases in revenue from both maintenance and inspection services and repair/renewal services.

In the Others segment, which includes all other businesses, net sales were up ¥594 million, or 10.8%, year-on-year to ¥6,085 million. This was attributable to an increase in revenue from parking lot driving lane control systems.

Consequently, consolidated net sales increased ¥7,661 million, or 8.9%, from the previous year to ¥93,758 million.

The cost-of-sales ratio improved from the previous fiscal year to 69.0% as a result of efforts to reduce expenses and costs.

Gross profit increased 16.5% to ¥29,043 million, and the gross profit margin increased 2.0 percentage points from the previous year to 31.0%.

Although selling, general and administrative (SG&A) expenses increased ¥642 million, the SG&A expenses-to-net-sales ratio improved 1.2% from the previous fiscal year at 22.5%.

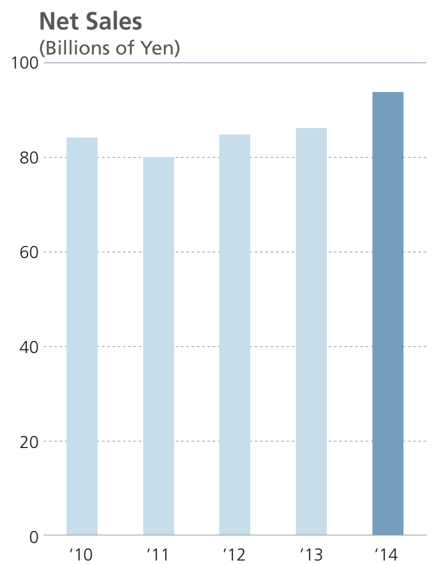
As a result of these factors, operating income increased 76.7% from the previous year to ¥7,988 million. Net income increased 67.1% year-on-year to ¥4,815 million. Net income per share was ¥79.83.

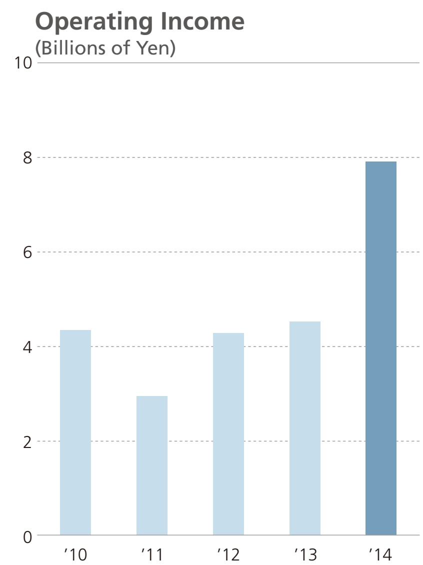
### *Assets, Liabilities and Net Assets*

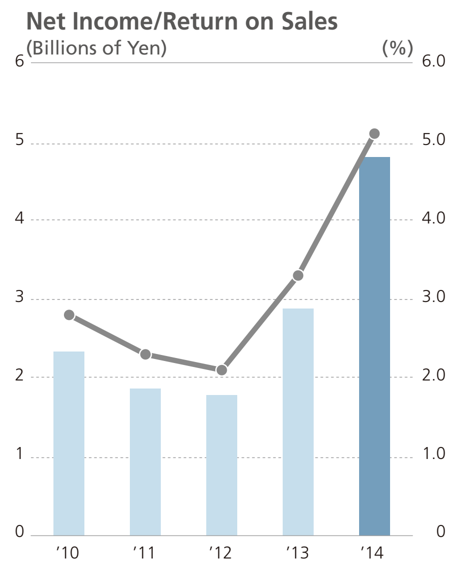
Total assets at the end of fiscal 2014 amounted to ¥95,364 million, up ¥7,418 million, or 8.4%, from the previous fiscal year-end. This was mainly attributable to an increase of ¥4,718 million in cash and bank deposits, an increase of ¥1,670 million in trade receivables and an increase of ¥546 million in investments in unconsolidated subsidiaries and affiliates.

Total current liabilities increased ¥2,555 million, or 10.3%, from the previous fiscal year-end to ¥27,451 million. This was primarily because income taxes payable and non-trade accounts payable increased by ¥1,701 million and ¥690 million, respectively. Long-term liabilities increased ¥1,089 million. As a result, total liabilities increased ¥3,644 million to ¥34,575 million.

Total net assets increased ¥3,774 million, or 6.6%, from the end of the previous fiscal year to ¥60,789 million. The equity ratio was 62.2%, down 1.2 percentage points from 63.4% at the end of the previous fiscal year. Net assets per share rose to ¥983.90 from ¥924.20 per share at the end of the previous fiscal year.



### *Cash Flow*

Net cash provided by operating activities amounted to ¥6,635 million compared with ¥3,645 million in the previous fiscal year. This consisted mainly of such inflows as income before income taxes and minority interests of ¥8,214 million and an increase in liability for retirement benefits of ¥4,651 million, offsetting such outflows as a decrease in accrued retirement benefits of ¥4,974 million and income taxes paid of ¥1,986 million.

Net cash used in investing activities amounted to ¥1,361 million compared with ¥827 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 ¥944 million compared with ¥962 million in the previous fiscal year, consisting mainly of cash dividends paid.

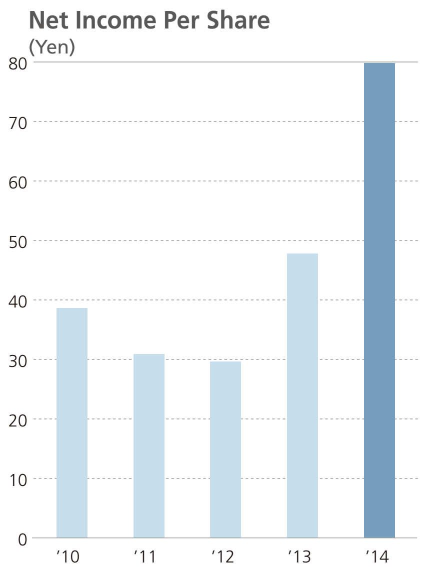
As a result, net increase in cash and cash equivalents amounted to ¥4,491 million, and cash and cash equivalents at end of year totaled ¥25,439 million.

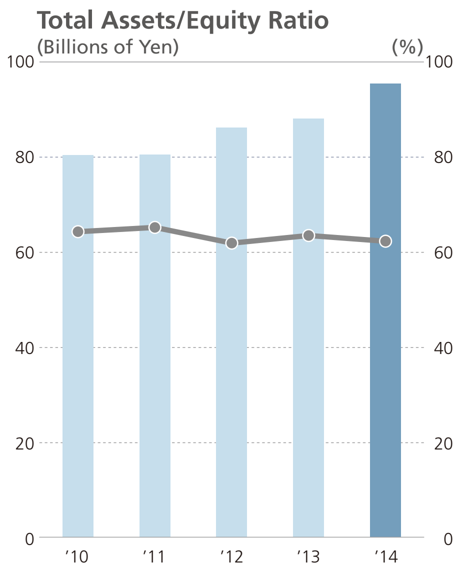
### *Outlook for Fiscal 2015*

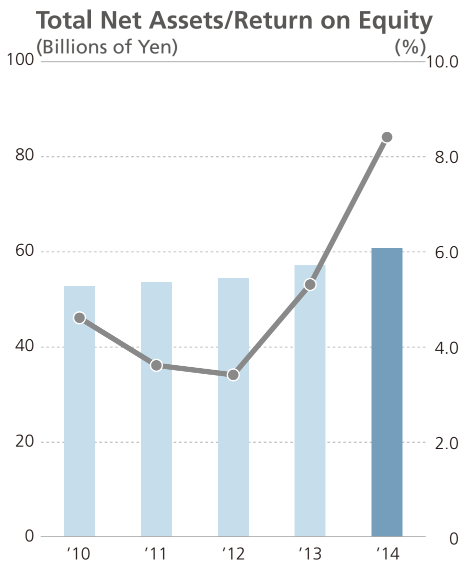
The Nohmi Bosai Group has formulated a medium-term business plan, "Project 27—Toward a Brilliant 100th Anniversary," which is being implemented for three years from fiscal 2014. In fiscal 2015, ending March 2015, the plan's second year, we will promote measures focused on the three keywords of "product appeal," "human resources capabilities" and "organizational power" as we strive to grow into "a brilliant company."

For fiscal 2015, we are forecasting consolidated net sales of ¥95,000 million, operating income of ¥8,100 million and net income of ¥4,950 million.

Although we foresee continued competition to obtain new orders, we are aiming for a ¥1,242 million increase in net sales by implementing various measures such as strengthening our proposal-based sales. We also aim for increases in both operating income and net income. Accordingly, we plan to declare annual cash dividends per share of ¥20.00, which include an interim cash dividend per share of ¥10.00 and a year-end cash dividend per share of ¥10.00.



## *Risk Information*

The key risks that would 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**

The dominant 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, 2013 and 2014

| ASSETS | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2013 | 2014 | 2014 |
| **Current Assets:** | | | |
| Cash and bank deposits (Notes 5 and 12) | ¥ 20,447 | ¥ 25,165 | $ 244,510 |
| Short-term investments (Notes 5, 6 and 12) | 2,000 | 2,000 | 19,433 |
| Trade receivables (Notes 12 and 18): | | | |
| Notes | 5,017 | 6,124 | 59,503 |
| Accounts | 25,463 | 26,109 | 253,682 |
| Unconsolidated subsidiaries and affiliates | 160 | 77 | 748 |
| | 30,640 | 32,310 | 313,933 |
| Less: Allowance for bad debts | (288) | (350) | (3,401) |
| | 30,352 | 31,960 | 310,532 |
| Inventories (Note 8) | 11,993 | 12,605 | 122,474 |
| Deferred tax assets (Note 13) | 2,036 | 2,211 | 21,483 |
| Prepaid expenses and other current assets | 749 | 681 | 6,617 |
| Total current assets | 67,577 | 74,622 | 725,049 |
| **Property, Plant and Equipment (Note 7):** | | | |
| Buildings and structures | 10,614 | 10,759 | 104,537 |
| Machinery and equipment | 2,259 | 2,295 | 22,299 |
| Tools and furniture | 6,587 | 6,796 | 66,032 |
| | 19,460 | 19,850 | 192,868 |
| Less: Accumulated depreciation | (12,288) | (12,805) | (124,417) |
| | 7,172 | 7,045 | 68,451 |
| Construction in progress | 29 | 77 | 748 |
| Land | 4,252 | 4,245 | 41,246 |
| Net property, plant and equipment | 11,453 | 11,367 | 110,445 |
| **Intangible Assets:** | | | |
| Software | 619 | 491 | 4,771 |
| Goodwill | 32 | 16 | 155 |
| Other intangible assets | 73 | 72 | 700 |
| Total intangible assets | 724 | 579 | 5,626 |
| **Investments and Other Assets:** | | | |
| Investments in securities (Notes 6 and 12) | 1,964 | 2,163 | 21,016 |
| Investments in unconsolidated subsidiaries and affiliates (Note 12) | 1,892 | 2,438 | 23,688 |
| Long-term loans receivable (Note 12) | 162 | 121 | 1,176 |
| Prepaid pension cost (Note 10) | 534 | — | — |
| Deferred tax assets (Note 13) | 1,554 | 2,080 | 20,210 |
| Other assets (Note 5) | 2,153 | 2,047 | 19,889 |
| | 8,259 | 8,849 | 85,979 |
| Less: Allowance for bad debts | (67) | (53) | (515) |
| Total investments and other assets | 8,192 | 8,796 | 85,464 |
| Total assets | ¥ 87,946 | ¥ 95,364 | $ 926,584 |

See accompanying notes to consolidated financial statements.

| LIABILITIES AND NET ASSETS | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2013 | 2014 | 2014 |
| **Current Liabilities:** | | | |
| Short-term debt (Notes 9 and 12) | ¥ 15 | ¥ 18 | $ 175 |
| Trade payables (Notes 12 and 18): | | | |
| Notes | 1,977 | 1,928 | 18,733 |
| Accounts | 5,243 | 5,640 | 54,800 |
| Unconsolidated subsidiaries and affiliates | 2,752 | 2,407 | 23,387 |
| | 9,972 | 9,975 | 96,920 |
| Non-trade accounts payable (Note 12) | 5,231 | 5,921 | 57,530 |
| Advances received on uncompleted construction contracts | 2,793 | 2,771 | 26,924 |
| Accrued bonuses to employees | 2,935 | 2,964 | 28,799 |
| Accrued warranty costs | 78 | 47 | 457 |
| Income taxes payable (Note 12) | 1,743 | 3,444 | 33,463 |
| Allowance for losses on construction contracts | 469 | 551 | 5,354 |
| Other current liabilities | 1,660 | 1,760 | 17,100 |
| Total current liabilities | 24,896 | 27,451 | 266,722 |
| **Long-term Liabilities:** | | | |
| Long-term debt (Note 9) | 385 | 396 | 3,847 |
| Accrued retirement benefits (Note 10) | 4,975 | — | — |
| Liability for retirement benefits (Note 10) | — | 6,011 | 58,405 |
| Directors' and Audit & Supervisory Board members' retirement benefits | 594 | 593 | 5,762 |
| Other long-term liabilities | 26 | 24 | 233 |
| Asset retirement obligations | 55 | 100 | 972 |
| Total long-term liabilities | 6,035 | 7,124 | 69,219 |
| Total liabilities | 30,931 | 34,575 | 335,941 |
| Contingent liabilities (Note 14) | | | |
| **Net Assets (Note 15)** | | | |
| **Shareholders' Equity:** | | | |
| Common stock: | | | |
| Authorized: 160,000,000 shares at March 31, 2013 and 2014 | | | |
| Issued: 60,832,771 shares at March 31, 2013 and 2014 | 13,302 | 13,302 | 129,246 |
| Capital surplus | 12,745 | 12,746 | 123,844 |
| Retained earnings | 29,365 | 33,273 | 323,290 |
| Less: Treasury stock, at cost | | | |
| 516,537 shares and 525,888 shares at March 31, 2013 and 2014 | (258) | (268) | (2,604) |
| Total shareholders' equity | 55,154 | 59,053 | 573,776 |
| **Accumulated Other Comprehensive Income (Note 16):** | | | |
| Unrealized gains on securities, net of taxes | 509 | 674 | 6,549 |
| Foreign currency translation adjustments | 81 | 487 | 4,732 |
| Accumulated adjustments for retirement benefit (Note 10) | — | (878) | (8,531) |
| Total accumulated other comprehensive income | 590 | 283 | 2,750 |
| **Minority Interests** | 1,271 | 1,453 | 14,117 |
| Total net assets | 57,015 | 60,789 | 590,643 |
| Total liabilities and net assets | ¥ 87,946 | ¥ 95,364 | $ 926,584 |

# Consolidated Statements of Income

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2012, 2013 and 2014

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | 2012 | 2013 | **2014** | **2014** |
| **Net Sales (Note 18)** | ¥ 84,762 | ¥ 86,097 | **¥ 93,758** | **$ 910,979** |
| **Cost of Sales (Note 18)** | 60,422 | 61,163 | **64,715** | **628,789** |
| Gross profit | 24,340 | 24,934 | **29,043** | **282,190** |
| **Selling, General and Administrative Expenses (Note 11)** | 20,062 | 20,413 | **21,055** | **204,576** |
| Operating income | 4,278 | 4,521 | **7,988** | **77,614** |
| **Other Income (Expenses):** | | | | |
| Interest income | 33 | 42 | **46** | **447** |
| Interest expense | (4) | (4) | **(3)** | **(29)** |
| Dividend income | 32 | 44 | **40** | **389** |
| Dividend on insurance policies | 13 | 9 | **6** | **58** |
| Insurance return | 40 | 21 | **42** | **408** |
| Rental revenue | 70 | 65 | **61** | **593** |
| Rental expense | (56) | (56) | **(51)** | **(496)** |
| Amortization of negative goodwill | 4 | 2 | **—** | **—** |
| Equity in earnings of affiliates | 112 | 111 | **207** | **2,011** |
| Cash discount | (58) | (62) | **(71)** | **(690)** |
| Foreign exchange gains (losses) | (16) | 114 | **1** | **10** |
| Commitment fee | (7) | (30) | **(7)** | **(68)** |
| Gain on sales of investments in securities | 4 | — | **—** | **—** |
| Compensation for damage | (35) | — | **—** | **—** |
| Loss on sales/disposals of property, plant and equipment | (75) | (24) | **(30)** | **(291)** |
| Gain on negative goodwill | 17 | — | **—** | **—** |
| Loss on devaluation of investments in securities | (25) | (1) | **—** | **—** |
| Loss on devaluation of investments in capital of subsidiaries and affiliates | — | (71) | **(81)** | **(787)** |
| Impairment loss on fixed assets (Note 7) | (298) | (24) | **(21)** | **(204)** |
| Others, net | 109 | 79 | **87** | **845** |
| | (140) | 215 | **226** | **2,196** |
| Income before income taxes and minority interests | 4,138 | 4,736 | **8,214** | **79,810** |
| **Income Taxes (Note 13):** | | | | |
| Current | 2,453 | 1,903 | **3,666** | **35,620** |
| Deferred | (201) | (104) | **(249)** | **(2,419)** |
| | 2,252 | 1,799 | **3,417** | **33,201** |
| Income before minority interests | 1,886 | 2,937 | **4,797** | **46,609** |
| Minority Interests in Net Income of Consolidated Subsidiaries | (99) | (56) | **18** | **175** |
| Net income | ¥ 1,787 | ¥ 2,881 | **¥ 4,815** | **$ 46,784** |
| | Yen | | | U.S. Dollars (Note 1) |
| **Per Share:** | | | | |
| Net income | ¥ 29.62 | ¥ 47.76 | **¥ 79.83** | **$ 0.78** |
| Net assets | 882.03 | 924.20 | **983.90** | **9.56** |
| Cash dividends | 15.00 | 15.00 | **17.50** | **0.17** |
| **Weighted Average Number of Shares Issued** (in thousands) | 60,334 | 60,322 | **60,314** | **—** |

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2012, 2013 and 2014

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | 2012 | 2013 | **2014** | **2014** |
| **Income before Minority Interests** | ¥ 1,886 | ¥ 2,937 | **¥ 4,797** | **$ 46,609** |
| **Other Comprehensive Income (Note 16):** | | | | |
| Unrealized gains on securities, net of taxes | 12 | 382 | **164** | **1,593** |
| Foreign currency translation adjustments | (5) | 304 | **671** | **6,520** |
| Share of other comprehensive income of affiliates accounted for under the equity method | 3 | 2 | **1** | **10** |
| Total other comprehensive income | 10 | 688 | **836** | **8,123** |
| Comprehensive income | ¥ 1,896 | ¥ 3,625 | **¥ 5,633** | **$ 54,732** |
| **Total Comprehensive Income Attributable to:** | | | | |
| Owners of the parent | ¥ 1,800 | ¥ 3,447 | **¥ 5,385** | **$ 52,322** |
| Minority interests | 96 | 178 | **248** | **2,410** |

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, 2012, 2013 and 2014

| | Thousands | Millions of Yen | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | |
| | Number of shares of common stock | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Unrealized gains on securities, net of taxes | Foreign currency translation adjustments | Accumulated adjustments for retirement benefit | Total accumulated other comprehensive income | Minority interests | Total |
| Net assets at April 1, 2011 | 60,832 | ¥13,302 | ¥12,745 | ¥26,511 | ¥ (246) | ¥52,312 | ¥ 110 | ¥ (98) | ¥ — | ¥ 12 | ¥ 1,075 | ¥53,399 |
| Net income | | | | 1,787 | | 1,787 | | | | | | 1,787 |
| Cash dividends paid | | | | (907) | | (907) | | | | | | (907) |
| Acquisition of treasury stock | | | | | (6) | (6) | | | | | | (6) |
| Disposal of treasury stock | | | (0) | | 0 | 0 | | | | | | 0 |
| Net changes during the year | — | — | — | — | — | — | 15 | (3) | — | 12 | 45 | 57 |
| Total changes of items during the period | — | — | (0) | 880 | (6) | 874 | 15 | (3) | — | 12 | 45 | 931 |
| Balance at March 31, 2012 | 60,832 | ¥13,302 | ¥12,745 | ¥27,391 | ¥ (252) | ¥53,186 | ¥ 125 | ¥ (101) | ¥ — | ¥ 24 | ¥ 1,120 | ¥54,330 |
| Net income | | | | 2,881 | | 2,881 | | | | | | 2,881 |
| Cash dividends paid | | | | (907) | | (907) | | | | | | (907) |
| Acquisition of treasury stock | | | | | (6) | (6) | | | | | | (6) |
| Disposal of treasury stock | | | 0 | | 0 | 0 | | | | | | 0 |
| Net changes during the year | — | — | — | — | — | — | 384 | 182 | — | 566 | 151 | 717 |
| Total changes of items during the period | — | — | 0 | 1,974 | (6) | 1,968 | 384 | 182 | — | 566 | 151 | 2,685 |
| Balance at March 31, 2013 | **60,832** | **¥13,302** | **¥12,745** | **¥29,365** | **¥ (258)** | **¥55,154** | **¥ 509** | **¥ 81** | **¥ —** | **¥ 590** | **¥ 1,271** | **¥57,015** |
| Net income | | | | **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** |

| | 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 on securities, net of taxes | Foreign currency translation adjustments | Accumulated adjustments for retirement benefit | Total accumulated other comprehensive income | Minority interests | Total |
| Balance at March 31, 2013 | **$129,246** | **$123,834** | **$285,319** | **$(2,507)** | **$535,892** | **$ 4,946** | **$ 787** | **$ —** | **$ 5,733** | **$ 12,349** | **$553,974** |
| Net income | | | **46,784** | | **46,784** | | | | | | **46,784** |
| Cash dividends paid | | | **(8,813)** | | **(8,813)** | | | | | | **(8,813)** |
| Acquisition of treasury stock | | | | **(97)** | **(97)** | | | | | | **(97)** |
| Disposal of treasury stock | | **10** | | **0** | **10** | | | | | | **10** |
| Net changes during the year | **—** | **—** | **—** | **—** | **—** | **1,603** | **3,945** | **(8,531)** | **(2,983)** | **1,768** | **(1,215)** |
| Total changes of items during the period | **—** | **10** | **37,971** | **(97)** | **37,884** | **1,603** | **3,945** | **(8,531)** | **(2,983)** | **1,768** | **36,669** |
| Balance at March 31, 2014 | **$129,246** | **$123,844** | **$323,290** | **$ (2,604)** | **$573,776** | **$ 6,549** | **$ 4,732** | **$ (8,531)** | **$ 2,750** | **$ 14,117** | **$590,643** |

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2012, 2013 and 2014

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | 2012 | 2013 | **2014** | **2014** |
| **Cash Flows from Operating Activities:** | | | | |
| Income before income taxes and minority interests | ¥ 4,138 | ¥ 4,736 | **¥ 8,214** | **$ 79,810** |
| Adjustments for: | | | | |
| Depreciation and amortization | 1,988 | 1,389 | **1,329** | **12,913** |
| Impairment loss on fixed assets | 298 | 24 | **21** | **204** |
| Amortization of goodwill | 16 | 16 | **21** | **204** |
| Amortization of negative goodwill | (4) | (2) | **—** | **—** |
| Gain on negative goodwill | (17) | — | **—** | **—** |
| Increase (decrease) in allowance for bad debts | (61) | 56 | **37** | **360** |
| Decrease in accrued retirement benefits | (52) | (302) | **(4,974)** | **(48,329)** |
| Increase in liability for retirement benefits | — | — | **4,651** | **45,190** |
| Increase (decrease) in directors' and Audit & Supervisory Board members' retirement benefits | 9 | (13) | **(1)** | **(10)** |
| Increase in accrued bonuses | 500 | 76 | **27** | **262** |
| Increase (decrease) in accrued warranty costs | 2 | 38 | **(32)** | **(311)** |
| Increase in allowance for losses on construction contracts | 61 | 28 | **81** | **787** |
| Interest and dividend income | (65) | (86) | **(86)** | **(836)** |
| Insurance return | (40) | (21) | **(42)** | **(408)** |
| Interest expenses | 4 | 4 | **3** | **29** |
| Equity in earnings of affiliates | (112) | (111) | **(207)** | **(2,011)** |
| Loss on sales/disposal of property, plant and equipment | 75 | 24 | **30** | **291** |
| Loss on devaluation of investments in securities | 25 | 1 | **—** | **—** |
| Loss on devaluation of investments in capital of subsidiaries and affiliates | — | 71 | **81** | **787** |
| Gain on sales of investments in securities | (4) | — | **—** | **—** |
| Increase in trade receivables | (5,351) | (287) | **(1,409)** | **(13,690)** |
| Decrease (increase) in inventories | (1,432) | 48 | **(424)** | **(4,119)** |
| Increase (decrease) in trade payables | 2,023 | (302) | **479** | **4,654** |
| Increase (decrease) in advance received on uncompleted construction contracts | 663 | (83) | **(22)** | **(214)** |
| Others, net | 271 | 615 | **758** | **7,365** |
| Subtotal | 2,935 | 5,919 | **8,535** | **82,928** |
| Interest and dividend income received | 68 | 88 | **89** | **865** |
| Interest expenses paid | (4) | (4) | **(3)** | **(29)** |
| Income taxes paid | (1,360) | (2,358) | **(1,986)** | **(19,296)** |
| Net cash provided by operating activities | 1,639 | 3,645 | **6,635** | **64,468** |
| **Cash Flows from Investing Activities:** | | | | |
| Increase in time deposits | (85) | (145) | **(145)** | **(1,409)** |
| Payments into long-term deposits | (200) | (97) | **—** | **—** |
| Proceeds from withdrawal of long-term deposits | — | 200 | **—** | **—** |
| Payments for purchase of property, plant and equipment | (1,294) | (1,166) | **(940)** | **(9,133)** |
| Proceeds from sales of property, plant and equipment | 74 | 12 | **79** | **768** |
| Payments for purchase of investments in securities | (8) | (121) | **(7)** | **(68)** |
| Proceeds from sales of investments in securities | 21 | 3 | **—** | **—** |
| Payments for purchase of shares of subsidiaries | — | — | **(364)** | **(3,537)** |
| Payments for loans receivable | (280) | (0) | **(1)** | **(10)** |
| Proceeds from loans receivable | 47 | 332 | **43** | **418** |
| Proceeds from cancellation of insurance contracts | 150 | 241 | **448** | **4,353** |
| Others, net | (151) | (86) | **(474)** | **(4,606)** |
| Net cash used in investing activities | (1,726) | (827) | **(1,361)** | **(13,224)** |
| **Cash Flows from Financing Activities:** | | | | |
| Decrease in short-term debt | — | (20) | **—** | **—** |
| Cash dividends paid | (907) | (907) | **(907)** | **(8,813)** |
| Cash dividends paid to minority shareholders | (23) | (24) | **(26)** | **(253)** |
| Payments for purchase of treasury stock | (6) | (6) | **(9)** | **(87)** |
| Others, net | (3) | (5) | **(2)** | **(19)** |
| Net cash used in financing activities | (939) | (962) | **(944)** | **(9,172)** |
| Effect of exchange rate changes on cash and cash equivalents | (3) | 48 | **161** | **1,564** |
| Net increase (decrease) in cash and cash equivalents | (1,029) | 1,904 | **4,491** | **43,636** |
| Cash and cash equivalents at beginning of year | 20,073 | 19,044 | **20,948** | **203,537** |
| Cash and cash equivalents at end of year (Note 5) | ¥ 19,044 | ¥ 20,948 | **¥ 25,439** | **$ 247,173** |

See accompanying notes to consolidated financial statements.

# Notes to the Consolidated Financial Statements

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2012, 2013 and 2014

## 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 from 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, 2014, which is ¥102.92 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 27 and 26 subsidiaries at March 31, 2013 and 2014, respectively.

The consolidated financial statements include the accounts of the Company and 21 and 20 subsidiaries at March 31, 2013 and 2014, respectively.

The 20 subsidiaries which have been consolidated with the Company 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% |
| Osaka 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% |

Tohoku Nohmi Co., Ltd. was merged with Tohoku Bosai Plant Co., Ltd. and was renamed as Tohoku Nohmi Co., Ltd. during the year ended March 31, 2014. Also, Nohmi Plant Niigata Co., Ltd was renamed as Niigata Nohmi Co., Ltd.

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 minority interests is charged/credited to "Minority 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, 2013 and 2014, 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 nor 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 or 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.

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) Accrued Warranty Costs*

Accrued warranty costs have been provided for the cost of warranties on completed construction contracts estimated to be incurred subsequent to year-end dates. Accrued warranty costs are provided based on past experience.

### *(11) Allowance for Losses on Construction Contracts*

Allowance 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.

### *(12) 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.

### *(13) 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.

### *(14) 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.

### *(15) Liability for Retirement Benefits*

In calculating projected benefit obligations, the straight-line method is used for attributing expected benefits to the 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. Prior service costs are amortized using the straight-line method over a period of 10 years from the fiscal year of occurrence.

Certain consolidated subsidiaries apply the 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.

### *(16) 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.

### *(17) Research and Development Expenses*

Research and development expenses are charged to income as incurred.

### *(18) 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.

### *(19) 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.

### *(20) Reclassification*

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

## 3. Changes in Accounting Policies

### *(1) Accounting Standard for Accounting Changes and Error Corrections*

The Company and its consolidated subsidiaries adopted the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009) for accounting changes and corrections of prior period errors from the fiscal year beginning on April 1, 2011.

### *(2) 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 the body text of Paragraph 35 of the "Accounting Standard for Retirement Benefits" and Paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits"). Accordingly, liability for retirement benefits were 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 benefit in accumulated other comprehensive income as of March 31, 2014.

As a result of the adoption, as of March 31, 2014, ¥6,011 million ($58,405 thousand) was recorded as liability for retirement benefits, and accumulated other comprehensive income as of March 31, 2014 decreased by ¥878 million ($8,531 thousand). Net assets per share as of March 31, 2014 decreased by ¥14.55 ($0.14).

## 4. Accounting Standards Issued But Not Yet Adopted

**Accounting Standards Issued in 2013**

- "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on September 13, 2013)
- "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on September 13, 2013)
- "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on September 13, 2013)
- "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2 issued on September 13, 2013)
- "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on September 13, 2013)
- "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4 issued on September 13, 2013).

### *(1) Overview*

These accounting standards and related guidance were revised mainly focusing on (1) treatment of a parent company's interest after additional acquisition of shares in a subsidiary that does not result in change of control; (2) acquisition related costs; (3) presentation of net income and change from "minority interests" to "noncontrolling interests"; and (4) provisional accounting procedures.

### *(2) Effective Dates*

These standards and related guidance are to be applied from the beginning of the year ending March 31, 2015. The treatment of provisional accounting procedures is to be applied effective for business combination, which will occur on or after the beginning of the year ending March 31, 2015.

### *(3) Effect of Application of the Standard*

The effects of this new standard on the consolidated financial statements are expected to be immaterial.

**Accounting Standards Issued in 2012**

- "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012)

### *(1) Overview*

This revised standard changes the method of recognizing actuarial differences and prior service costs, the method of attributing expected benefits to periods of service and improves disclosure of projected benefit obligations and service costs.

### (2) Effective Dates

Amendments relating to calculation of retirement benefit obligations and current service costs are effective from the fiscal year beginning April 1, 2014.

### (3) Effect of Application of the Standard

As a result of this change, operating income and income before income taxes and minority interests for the year ending March 31, 2015 are expected to decrease by ¥33 million ($321 thousand).

## 5. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2012, 2013 and 2014 consisted of the following:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | 2012 | 2013 | **2014** | **2014** |
| Cash and bank deposits | ¥ 18,554 | ¥ 20,447 | **¥ 25,165** | **$244,510** |
| Short-term investments | 2,000 | 2,000 | **2,000** | **19,433** |
| Long-term deposit | — | 97 | **121** | **1,176** |
| Total | 20,554 | 22,544 | **27,286** | **265,119** |
| Time deposits with deposit terms of over mainly three months | (1,510) | (1,596) | **(1,847)** | **(17,946)** |
| Cash and cash equivalents | ¥ 19,044 | ¥ 20,948 | **¥ 25,439** | **$ 247,173** |

Cash and bank deposits of ¥50 million were pledged as collateral for opening a bill of credit as of March 31, 2012.

## 6. Securities

The following tables summarize the acquisition costs and book value/fair value of securities with available fair values as of March 31, 2013 and 2014.

**Available-for-sale securities**

Securities with book value exceeding acquisition costs

| | Millions of Yen 2013 | | |
|---|---|---|---|
| | Book value/ fair value | Acquisition cost | Difference |
| Equity securities | ¥ 1,701 | ¥ 1,005 | ¥ 696 |

| | Millions of Yen **2014** | | |
|---|---|---|---|
| | Book value/ fair value | Acquisition cost | Difference |
| Equity securities | **¥ 1,814** | **¥ 915** | **¥ 899** |

| | Thousands of U.S. Dollars **2014** | | |
|---|---|---|---|
| | Book value/ fair value | Acquisition cost | Difference |
| Equity securities | **$ 17,625** | **$ 8,890** | **$ 8,735** |

Securities with book value not exceeding acquisition cost

| | Millions of Yen 2013 | | |
|---|---|---|---|
| | Book value/ fair value | Acquisition cost | Difference |
| Equity securities | ¥ 68 | ¥ 75 | ¥ (7) |
| Negotiable certificate of deposit | ¥ 2,000 | ¥ 2,000 | ¥ — |

| | Millions of Yen **2014** | | |
|---|---|---|---|
| | Book value/ fair value | Acquisition cost | Difference |
| Equity securities | **¥ 154** | **¥ 172** | **¥ (18)** |
| Negotiable certificate of deposit | **¥ 2,000** | **¥ 2,000** | **¥ —** |

| | Thousands of U.S. Dollars **2014** | | |
|---|---|---|---|
| | Book value/ fair value | Acquisition cost | Difference |
| Equity securities | **$ 1,496** | **$ 1,671** | **$ (175)** |
| Negotiable certificate of deposit | **$ 19,433** | **$ 19,433** | **$ —** |

The following tables summarize book value of securities with no available fair market values as of March 31, 2013 and 2014.

**Available-for-sale securities**

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2013 | **2014** | **2014** |
| Non-listed equity securities | ¥ 195 | **¥ 195** | **$ 1,895** |

## 7. Impairment Loss on Fixed Assets

**For the Year Ended March 31, 2012**

The Company and its consolidated subsidiaries recognized impairment losses of ¥298 million for the following groups of assets as of March 31, 2012:

| Use | Location | Category |
|---|---|---|
| Business properties | Branch office (Chiba and Shizuoka Prefectures) and International division (Chiyoda Ward, Tokyo Metropolis) | Land, buildings, structures and others |
| Idle properties | Agatsuma-gun, Gunma Prefecture | Buildings, structures and others |

The Company and its consolidated subsidiaries recognized impairment losses amounting to ¥280 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 land of ¥177 million, buildings and structures of ¥70 million and others of ¥33 million. The recoverable amount is measured by the net realizable value based on public land assessments or valuations for property tax.

The Company and its consolidated subsidiaries recognized an impairment loss amounting to ¥18 million on the idle properties since they are not expected to be utilized. The impairment losses on the idle properties is for buildings, structures and others of ¥18 million. The recoverable amount is measured by the net realizable value based on public land assessments or valuations for property tax.

### For the Year Ended March 31, 2013

The Company and its consolidated subsidiaries recognized an impairment loss of ¥24 million for the following group of assets as of March 31, 2013:

| Use | Location | Category |
|---|---|---|
| Idle properties | Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd. (Shanghai, China) | Tools and furniture |

The Company and its consolidated subsidiaries recognized an impairment loss amounting to ¥24 million on the idle properties since they are not expected to be utilized. The impairment losses on the idle properties is for tools and furniture of ¥24 million. The recoverable amount is measured based on the value in use, which is calculated as zero because no future cash flows are expected.

### For the Year Ended March 31, 2014

The Company and its consolidated subsidiaries have recognized impairment losses of ¥21 million ($204 thousand) for the following groups of assets as of 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 ($204 thousand) 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 ($78 thousand) and others of ¥13 million ($126 thousand). The recoverable amount is measured by the net realizable value based on disposable value.

## 8. Inventories

Inventories as of March 31, 2013 and 2014 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2013 | **2014** | **2014** |
| Products | ¥ 2,712 | **¥ 2,659** | **$ 25,836** |
| Raw materials | 3,406 | **3,496** | **33,968** |
| Work in progress | 738 | **960** | **9,328** |
| Cost of construction contracts in progress | 5,137 | **5,490** | **53,342** |
| | ¥ 11,993 | **¥ 12,605** | **$ 122,474** |

## 9. Short-term Debt and Long-term Debt

Short-term debt at March 31, 2014 bore interest at an annual rate of 2.82% 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, 2013 and 2014 comprised the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2013 | **2014** | **2014** |
| Guarantee deposits received | ¥ 385 | **¥ 396** | **$ 3,847** |
| Total long-term debt | ¥ 385 | **¥ 396** | **$ 3,847** |

The average interest rate of 0.53% as of March 31, 2014 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, 2014.

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

### For the Years Ended March 31, 2012 and 2013

The composition of amounts recognized in the consolidated balance sheets at March 31, 2013 was as follows:

| | Millions of Yen |
|---|---|
| | 2013 |
| Benefit obligations at end of year | ¥ (12,701) |
| Fair value of plan assets at end of year | 6,452 |
| Funded status | (6,249) |
| Unrecognized actuarial losses | 1,808 |
| Net amount recognized | (4,441) |
| Prepaid pension costs | 534 |
| Accrued retirement benefits | ¥ (4,975) |

The components of net pension and employees' severance costs for the years ended March 31, 2012 and 2013 were as follows:

| | Millions of Yen | |
|---|---|---|
| | 2012 | 2013 |
| Service costs | ¥ 638 | ¥ 573 |
| Interest expenses | 262 | 264 |
| Expected return on plan assets | (134) | (145) |
| Recognized actuarial loss | 170 | 172 |
| Others | 9 | 16 |
| Net periodic benefit costs | ¥ 945 | ¥ 880 |

Assumptions used as of March 31, 2012 and 2013 were as follows:

| | 2012 | 2013 |
|---|---|---|
| Discount rate | Mainly 2.5% | Mainly 1.4% |
| Expected rate of return on plan assets | Mainly 2.5% | Mainly 2.5% |
| Method of attributing the projected benefits to periods of services | Straight-line basis | Straight-line basis |
| Amortization of unrecognized prior service cost | 10 years | 10 years |
| Amortization of unrecognized actuarial differences | Mainly 10 years | Mainly 10 years |

**For the Year Ended March 31, 2014**

(a) Defined Benefit Plan

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

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | **2014** | **2014** |
| Projected benefit obligations at beginning of year | **¥ 11,879** | **$ 115,420** |
| Service costs | **623** | **6,053** |
| Interest expenses | **166** | **1,613** |
| Actuarial losses | **260** | **2,526** |
| Retirement benefits paid | **(809)** | **(7,860)** |
| Projected benefit obligations at end of year | **¥ 12,119** | **$ 117,752** |

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

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | **2014** | **2014** |
| Plan assets at beginning of year | **¥ 6,044** | **$ 58,725** |
| Expected return on plan assets | **151** | **1,467** |
| Actuarial gains | **504** | **4,897** |
| Employer's contribution | **396** | **3,848** |
| Retirement benefits paid | **(541)** | **(5,257)** |
| Plan assets at end of year | **¥ 6,554** | **$ 63,680** |

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

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | **2014** | **2014** |
| Liability for retirement benefits at beginning of year | **¥ 414** | **$ 4,023** |
| Net pension and employees' severance costs | **146** | **1,418** |
| Retirement benefits paid | **(62)** | **(603)** |
| Contribution to the plan | **(52)** | **(505)** |
| Liability for retirement benefits at end of year | **¥ 446** | **$ 4,333** |

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 sheet was as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | **2014** | **2014** |
| Projected benefit obligations (funded) | **¥ 8,442** | **$ 82,025** |
| Plan assets | **(6,998)** | **(67,994)** |
| | **1,444** | **14,031** |
| Projected benefit obligations (unfunded) | **4,567** | **44,374** |
| Net liability and asset recorded on the consolidated balance sheet | **¥ 6,011** | **$ 58,405** |
| | | |
| Liability for retirement benefits | **¥ 6,011** | **$ 58,405** |
| Asset for retirement benefits | **—** | **—** |
| Net liability and asset recorded on the consolidated balance sheet | **¥ 6,011** | **$ 58,405** |

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

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | **2014** | **2014** |
| Service costs | **¥ 623** | **$ 6,053** |
| Interest expenses | **166** | **1,613** |
| Expected return on plan assets | **(151)** | **(1,467)** |
| Recognized actuarial differences | **205** | **1,992** |
| Net pension and employees' severance costs calculated using the simplified method | **146** | **1,418** |
| Net periodic benefit costs | **¥ 989** | **$ 9,609** |

The components of accumulated adjustments for retirement benefits (before applicable tax effects) for the year ended March 31, 2014 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | **2014** | **2014** |
| Unrecognized actuarial differences | **¥ 1,360** | **$ 13,214** |
| Total | **¥ 1,360** | **$ 13,214** |

Breakdown of plan assets as of March 31, 2014 was as follows:

| | **2014** |
|---|---|
| Equity securities | **41%** |
| General accounts | **37** |
| Bonds | **19** |
| Others | **3** |
| Total | **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.

Assumptions used in determining the projected benefit obligations at March 31, 2014 were as follows:

| | 2014 |
|---|---|
| Discount rate | Mainly 1.4% |
| Long-term expected rate of return on plan assets | Mainly 2.5% |

### (b) Defined Contribution Plan

The amount contributed to the defined contribution pension plans of consolidated subsidiaries for the year ended March 31, 2014 was ¥9 million ($87 thousand).

## 11. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2012, 2013 and 2014 were ¥1,651 million, ¥1,698 million and ¥1,757 million ($17,072 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 rational valuation techniques include variable factors.

Fair value of financial instruments:

The fair value of financial instruments as of March 31, 2013 and 2014 were as follows:

| | Millions of Yen | | |
|---|---|---|---|
| | 2013 | | |
| | Carrying amount | Fair value | Unrecognized gain |
| Cash and bank deposits | ¥ 20,447 | ¥ 20,447 | ¥ — |
| Trade receivables | 30,640 | 30,640 | — |
| Short-term investments and investments in securities | 3,768 | 3,768 | — |
| Long-term loans receivable | 162 | 163 | 1 |
| Total | ¥ 55,017 | ¥ 55,018 | ¥ 1 |
| Trade payables | ¥ 9,972 | ¥ 9,972 | ¥ — |
| Short-term debt | 15 | 15 | — |
| Non-trade accounts payable | 5,231 | 5,231 | — |
| Income taxes payable | 1,743 | 1,743 | — |
| Total | ¥ 16,961 | ¥ 16,961 | ¥ — |
| Derivatives | ¥ — | ¥ — | ¥ — |

| | Millions of Yen | | |
|---|---|---|---|
| | **2014** | | |
| | Carrying amount | Fair value | Unrecognized gain |
| Cash and bank deposits | **¥ 25,165** | **¥ 25,165** | **¥ —** |
| Trade receivables | **32,310** | **32,310** | **—** |
| Short-term investments and investments in securities | **3,968** | **3,968** | **—** |
| Long-term loans receivable | **121** | **123** | **2** |
| Total | **¥ 61,564** | **¥ 61,566** | **¥ 2** |
| Trade payables | **¥ 9,975** | **¥ 9,975** | **¥ —** |
| Short-term debt | **18** | **18** | **—** |
| Non-trade accounts payable | **5,921** | **5,921** | **—** |
| Income taxes payable | **3,444** | **3,444** | **—** |
| Total | **¥ 19,358** | **¥ 19,358** | **¥ —** |
| Derivatives | **¥ —** | **¥ —** | **¥ —** |

| | Thousands of U.S. Dollars | | |
|---|---|---|---|
| | **2014** | | |
| | Carrying amount | Fair value | Unrecognized gain |
| Cash and bank deposits | **$244,510** | **$244,510** | **$ —** |
| Trade receivables | **313,933** | **313,933** | **—** |
| Short-term investments and investments in securities | **38,554** | **38,554** | **—** |
| Long-term loans receivable | **1,176** | **1,195** | **19** |
| Total | **$598,173** | **$598,192** | **$ 19** |
| Trade payables | **$96,920** | **$96,920** | **$ —** |
| Short-term debt | **175** | **175** | **—** |
| Non-trade accounts payable | **57,530** | **57,530** | **—** |
| Income taxes payable | **33,463** | **33,463** | **—** |
| Total | **$180,088** | **$180,088** | **$ —** |
| Derivatives | **$ —** | **$ —** | **$ —** |

Note 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 are 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.

Note 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, 2013 and 2014 were ¥2,064 million and ¥2,633 million ($25,583 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.

Note 3
Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2014:

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2014 | | | |
| | Within 1 year | Over 1 year but within 5 years | Over 5 years but within 10 years | Over 10 years |
| Cash and bank deposits | ¥ 25,165 | ¥ — | ¥ — | ¥ — |
| Trade receivables | 32,310 | — | — | — |
| Short-term investments and investments in securities<br>Available-for-sale securities with contractual maturities<br>(negotiable certificate of deposit) | 2,000 | — | — | — |
| Long-term loans receivable | — | 116 | 4 | 1 |
| Total | ¥ 59,475 | ¥ 116 | ¥ 4 | ¥ 1 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | 2014 | | | |
| | Within 1 year | Over 1 year but within 5 years | Over 5 years but within 10 years | Over 10 years |
| Cash and bank deposits | $ 244,510 | $ — | $ — | $ — |
| Trade receivables | 313,933 | — | — | — |
| Short-term investments and investments in securities<br>Available-for-sale securities with contractual maturities<br>(negotiable certificate of deposit) | 19,433 | — | — | — |
| Long-term loans receivable | — | 1,127 | 39 | 10 |
| Total | $ 577,876 | $ 1,127 | $ 39 | $ 10 |

## 13. Income Taxes

At March 31, 2013 and 2014, significant components of deferred tax assets and liabilities were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2013 | **2014** | **2014** |
| Deferred tax assets: | | | |
| Accrued retirement benefits | ¥ 1,756 | **¥ —** | **$ —** |
| Liability for retirement benefits | — | **2,125** | **20,647** |
| Accrued bonuses | 1,108 | **1,048** | **10,183** |
| Directors' and Audit & Supervisory Board members' retirement allowance | 212 | **211** | **2,050** |
| Loss on write-off of fixed assets | 214 | **214** | **2,079** |
| Accrued legal welfare expenses | 133 | **128** | **1,244** |
| Accrued enterprise taxes | 149 | **262** | **2,545** |
| Allowance for bad debts | 67 | **99** | **962** |
| Impairment loss on fixed assets | 154 | **149** | **1,448** |
| Devaluation of inventories | 176 | **154** | **1,496** |
| Allowance for loss on construction contracts | 178 | **195** | **1,895** |
| Others | 491 | **645** | **6,267** |
| Subtotal | 4,638 | **5,230** | **50,816** |
| Valuation allowance | (615) | **(667)** | **(6,480)** |
| Total | ¥ 4,023 | **¥ 4,563** | **$ 44,336** |
| Deferred tax liabilities: | | | |
| Prepaid pension cost | ¥ (190) | **¥ —** | **$ —** |
| Special depreciation of acquired assets | (59) | **(59)** | **(573)** |
| Unrealized gains on securities | (184) | **(213)** | **(2,070)** |
| Total | ¥ (433) | **¥ (272)** | **$ (2,643)** |
| Net deferred tax assets | ¥ 3,590 | **¥ 4,291** | **$ 41,693** |

Income taxes applicable to the Company and its consolidated domestic subsidiaries consist of corporation, inhabitants' and enterprise taxes. The statutory income tax rate is approximately 40.7% for the year ended March 31, 2012 and 37.9% for the years ended March 31, 2013 and 2014.

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes for the year ended March 31, 2012 and 2014 was as follows:

| | 2012 | **2014** |
|---|---|---|
| Statutory tax rate | 40.7% | **37.9%** |
| Adjustments: | | |
| Entertainment expenses and other non-deductible expenses | 4.3 | **2.1** |
| Tax rate difference applied for foreign consolidated subsidiaries | (1.0) | **(0.1)** |
| Per capita levy of local resident income taxes | 2.0 | **1.1** |
| Reduction of net deferred tax assets due to changes in statutory tax rate | 9.6 | **1.7** |
| Tax credit for R&D expenses | (2.4) | **(1.6)** |
| Equity in earnings of affiliates | (1.1) | **(1.0)** |
| Changes in valuation allowance | 2.6 | **0.7** |
| Changes in other factors | (0.3) | **0.8** |
| Effective tax rate | 54.4% | **41.6%** |

Since the difference between the statutory tax rate and effective tax rate for the fiscal year ended March 31, 2013 is less than 5% of the effective tax rate, a reconciliation of these two rates is not presented.

Due to the promulgation on December 2, 2011 of the "Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake," the statutory tax rate used to calculate the deferred tax assets and liabilities for the year ended March 31, 2012 changed mainly from 40.7 % to 37.9 % for those items scheduled for reversal during the period from April 1, 2012 to March 31, 2015, and to 35.5 % for those items scheduled for reversal on or after April 1, 2015.

As a result, deferred tax assets, net of deferred tax liabilities as of March 31, 2012, decreased by ¥390 million, and income taxes—deferred and unrealized gains on securities, net of taxes for the year ended March 31, 2012 increased by ¥395 million and ¥5 million, respectively.

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 will be 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 has been changed from 37.9% in the previous fiscal year to 35.5% in the current fiscal year for the temporary differences that are 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 ($1,351 thousand) and income taxes—deferred increased by ¥139million ($1,351 thousand) for the year ended March 31, 2014.

## 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 ¥51 million and ¥295 million ($2,866 thousand) and performance guarantees made for unconsolidated subsidiaries of ¥43 million and ¥42 million ($408 thousand) at March 31, 2013 and 2014, respectively.

## 15. Net Assets

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

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

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

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

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

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

At the annual shareholders' meeting held on June 25, 2014, the distribution of cash dividends amounting to ¥604 million ($5,869 thousand) was approved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2014 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, 2014

The following was approved by the annual shareholders' meeting held on June 25, 2013:

(a) Total dividends ........ ¥453 million ($4,401 thousand)
(b) Cash dividends per common share ........ ¥7.50 ($0.07)
(c) Record date ........ March 31, 2013
(d) Effective date ........ June 26, 2013

The following was approved by the Board of Directors on November 5, 2013:

(a) Total dividends ........ ¥453 million ($4,401 thousand)
(b) Cash dividends per common share ........ ¥7.50 ($0.07)
(c) Record date ........ September 30, 2013
(d) Effective date ........ December 5, 2013

### b) Dividends to be paid after March 31, 2014 but the record date for the payment belongs to the year ended March 31, 2014

The following was approved by the annual shareholders' meeting held on June 25, 2014:

(a) Total dividends ........ ¥604 million ($5,869 thousand)
(b) Cash dividends per common share ........ ¥10.00 ($0.10)
(c) Record date ........ March 31, 2014
(d) Effective date ........ June 26, 2014

## 16. Comprehensive Income

**For the years ended March 31, 2012, 2013 and 2014**

The amount of reclassification adjustments and tax effect relating to other comprehensive income for the years ended March 31, 2012, 2013 and 2014 comprised the following:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | 2012 | 2013 | **2014** | **2014** |
| Unrealized gains on securities, net of taxes: | | | | |
| Increase (decrease) during the year | ¥ (1) | ¥ 530 | **¥ 193** | **$ 1,875** |
| Reclassification adjustments | 25 | 1 | **—** | **—** |
| Amount before tax effect adjustment | 24 | 531 | **193** | **1,875** |
| Tax effect | (12) | (149) | **(29)** | **(282)** |
| Unrealized gains on securities, net of taxes | 12 | 382 | **164** | **1,593** |
| Foreign currency translation adjustments: | | | | |
| Increase (decrease) during the year | (5) | 304 | **671** | **6,520** |
| Reclassification adjustments | — | — | **—** | **—** |
| Amount before tax effect adjustment | (5) | 304 | **671** | **6,520** |
| Tax effect | — | — | **—** | **—** |
| Foreign currency translation adjustments | (5) | 304 | **671** | **6,520** |
| Share of other comprehensive income of affiliates accounted for under the equity method: | | | | |
| Increase during the year | 3 | 2 | **1** | **10** |
| Total other comprehensive income | ¥ 10 | ¥ 688 | **¥ 836** | **$ 8,123** |

## 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 others.

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

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

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

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

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

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | | | | |
| | 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 | ¥ 29,615 | ¥ 27,179 | ¥ 23,065 | ¥ 79,859 | ¥ 4,903 | ¥ 84,762 | ¥ — | ¥ 84,762 |
| Inter-segment | 75 | 162 | 1 | 238 | 196 | 434 | (434) | — |
| Total | 29,690 | 27,341 | 23,066 | 80,097 | 5,099 | 85,196 | (434) | 84,762 |
| Segment income | ¥ 1,798 | ¥ 3,560 | ¥ 3,700 | ¥ 9,058 | ¥ 351 | ¥ 9,409 | ¥ (5,131) | ¥ 4,278 |
| Segment assets | ¥ 27,612 | ¥ 22,104 | ¥ 11,456 | ¥ 61,172 | ¥ 3,282 | ¥ 64,454 | ¥ 21,631 | ¥ 86,085 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Other: | | | | | | | | |
| Depreciation | ¥ 1,102 | ¥ 164 | ¥ 119 | ¥ 1,385 | ¥ 88 | ¥ 1,473 | ¥ 515 | ¥ 1,988 |
| Amortization of goodwill | ¥ — | ¥ — | ¥ 16 | ¥ 16 | ¥ — | ¥ 16 | ¥ — | ¥ 16 |
| Impairment loss | ¥ 154 | ¥ 10 | ¥ 116 | ¥ 280 | ¥ — | ¥ 280 | ¥ 18 | ¥ 298 |
| Affiliates accounted for under the equity method | ¥ — | ¥ 1,510 | ¥ — | ¥ 1,510 | ¥ — | ¥ 1,510 | ¥ — | ¥ 1,510 |
| Increase in property, plant and equipment and intangible assets | ¥ 404 | ¥ 179 | ¥ 138 | ¥ 721 | ¥ 89 | ¥ 810 | ¥ 267 | ¥ 1,077 |

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

Note 2: (1) ¥(5,131) 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) ¥21,631 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) ¥515 million included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥18 million included in "Adjustments" for "Impairment loss" is impairment loss for corporate assets.

(5) ¥267 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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | | | | | | | |
| | 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 | ¥ 29,956 | ¥ 26,956 | ¥ 23,694 | ¥ 80,606 | ¥ 5,491 | ¥ 86,097 | ¥ — | ¥ 86,097 |
| Inter-segment | 90 | 129 | 1 | 220 | 186 | 406 | (406) | — |
| Total | 30,046 | 27,085 | 23,695 | 80,826 | 5,677 | 86,503 | (406) | 86,097 |
| Segment income | ¥ 2,653 | ¥ 3,036 | ¥ 3,929 | ¥ 9,618 | ¥ 367 | ¥ 9,985 | ¥ (5,464) | ¥ 4,521 |
| Segment assets | ¥ 28,505 | ¥ 21,836 | ¥ 11,091 | ¥ 61,432 | ¥ 3,855 | ¥ 65,287 | ¥ 22,659 | ¥ 87,946 |
| Other: | | | | | | | | |
| Depreciation | ¥ 558 | ¥ 151 | ¥ 111 | ¥ 820 | ¥ 106 | ¥ 926 | ¥ 463 | ¥ 1,389 |
| Amortization of goodwill | ¥ — | ¥ — | ¥ 16 | ¥ 16 | ¥ — | ¥ 16 | ¥ — | ¥ 16 |
| Impairment loss | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 24 | ¥ 24 |
| Affiliates accounted for under the equity method | ¥ — | ¥ 1,620 | ¥ — | ¥ 1,620 | ¥ — | ¥ 1,620 | ¥ — | ¥ 1,620 |
| Increase in property, plant and equipment and intangible assets | ¥ 518 | ¥ 173 | ¥ 168 | ¥ 859 | ¥ 84 | ¥ 943 | ¥ 194 | ¥ 1,137 |

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

Note 2: (1) ¥(5,464) 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) ¥22,659 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) ¥463 million included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥24 million included in "Adjustments" for "Impairment loss" is impairment loss for corporate assets.

(5) ¥194 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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 |

| | Thousands of U.S. Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | $ 324,903 | $ 298,018 | $ 228,935 | $ 851,856 | $ 59,123 | $ 910,979 | $ — | $ 910,979 |
| Inter-segment | 651 | 4,382 | 10 | 5,043 | 1,788 | 6,831 | (6,831) | — |
| Total | 325,554 | 302,400 | 228,945 | 856,899 | 60,911 | 917,810 | (6,831) | 910,979 |
| Segment income | $ 42,723 | $ 42,645 | $ 40,517 | $ 125,885 | $ 2,594 | $ 128,479 | $ (50,865) | $ 77,614 |
| Segment assets | $ 306,199 | $ 219,656 | $ 116,148 | $ 642,003 | $ 45,016 | $ 687,019 | $ 239,565 | $ 926,584 |
| Other: | | | | | | | | |
| Depreciation | $ 4,975 | $1,457 | $991 | $ 7,423 | $ 1,186 | $ 8,609 | $ 4,304 | $ 12,913 |
| Amortization of goodwill | $ 49 | $ — | $ 155 | $ 204 | $ — | $ 204 | $ — | $ 204 |
| Impairment loss | $ 155 | $ 10 | $ 39 | $ 204 | $ — | $ 204 | $ — | $ 204 |
| Affiliates accounted for under the equity method | $ — | $ 17,742 | $ — | $ 17,742 | $ — | $ 17,742 | $ — | $ 17,742 |
| Increase in property, plant and equipment and intangible assets | $ 5,499 | $ 1,458 | $ 1,137 | $ 8,094 | $ 505 | $ 8,599 | $1,545 | $ 10,144 |

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 ($(50,865) 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) ¥24,656 million ($239,565 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) ¥443 million ($4,304 thousand) included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥159 million ($1,545 thousand) included in "Adjustments" for "Increase in property, plant and equipment and intangible assets" is an 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 has been omitted since the equivalent segment information had been disclosed above.

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

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | | | | | | | |
| | 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 | ¥ — | ¥ — | ¥ 32 | ¥ 32 | ¥ — | ¥ 32 | ¥ — | ¥ 32 |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2014** | | | | | | | |
| | Reportable segments | | | | | | | |
| | Fire alarm systems | Fire extinguishing systems | Maintenance services | Subtotal | Others | Total | Adjustments | Consolidated |
| Amortization during the year | **¥ 5** | **¥ —** | **¥ 16** | **¥ 21** | **¥ —** | **¥ 21** | **¥ —** | **¥ 21** |
| Unamortized balance | **¥ —** | **¥ —** | **¥ 16** | **¥ 16** | **¥ —** | **¥ 16** | **¥ —** | **¥ 16** |

| | Thousands of U.S. Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2014** | | | | | | | |
| | Reportable segments | | | | | | | |
| | Fire alarm systems | Fire extinguishing systems | Maintenance services | Subtotal | Others | Total | Adjustments | Consolidated |
| Amortization during the year | **$ 49** | **$ —** | **$ 155** | **$ 204** | **$ —** | **$ 204** | **$ —** | **$ 204** |
| Unamortized balance | **$ —** | **$ —** | **$ 155** | **$ 155** | **$ —** | **$ 155** | **$ —** | **$ 155** |

## 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, for the years ended March 31, 2012, 2013 and 2014, were as follows. The terms and conditions of the transactions below are the same as those of arm's-length transactions.

| | As of March 31, 2014 | | | | 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 | |
| Name of related company | Paid-in capital | Principal business | Share of voting rights in the Company | Description of the Company's transactions | 2012 | 2013 | **2014** | 2013 | **2014** |
| SECOM Co., Ltd. | ¥66,378 million | Security service | Direct: 50.9% (*) Indirect: 0.1% | Sale of products | ¥2,220 | ¥2,103 | **¥2,195 ($21,327)** | Trade receivables ¥212 | Trade receivables **¥169 ($1,642)** |

| | As of March 31, 2014 | | | | | 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 | |
| Name of related company | Paid-in capital | Principal business | Company's share of voting rights | Share of voting rights in the Company | Description of the Company's transactions | 2012 | 2013 | **2014** | 2013 | **2014** |
| KOATSU Co., Ltd. | ¥60 million | Fire extinguishing systems | Direct: 20.8% | Direct: 1.0% | Purchase of raw materials | ¥4,652 | ¥5,184 | **¥4,814 ($46,774)** | Trade payables ¥2,647 | Trade payables **¥2,322 ($22,561)** |

(*) 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, 2014 and 2013, 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, 2014, 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, 2014 and 2013, and their financial performance and cash flows for each of the years in the three-year period ended March 31 2014, 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, 2014 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 25, 2014
Tokyo, Japan

# Investor Information

(As of March 31, 2014)

**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 (Thousands) | Percentage of Total Shares in Issue (%) |
|---|---|---|---|
| Japanese national and regional governmental bodies | — | — | — |
| Japanese financial institutions | 32 | 8,469 | 13.99 |
| Japanese securities companies | 18 | 423 | 0.70 |
| Other Japanese corporations | 172 | 35,454 | 58.56 |
| Japanese individuals and others | 1,965 | 11,761 | 19.42 |
| Foreign institutions and individuals | 95 | 4,037 | 6.67 |
| Treasury stocks | 1 | 402 | 0.66 |
| Total | 2,283 | 60,546 | 100.00 |

## Major Stockholders

| | Number of Shares Held (Thousands) | Percentage of Total Shares in Issue (%) |
|---|---|---|
| SECOM Co., Ltd. | 30,598 | 50.30 |
| Shareholding Commission of Nohmi Bosai Distributors | 2,148 | 3.53 |
| Shareholding Commission of Nohmi Bosai Partners | 1,735 | 2.85 |
| Shareholding Commission of Nohmi Bosai Employees | 1,259 | 2.07 |
| The Bank of Tokyo-Mitsubishi UFJ , Ltd. | 1,000 | 1.64 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 941 | 1.55 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 938 | 1.54 |
| Fuji Electric Co., Ltd. | 868 | 1.43 |
| Shareholding Commission of Nohmi Bosai Safety and Health Cooperation Forum | 800 | 1.32 |
| Sumitomo Mitsui Banking Corporation | 765 | 1.26 |

• 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