ANNUAL REPORT 2013

For the Year Ended March 31, 2013

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 2013, ended March 31, 2013, the Company realized consolidated net sales of ¥86.1 billion. Nohmi Bosai is responsible for the development, marketing, installation and maintenance of a wide variety of state-of-the-art fire protection systems. In addition to our strong domestic presence, we are also active in China, other parts of Asia and the United States.

Contents

Cautionary Statement with Respect to Forward-Looking Statements

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

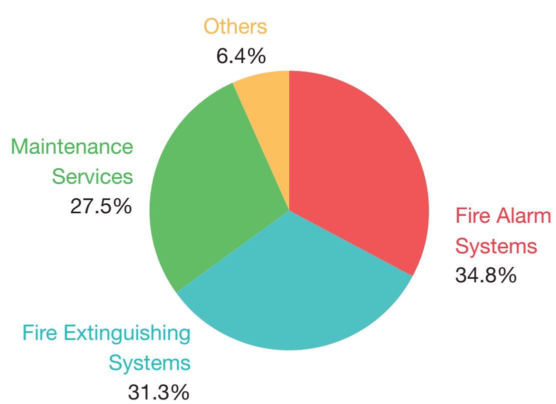
Consolidated Financial Highlights

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2011, 2012 and 2013

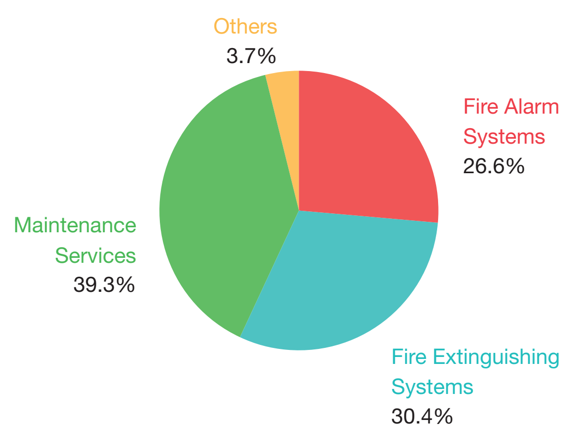
	Millions of Yen			Percentage Change	Thousands of U.S. Dollars*3
	2011	2012	**2013**	2013/2012	**2013**
For the year:					
New orders	¥84,056	¥84,979	**¥87,750**	3.3 %	**$933,014**
Net sales	79,952	84,762	**86,097**	1.6	**915,439**
Cost of sales	57,331	60,422	**61,163**	1.2	**650,325**
Operating income	2,944	4,278	**4,521**	5.7	**48,070**
Net income	1,866	1,787	**2,881**	61.2	**30,633**
Comprehensive income	1,709	1,896	**3,625**	91.2	**38,543**
At year-end:					
Total assets	¥80,390	¥86,085	**¥87,946**	2.2 %	**$935,098**
Total net assets	53,399	54,330	**57,015**	4.9	**606,220**
Backlog of orders	33,107	33,324	**34,978**	5.0	**371,909**
Number of employees	2,223	2,220	**2,206**	(0.6)	**—**
Per share (in yen and U.S. dollars):					
Net income*1	¥ 30.92	¥ 29.62	**¥ 47.76**	61.2 %	**$ 0.51**
Net assets*2	867.15	882.03	**924.20**	4.8	**9.83**
Cash dividends	15.00	15.00	**15.00**	—	**0.16**

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 ¥94.05=US$1, the prevailing exchange rate at March 31, 2013.
*4. All amounts are in millions of yen or thousands of U.S. dollars, except number of employees and per share amounts.

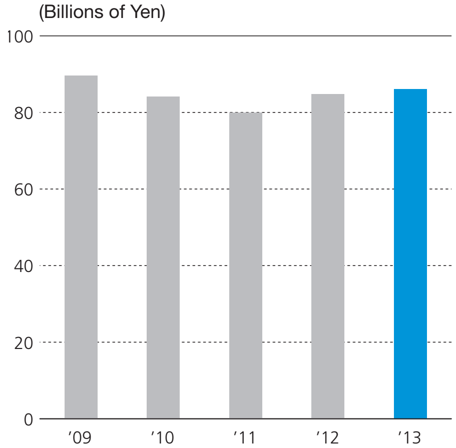
FY2013 Net Sales Breakdown



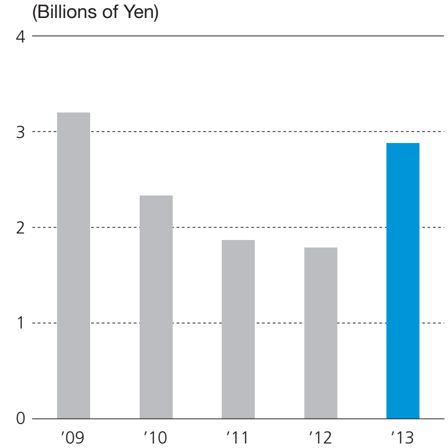
FY2013 Operating Income Breakdown



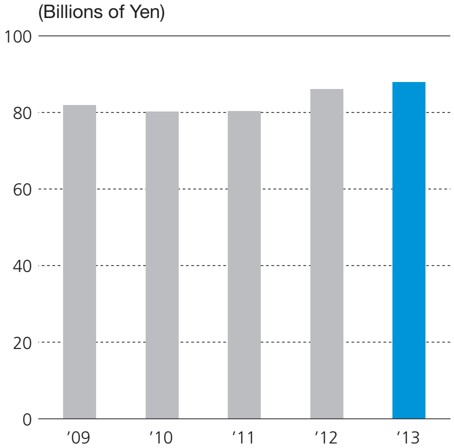
Net Sales
(Billions of Yen)



Net Income
(Billions of Yen)



Total Assets
(Billions of Yen)



Further Enhance Customer Confidence Developed as a Leading Company and Contribute to Safer Environments Worldwide

Operating Environment and Business Results in Fiscal 2013

During fiscal 2013 (ended March 31, 2013), amid a gradual upswing supported by earthquake reconstruction demand, there were rising expectations of a recovery in the Japanese economy through the end of the fiscal year due to a change of political administrations. Nevertheless, the future direction of the economy remained uncertain due to such factors as the unstable economic situation in Europe.

In the domestic fire protection industry, the business environment remained harsh as a result of continued stagnation in demand for private capital investment.

Amid such an environment, the Nohmi Bosai Group has formulated a three-year medium-term business plan starting from fiscal 2011. During fiscal 2013, the plan's final year, we promoted respective key measures centered on "Challenge and Reform." As a result, in fiscal 2013, new orders increased 3.3% to ¥87,750 million and net sales rose 1.6% to ¥86,097 million on a consolidated basis compared with the previous year.

By business segment, net sales in the Fire Alarm Systems segment increased 1.2% from the previous year to ¥29,956 million, net sales in the Fire Extinguishing Systems segment decreased 0.8% year-on-year to ¥26,956 million, net sales in the Maintenance Services segment rose 2.7% to ¥23,694 million, and net sales in the Others segment increased 12.0% to ¥5,491 million.

At the profit level, operating income increased 5.7% to ¥4,521 million and net income increased significantly by 61.2% to ¥2,881 million.

Management Policy & Formulation of New 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

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)

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 new medium-term business plan entitled "Project 27—Toward a Brilliant 100th Anniversary." The plan will be 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, 2013, the Company paid total cash dividends per share of ¥15.00, which includes a year-end cash dividend per share of ¥7.50 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 2014

Although the weakening of the yen and recovering stock prices have underpinned high expectations of a recovery in the Japanese economy, the future outlook is uncertain due to such factors as the impact of prolonged deflation and stagnant market prices.

In the fire protection industry, despite a slight improvement in the construction market, the business environment for the Nohmi Bosai Group is expected to remain challenging as a result of stagnant market prices and other factors, as explained above.

To address these circumstances, the Nohmi Bosai Group has formulated a new medium-term business plan, "Project 27—Toward a Brilliant 100th Anniversary," which will be implemented over three years from fiscal 2014. Under the plan, we will promote measures focused on the three keywords of "product appeal," "human resources capabilities" and "organizational strengths" as we strive to be "a brilliant company."

Kiyotaka Fujii
President

For fiscal 2014, we are projecting consolidated net sales of ¥89,000 million, operating income of ¥5,000 million and net income of ¥3,100 million.

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

July 2013

Kiyotaka Fujii
President

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.

Fire Monitoring Panels in Control Center

Major Products and Services

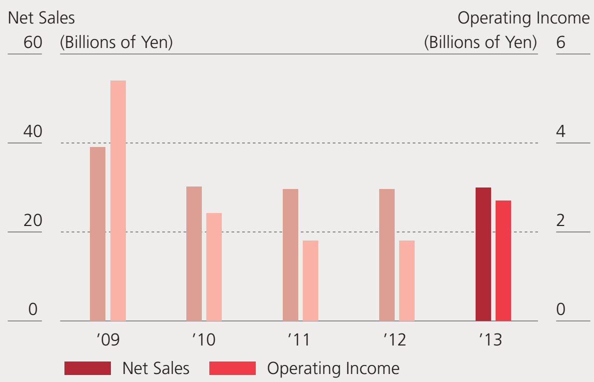
- Control Panels
- Heat, Smoke and Gas Detectors
- Infrared Ray Flame Detectors
- Air Sampling Type Smoke Detection Systems
- Fire Alarms and Bells
- Smoke Control Systems
- Transmitters
- Auxiliary Equipment

The Year in Review

Net sales in the Fire Alarm Systems segment in fiscal 2013 increased ¥341 million, or 1.2%, from the previous year to ¥29,956 million, accounting for 34.8% of consolidated net sales. Operating income was up ¥855 million, or 47.6%, to ¥2,653 million. New orders increased ¥3,018 million, or 10.2%, to ¥32,647 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.

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.

Foam Extinguishing Test

Major Products and Services

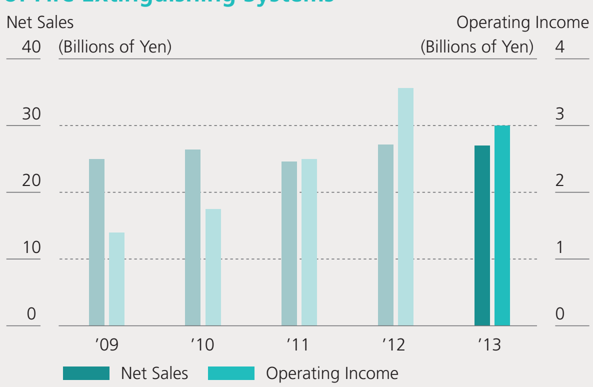
- Sprinklers
- Spray Heads and Nozzles
- Fire Extinguishers
- High-Expansion Foam Extinguishing Systems
- Dry Chemical Extinguishing Systems
- Heat and Gas Dispersion Control Systems
- Water Cannons

The Year in Review

Net sales in the Fire Extinguishing Systems segment in fiscal 2013 decreased ¥223 million, or 0.8%, from the previous year to ¥26,956 million, accounting for 31.3% of consolidated net sales. Operating income was down ¥524 million, or 14.7%, to ¥3,036 million. New orders decreased ¥1,380 million, or 5.0%, to ¥26,371 million.

Revenue increased in fire extinguishing equipment for general properties such as high-rise buildings and from systems used in specialty facilities, including industrial plants and factories, but revenue from systems used in road tunnels declined. As a result, we posted decreases in both overall net sales and operating income.

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.

Inspection Services

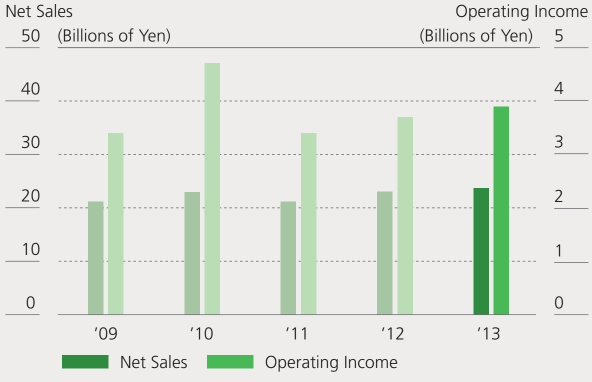
Major Services
- Maintenance Services
- Inspection Services

The Year in Review

Net sales in the Maintenance Services segment in fiscal 2013 were up ¥629 million, or 2.7%, from the previous year to ¥23,694 million, representing 27.5% of consolidated net sales. Operating income increased ¥229 million, or 6.2%, to ¥3,929 million. New orders rose ¥628 million, or 2.8%, to ¥23,368 million.

During the fiscal year under review, as an increase in revenue from repair/renewal services offset a decline in revenue from maintenance, we recorded increases in both overall net sales and operating income.

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.

Parking Control System

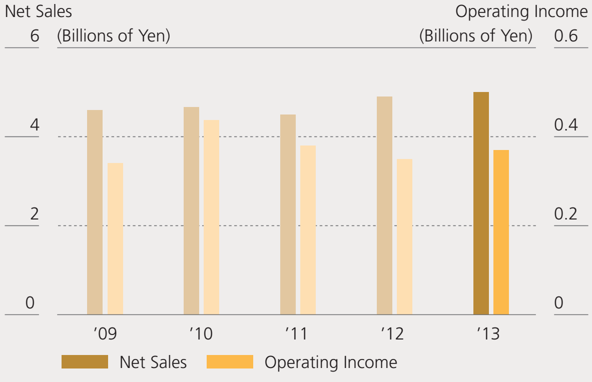
Major Products and Services
- Parking Lot Maintenance Services

The Year in Review

Net sales for this segment in fiscal 2013 increased ¥588 million, or 12.0%, from the previous year to ¥5,491 million, representing 6.4% of consolidated net sales. Operating income was up ¥16 million, or 4.6%, to ¥367 million. New orders increased ¥503 million, or 10.4%, to ¥5,361 million.

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

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.

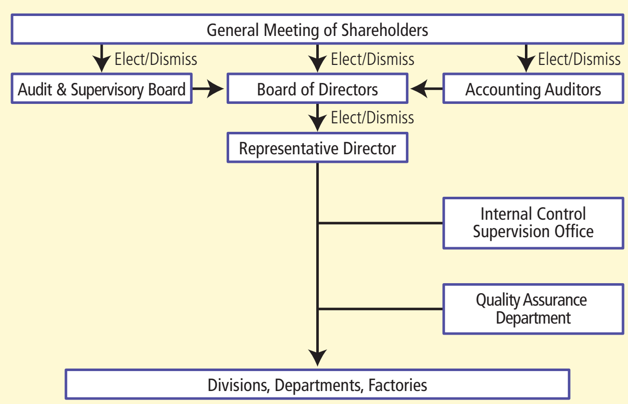
Corporate Governance Structure

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

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

auditors to systematically conduct financial and operational audits of all departments, including Group 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, 2013)

Director/Corporate Counselor	Tadashi Tanoue
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
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.

Consultation and System Design

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

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.

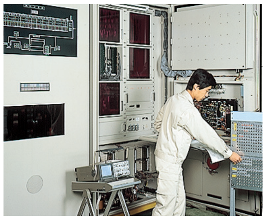
Risk Analysis

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.

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.

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.

Management's Discussion and Analysis

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 2013 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 ¥341 million, or 1.2%, year-on-year to ¥29,956 million due to higher revenue from installation work and product sales.

In the Fire Extinguishing Systems segment, net sales decreased ¥223 million, or 0.8%, year-on-year to ¥26,956 million due mainly to a decline in revenue from systems used in road tunnels, which was partly offset by a revenue increase in fire extinguishing equipment for general properties such as high-rise buildings and from systems used in specialty facilities, including industrial plants and factories.

Net sales in the Maintenance Services segment were up ¥629 million, or 2.7%, year-on-year to ¥23,694 million as an increase in revenue from repair/renewal services, which was partly offset by a decline in revenue from maintenance.

In the Others segment, which includes all other businesses, net sales were up ¥588 million, or 12.0%, year-on-year to ¥5,491 million. This was attributable to an increase in revenue from parking lot driving lane control systems.

Consequently, consolidated net sales increased ¥1,335 million, or 1.6%, from the previous year to ¥86,097 million.

The cost-of-sales ratio improved from the previous fiscal year to 71.0% as a result of efforts to reduce expenses and costs amid a harsh business environment.

Gross profit increased 2.4% to ¥24,934 million, and the gross profit margin edged up 0.3 percentage point from the previous year to 29.0%.

Although selling, general and administrative (SG&A) expenses increased ¥351 million, the SG&A expenses-to-net-sales ratio remained unchanged from the previous fiscal year at 23.7%.

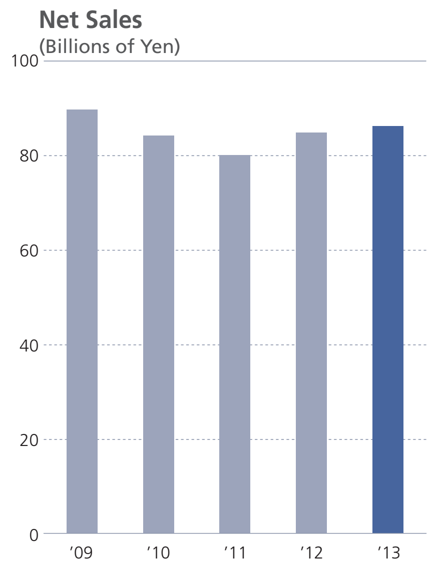
As a result of these factors, operating income increased 5.7% from the previous year to ¥4,521 million. Net income increased 61.2% year-on-year to ¥2,881 million. Net income per share was ¥47.76.

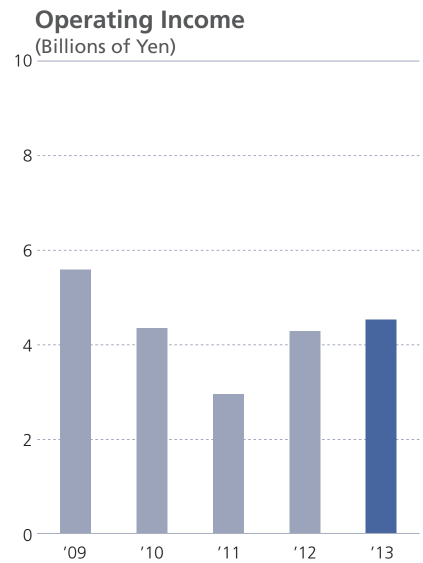
Assets, Liabilities and Net Assets

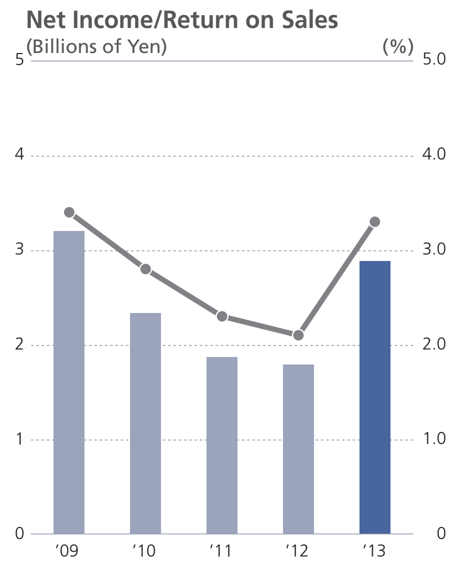
Total assets at the end of fiscal 2013 amounted to ¥87,946 million, up ¥1,861 million, or 2.2%, from the previous fiscal year-end. While prepaid pension cost decreased by ¥299 million, cash and bank deposits increased by ¥1,893 million.

Total current assets increased ¥2,085 million, or 3.2%, from the previous fiscal year-end to ¥67,577 million.

Total current liabilities and long-term liabilities decreased







¥824 million, or 2.6%, from the previous fiscal year-end to ¥30,931 million. This was primarily because income taxes payable and accrued retirement benefits declined by ¥449 million and ¥301 million, respectively.

Total net assets increased ¥2,685 million, or 4.9%, from the end of the previous fiscal year to ¥57,015 million. The equity ratio was 63.4%, up 1.6 percentage points from 61.8% at the end of the previous fiscal year. Net assets per share rose to ¥924.20 from ¥882.03 per share at the end of the previous fiscal year.

Cash Flow

Net cash provided by operating activities amounted to ¥3,645 million compared with ¥1,639 million in the previous fiscal year. This consisted mainly of such inflows as income before income taxes and minority interests of ¥4,736 million and depreciation and amortization of ¥1,389 million, which was partly offset by such outflows as income taxes paid of ¥2,358 million, a decrease in accrued retirement benefits of ¥302 million and a decrease in trade payables of ¥302 million.

Net cash used in investing activities amounted to ¥827 million compared with ¥1,726 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 ¥962 million compared with ¥939 million in the previous fiscal year, consisting mainly of cash dividends paid.

As a result, net increase in cash and cash equivalents amounted to ¥1,904 million, and cash and cash equivalents at end of year totaled ¥20,948 million.

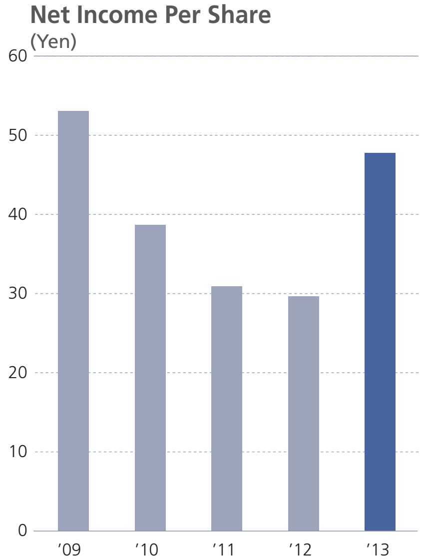
Outlook for Fiscal 2014

The Nohmi Bosai Group has formulated a new medium-term business plan, "Project 27—Toward a Brilliant 100th Anniversary," which will be implemented over three years from fiscal 2014. Under the plan, we will promote measures focused on the three keywords of "product appeal," "human resources capabilities" and "organizational strengths" as we strive to grow into "a brilliant company."

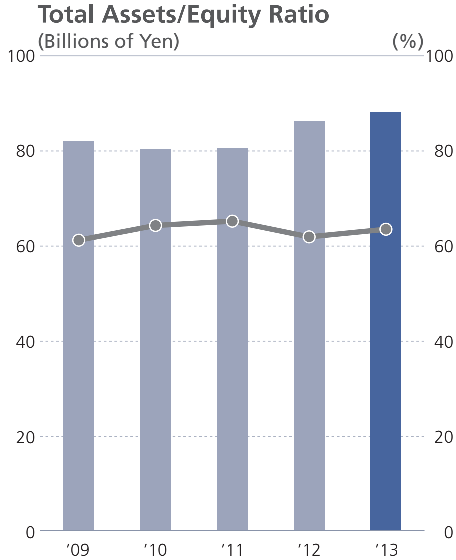
For fiscal 2014, ending March 2014, we are forecasting consolidated net sales of ¥89,000 million, operating income of ¥5,000 million and net income of ¥3,100 million.

Although we foresee continued competition to obtain new orders, we are aiming for a ¥2,903 million increase in net sales by implementing various measures such as strengthening our proposal-based sales and achieving further market penetration for new systems that we have launched. We also aim for increases in both operating income and net income. Accordingly, we plan to pay annual cash dividends per share of ¥15.00, which include an interim cash dividend per share of ¥7.50 and a year-end cash dividend per share of ¥7.50.

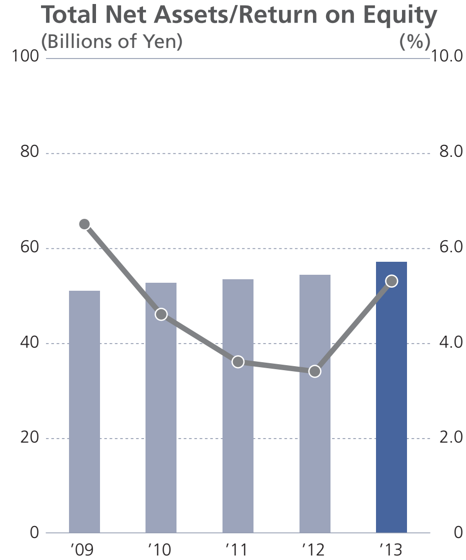
Net Income Per Share



Total Assets/Equity Ratio



Total Net Assets/Return on Equity



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, 2012 and 2013

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
Current Assets:			
Cash and bank deposits (Notes 5 and 13)	¥18,554	**¥20,447**	**$217,406**
Short-term investments (Notes 5, 6 and 13)	2,000	**2,000**	**21,265**
Trade receivables (Notes 13 and 19):			
Notes	5,231	**5,017**	**53,344**
Accounts	24,778	**25,463**	**270,739**
Unconsolidated subsidiaries and affiliates	214	**160**	**1,701**
	30,223	**30,640**	**325,784**
Less: Allowance for bad debts	(191)	**(288)**	**(3,062)**
	30,032	**30,352**	**322,722**
Inventories (Note 8)	11,941	**11,993**	**127,517**
Deferred tax assets (Note 14)	1,941	**2,036**	**21,648**
Prepaid expenses and other current assets	1,024	**749**	**7,964**
Total current assets	65,492	**67,577**	**718,522**
Property, Plant and Equipment (Notes 7 and 12):			
Buildings and structures	10,308	**10,614**	**112,855**
Machinery and equipment	2,363	**2,259**	**24,019**
Tools and furniture	6,432	**6,587**	**70,037**
	19,103	**19,460**	**206,911**
Less: Accumulated depreciation	(11,807)	**(12,288)**	**(130,654)**
	7,296	**7,172**	**76,257**
Construction in progress	66	**29**	**308**
Land	4,189	**4,252**	**45,210**
Net property, plant and equipment	11,551	**11,453**	**121,775**
Intangible Assets:			
Software	858	**619**	**6,582**
Goodwill	49	**32**	**340**
Other intangible assets	77	**73**	**776**
Total intangible assets	984	**724**	**7,698**
Investments and Other Assets:			
Investments in securities (Notes 6 and 13)	1,312	**1,964**	**20,883**
Investments in unconsolidated subsidiaries and affiliates (Note 13)	1,855	**1,892**	**20,117**
Long-term loans receivable (Note 13)	206	**162**	**1,722**
Prepaid pension cost (Note 10)	833	**534**	**5,678**
Deferred tax assets (Note 14)	1,694	**1,554**	**16,523**
Other assets	2,263	**2,153**	**22,892**
	8,163	**8,259**	**87,815**
Less: Allowance for bad debts	(105)	**(67)**	**(712)**
Total investments and other assets	8,058	**8,192**	**87,103**
Total assets	¥86,085	**¥87,946**	**$935,098**

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2012	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2013
Current Liabilities:			
Short-term debt (Notes 9 and 13)	¥ 33	**¥ 15**	**$ 159**
Trade payables (Notes 13 and 19):			
Notes	2,110	**1,977**	**21,021**
Accounts	5,103	**5,243**	**55,747**
Unconsolidated subsidiaries and affiliates	2,810	**2,752**	**29,261**
	10,023	**9,972**	**106,029**
Non-trade accounts payable (Note 13)	5,398	**5,231**	**55,619**
Advances received on uncompleted construction contracts	2,876	**2,793**	**29,697**
Accrued bonuses to employees	2,857	**2,935**	**31,207**
Accrued warranty costs	41	**78**	**829**
Income taxes payable (Note 13)	2,192	**1,743**	**18,533**
Allowance for losses on construction contracts	441	**469**	**4,987**
Other current liabilities	1,564	**1,660**	**17,650**
Total current liabilities	25,425	**24,896**	**264,710**
Long-term Liabilities:			
Long-term debt (Note 9)	374	**385**	**4,094**
Accrued retirement benefits (Note 10)	5,276	**4,975**	**52,897**
Directors' and Audit & Supervisory Board members' retirement benefits	607	**594**	**6,316**
Other long-term liabilities	31	**26**	**276**
Asset retirement obligations	40	**55**	**585**
Negative goodwill	2	**—**	**—**
Total long-term liabilities	6,330	**6,035**	**64,168**
Contingent liabilities (Note 15)			
Net Assets (Note 16)			
Shareholders' Equity:			
Common stock:			
Authorized: 160,000,000 shares at March 31, 2012 and 2013			
Issued: 60,832,771 shares at March 31, 2012 and 2013	13,302	**13,302**	**141,435**
Capital surplus	12,745	**12,745**	**135,513**
Retained earnings	27,391	**29,365**	**312,228**
Less: Treasury stock, at cost			
505,157 shares and 516,537 shares at March 31, 2012 and 2013	(252)	**(258)**	**(2,743)**
Total shareholders' equity	53,186	**55,154**	**586,433**
Accumulated Other Comprehensive Income (Note 17):			
Unrealized gains on securities, net of taxes	125	**509**	**5,412**
Foreign currency translation adjustments	(101)	**81**	**861**
Total accumulated other comprehensive income	24	**590**	**6,273**
Minority Interests	1,120	**1,271**	**13,514**
Total net assets	54,330	**57,015**	**606,220**
Total liabilities and net assets	¥86,085	**¥87,946**	**$935,098**

Consolidated Statements of Income

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2011, 2012 and 2013

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2011	2012	**2013**	**2013**
Net Sales (Note 19)	¥79,952	¥84,762	**¥86,097**	**$915,439**
Cost of Sales (Note 19)	57,331	60,422	**61,163**	**650,325**
Gross profit	22,621	24,340	**24,934**	**265,114**
Selling, General and Administrative Expenses (Note 11)	19,677	20,062	**20,413**	**217,044**
Operating income	2,944	4,278	**4,521**	**48,070**
Other Income (Expenses):				
Interest income	35	33	**42**	**447**
Interest expense	(4)	(4)	**(4)**	**(43)**
Dividend income	27	32	**44**	**468**
Dividend on insurance policies	16	13	**9**	**96**
Insurance return	107	40	**21**	**223**
Rental revenue	71	70	**65**	**691**
Rental expense	(56)	(56)	**(56)**	**(595)**
Amortization of negative goodwill	11	4	**2**	**21**
Equity in earnings of affiliates	74	112	**111**	**1,180**
Cash discount	(60)	(58)	**(62)**	**(659)**
Foreign exchange gains (losses)	(9)	(16)	**114**	**1,212**
Commitment fee	(7)	(7)	**(30)**	**(319)**
Gain on sales of investments in securities	67	4	**—**	**—**
Compensation for damage	(7)	(35)	**—**	**—**
Reversal of allowance for bad debts	21	—	**—**	**—**
Loss on sales/disposals of property, plant and equipment	(54)	(75)	**(24)**	**(255)**
Gain on negative goodwill	—	17	**—**	**—**
Effect on adoption of accounting standard for asset retirement obligations (Note 3)	(34)	—	**—**	**—**
Loss on devaluation of investments in securities	(4)	(25)	**(1)**	**(11)**
Loss on devaluation of investments in capital of subsidiaries and affiliates	—	—	**(71)**	**(755)**
Impairment loss on fixed assets (Note 7)	—	(298)	**(24)**	**(255)**
Others, net	185	109	**79**	**840**
	379	(140)	**215**	**2,286**
Income before income taxes and minority interests	3,323	4,138	**4,736**	**50,356**
Income Taxes (Note 14):				
Current	1,349	2,453	**1,903**	**20,234**
Deferred	2	(201)	**(104)**	**(1,106)**
	1,351	2,252	**1,799**	**19,128**
Income before minority interests	1,972	1,886	**2,937**	**31,228**
Minority Interests in Net Income of Consolidated Subsidiaries	(106)	(99)	**(56)**	**(595)**
Net income	¥ 1,866	¥ 1,787	**¥ 2,881**	**$ 30,633**

	Yen			U.S. Dollars (Note 1)
Per Share (Note 2):				
Net income	¥ 30.92	¥ 29.62	**¥ 47.76**	**$ 0.51**
Net assets	867.15	882.03	**924.20**	**9.83**
Cash dividends	15.00	15.00	**15.00**	**0.16**
Weighted Average Number of Shares Issued (in thousands)	60,347	60,334	**60,322**	**—**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2011, 2012 and 2013

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2011	2012	**2013**	**2013**
Income before Minority Interests	¥1,973	¥1,886	**¥2,937**	**$31,228**
Other Comprehensive Income (Note 17):				
Unrealized gains (losses) on securities, net of taxes	(69)	12	**382**	**4,062**
Foreign currency translation adjustments	(193)	(5)	**304**	**3,232**
Share of other comprehensive income of affiliates accounted for under the equity method	(2)	3	**2**	**21**
Total other comprehensive income	(264)	10	**688**	**7,315**
Comprehensive income	¥1,709	¥1,896	**¥3,625**	**$38,543**
Total Comprehensive Income Attributable to (Note 17):				
Owners of the parent	¥1,680	¥1,800	**¥3,447**	**$36,651**
Minority interests	29	96	**178**	**1,892**

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, 2011, 2012 and 2013

	Thousands	Millions of Yen									
		Shareholders' equity					Accumulated other comprehensive income				
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on securities, net of taxes	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total
Net assets at April 1, 2010	60,832	¥13,302	¥12,745	¥25,552	¥(238)	¥51,361	¥181	¥ 17	¥ 198	¥1,074	¥52,633
Net income				1,866		1,866					1,866
Cash dividends paid				(907)		(907)					(907)
Acquisition of treasury stock					(8)	(8)					(8)
Net changes during the year							(71)	(115)	(186)	1	(185)
Balance at March 31, 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
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**
Balance at March 31, 2013	**60,832**	**¥13,302**	**¥12,745**	**¥29,365**	**¥(258)**	**¥55,154**	**¥509**	**¥ 81**	**¥ 590**	**¥1,271**	**¥57,015**

	Thousands of U.S. Dollars (Note1)									
	Shareholders' equity					Accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on securities, net of taxes	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total
Balance at March 31, 2012	**$141,435**	**$135,513**	**$291,239**	**$(2,679)**	**$565,508**	**$1,329**	**$(1,074)**	**$ 255**	**$11,908**	**$577,671**
Net income			**30,633**		**30,633**					**30,633**
Cash dividends paid			**(9,644)**		**(9,644)**					**(9,644)**
Acquisition of treasury stock				**(64)**	**(64)**					**(64)**
Disposal of treasury stock		**0**		**0**	**0**					**0**
Net changes during the year						**4,083**	**1,935**	**6,018**	**1,606**	**7,624**
Balance at March 31, 2013	**$141,435**	**$135,513**	**$312,228**	**$(2,743)**	**$586,433**	**$5,412**	**$ 861**	**$6,273**	**$13,514**	**$606,220**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2011, 2012 and 2013

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2011	2012	**2013**	**2013**
Cash Flows from Operating Activities:				
Income before income taxes and minority interests	¥ 3,323	¥ 4,138	**¥ 4,736**	**$ 50,356**
Adjustments for:				
Depreciation and amortization	1,442	1,988	**1,389**	**14,769**
Impairment loss on fixed assets	—	298	**24**	**255**
Amortization of goodwill	16	16	**16**	**170**
Amortization of negative goodwill	(11)	(4)	**(2)**	**(21)**
Gain on negative goodwill	—	(17)	**—**	**—**
Increase (decrease) in allowance for bad debts	(57)	(61)	**56**	**595**
Decrease in accrued retirement benefits	(104)	(52)	**(302)**	**(3,211)**
Increase (decrease) in directors' and Audit & Supervisory Board members' retirement benefits	(73)	9	**(13)**	**(138)**
Increase (decrease) in accrued bonuses	(222)	500	**76**	**808**
Increase (decrease) in accrued warranty costs	(19)	2	**38**	**404**
Increase in allowance for losses on construction contracts	234	61	**28**	**298**
Interest and dividend income	(62)	(65)	**(86)**	**(915)**
Insurance return	(107)	(40)	**(21)**	**(223)**
Interest expenses	4	4	**4**	**43**
Equity in earnings of affiliates	(74)	(112)	**(111)**	**(1,180)**
Loss on sales/disposal of property, plant and equipment	54	75	**24**	**255**
Loss on devaluation of investments in securities	4	25	**1**	**11**
Loss on devaluation of investments in capital of subsidiaries and affiliates	—	—	**71**	**755**
Gain on sales of investments in securities	(67)	(4)	**—**	**—**
Decrease (increase) in trade receivables	1,036	(5,351)	**(287)**	**(3,052)**
Decrease (increase) in inventories	1,718	(1,432)	**48**	**510**
Increase (decrease) in trade payables	741	2,023	**(302)**	**(3,211)**
Increase (decrease) in advance received on uncompleted construction contracts	(383)	663	**(83)**	**(882)**
Others, net	(269)	271	**615**	**6,539**
Subtotal	7,124	2,935	**5,919**	**62,935**
Interest and dividend income received	65	68	**88**	**936**
Interest expenses paid	(4)	(4)	**(4)**	**(43)**
Income taxes paid	(1,567)	(1,360)	**(2,358)**	**(25,072)**
Net cash provided by operating activities	5,618	1,639	**3,645**	**38,756**
Cash Flows from Investing Activities:				
Decrease (increase) in time deposits	40	(85)	**(145)**	**(1,542)**
Payments into long-term deposits	—	(200)	**(97)**	**(1,031)**
Proceeds from withdrawal of long-term deposits	—	—	**200**	**2,127**
Payments for purchase of property, plant and equipment	(4,151)	(1,294)	**(1,166)**	**(12,398)**
Proceeds from sales of property, plant and equipment	7	74	**12**	**128**
Payments for purchase of investments in securities	(7)	(8)	**(121)**	**(1,287)**
Proceeds from sales of investments in securities	80	21	**3**	**32**
Payments for transfer of business	(100)	—	**—**	**—**
Payments for loans receivable	(1)	(280)	**(0)**	**(0)**
Proceeds from loans receivable	56	47	**332**	**3,530**
Proceeds from cancellation of insurance contracts	359	150	**241**	**2,562**
Others, net	(318)	(151)	**(86)**	**(914)**
Net cash used in investing activities	(4,035)	(1,726)	**(827)**	**(8,793)**
Cash Flows from Financing Activities:				
Decrease in short-term debt	—	—	**(20)**	**(213)**
Cash dividends paid	(907)	(907)	**(907)**	**(9,644)**
Cash dividends paid to minority shareholders	(29)	(23)	**(24)**	**(255)**
Payments for purchase of treasury stock	(8)	(6)	**(6)**	**(64)**
Others, net	(3)	(3)	**(5)**	**(53)**
Net cash used in financing activities	(947)	(939)	**(962)**	**(10,229)**
Effect of exchange rate changes on cash and cash equivalents	(43)	(3)	**48**	**511**
Net increase (decrease) in cash and cash equivalents	593	(1,029)	**1,904**	**20,245**
Cash and cash equivalents at beginning of year	19,480	20,073	**19,044**	**202,488**
Cash and cash equivalents at end of year (Note 5)	¥20,073	¥19,044	**¥20,948**	**$222,733**

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2011, 2012 and 2013

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, 2013, which is ¥94.05 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 28 and 27 subsidiaries at March 31, 2012 and 2013, respectively.

The consolidated financial statements include the accounts of the Company and 22 and 21 subsidiaries at March 31, 2012 and 2013, respectively.

The 21 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 Bosai Plant 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%
Tohoku Nohmi Co., Ltd.	100.0%
Nohmi Plant Niigata Co., Ltd.	100.0%
Hokkaido Nohmi Co., Ltd.	100.0%
Yashima Bosai Setsubi Co., Ltd.	81.8%
Nohmi Taiwan Ltd.	58.0%
Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd	60.0%

Nohmi Setsubi Co., Ltd. was merged with Bosai Engineering Co., Ltd. and was renamed NOHMI Engineering Corporation during the year ended March 31, 2013.

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 or negative goodwill and amortized over a five-year period on a straight-line basis.

(3) Investments in Unconsolidated Subsidiaries and Affiliates

At March 31, 2012 and 2013, 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 held by the Company and its subsidiaries 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 or negative 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 by the Company and its subsidiaries 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 Company and its subsidiaries apply the percentage-of-completion method to construction contracts, commencing on or after April 1, 2009, whose outcomes are deemed certain at the end of the current fiscal year, and applies the completed-contract method 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.

The Company and its subsidiaries recognize deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

(15) Accrued Retirement Benefits

Accrued retirement benefits represent the estimated present value of projected benefit obligations in excess of fair value of the plan assets.

Any unrecognized actuarial differences are amortized on a straight-line basis over a period of mainly 10 years from the year following the year in which they arise.

(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 Asset Retirement Obligations

Effective from April 1, 2010, the Company and its consolidated subsidiaries adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008). This change had no material impact on the consolidated financial statements.

(2) Accounting Standard for Business Combinations

Effective from April 1, 2010, the Company and its consolidated subsidiaries adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on December 26, 2008), the "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23 issued on December 26, 2008), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on December 26, 2008), the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 issued on December 26, 2008), and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008).

(3) Accounting Standard for Presentation of Comprehensive Income

Effective from April 1, 2010, the Company and its consolidated subsidiaries adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 issued on June 30, 2010).

(4) New 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.

4. Accounting Standard Issued But Not Yet Adopted

"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 gains and losses 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

The revised standard is effective for the end of fiscal years ending on or after March 31, 2014, and will be adopted by the Company in the fiscal year ending March 31, 2014. Amendments relating to determination of retirement benefit obligations and current service costs are effective from the beginning of fiscal years ending on or after March 31, 2015.

(3) Effect of Application of the Standard

The Company is currently in the process of evaluating the effects of this new standard on the consolidated financial statements.

5. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2011, 2012 and 2013 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2011	2012	**2013**	**2013**
Cash and bank deposits	¥ 19,297	¥ 18,554	**¥ 20,447**	**$ 217,406**
Short-term investments	2,000	2,000	**2,000**	**21,265**
Long-term deposit	—	—	**97**	**1,032**
Total	21,297	20,554	**22,544**	**239,703**
Time deposits with deposit terms of over mainly three months	(1,224)	(1,510)	**(1,596)**	**(16,970)**
Cash and cash equivalents	¥ 20,073	¥ 19,044	**¥ 20,948**	**$ 222,733**

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, 2012 and 2013.

Available-for-sale securities

Securities with book value exceeding acquisition costs

	Millions of Yen		
	2012		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	¥ 872	¥ 636	¥ 236

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

	Thousands of U.S. Dollars		
	2013		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	**$ 18,086**	**$ 10,686**	**$ 7,400**

Securities with book value not exceeding acquisition cost

	Millions of Yen		
	2012		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	¥ 342	¥ 421	¥ (79)
Negotiable certificate of deposit	¥ 2,000	¥ 2,000	¥ —

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

	Thousands of U.S. Dollars		
	2013		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	**$ 723**	**$ 797**	**$ (74)**
Negotiable certificate of deposit	**$ 21,265**	**$ 21,265**	**$ —**

The following tables summarize book value of securities with no available fair market values as of March 31, 2012 and 2013.

Available-for-sale securities

	Millions of Yen		Thousands of U.S. Dollars
	2012	**2013**	**2013**
Non-listed equity securities	¥ 98	**¥ 195**	**$ 2,074**

7. Impairment Loss on Fixed Assets

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.

The Company and its consolidated subsidiaries have recognized an impairment loss of ¥24 million ($255 thousand) 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 ($255 thousand) 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 ($255 thousand). The recoverable amount is measured based on the value in use, which is calculated as zero because no future cash flows are expected.

8. Inventories

Inventories as of March 31, 2012 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	**2013**	**2013**
Products	¥ 2,606	**¥ 2,712**	**$ 28,835**
Raw materials	3,463	**3,406**	**36,215**
Work in progress	668	**738**	**7,847**
Cost of construction contracts in progress	5,204	**5,137**	**54,620**
	¥11,941	**¥11,993**	**$ 127,517**

9. Short-term Debt and Long-term Debt

Short-term debt at March 31, 2013 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, 2012 and 2013 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	**2013**	**2013**
Guarantee deposits received	¥ 374	**¥ 385**	**$ 4,094**
Total long-term debt	¥ 374	**¥ 385**	**$ 4,094**

The average interest rate of 0.53% as of March 31, 2013 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 composition of amounts recognized in the consolidated balance sheets at March 31, 2012 and 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	**2013**	**2013**
Benefit obligations at end of year	¥(11,472)	**¥(12,701)**	**$ (135,045)**
Fair value of plan assets at end of year	6,189	**6,452**	**68,602**
Funded status	(5,283)	**(6,249)**	**(66,443)**
Unrecognized actuarial losses	840	**1,808**	**19,224**
Net amount recognized	(4,443)	**(4,441)**	**(47,219)**
Prepaid pension costs	833	**534**	**5,678**
Accrued retirement benefits	¥ (5,276)	**¥ (4,975)**	**$ (52,897)**

The components of net pension and employees' severance costs for the years ended March 31, 2011, 2012 and 2013 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2011	2012	**2013**	**2013**
Service costs	¥ 629	¥ 638	**¥ 573**	**$ 6,093**
Interest expenses	256	262	**264**	**2,807**
Expected return on plan assets	(124)	(134)	**(145)**	**(1,542)**
Recognized actuarial loss	185	170	**172**	**1,829**
Others	7	9	**16**	**170**
Net periodic benefit costs	¥ 953	¥ 945	**¥ 880**	**$ 9,357**

Assumptions used as of March 31, 2011, 2012 and 2013 were as follows:

	2011	2012	**2013**
Discount rate	Mainly 2.5%	Mainly 2.5%	**Mainly 1.4%**
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%	**Mainly 2.5%**
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis	**Straight-line basis**
Amortization of unrecognized prior service cost	10 years	10 years	**10 years**
Amortization of unrecognized actuarial differences	Mainly 10 years	Mainly 10 years	**Mainly 10 years**

11. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2011, 2012 and 2013 were ¥1,592 million, ¥1,651 million and ¥1,698 million ($18,054 thousand), respectively.

12. Accounting for Leases

The Company and its consolidated subsidiaries have various lease agreements whereby the Company and its consolidated subsidiaries act as both lessee and lessor. The Company and its consolidated domestic subsidiaries' finance lease contracts are not deemed to transfer the ownership of the leased assets. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information. Certain key information on such lease contracts of the Company and its consolidated domestic subsidiaries as of and for the year ended March 31, 2012 was as follows:

As lessee:

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets, including the portion of interest thereon, were summarized as follows:

	Millions of Yen
	2012
Tools and furniture	¥ 14
	14
Less: Accumulated depreciation	(13)
Net book value	¥ 1
Depreciation	¥ 3

Depreciation is based on the straight-line method over the lease term of the leased assets assuming no residual value.

The scheduled maturity of future minimum lease payments on such lease contracts as of March 31, 2012 was as follows:

	Millions of Yen
	2012
Due within one year	¥ 1
Due over one year	—
	¥ 1
Minimum lease payments expensed for the year	¥ 3

As lessor:

	Millions of Yen
	2012
Leased tools and furniture:	
Purchase cost	¥ 20
Accumulated depreciation	(15)
Net book value	¥ 5

The scheduled maturity of future minimum lease payments to be received on such lease contracts as of March 31, 2012 was as follows:

	Millions of Yen
	2012
Due within one year	¥ 9
Due over one year	8
	¥ 17
Revenue on minimum lease payments to be received for the year	¥ 12
Depreciation for the year	¥ 1

Information for the year ended March 31, 2013 has been omitted because it is not material.

13. 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 accounts payable such as trade notes and trade accounts is within one year. Short-term debt comprises amounts borrowed from banks by affiliates. Current liabilities such as payables 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, 2012 and 2013 were as follows:

	Millions of Yen		
	2012		
	Carrying amount	Fair value	Unrecognized gain (loss)
Cash and bank deposits	¥ 18,554	¥ 18,554	¥ —
Trade receivables	30,223	30,223	—
Short-term investments and investments in securities	3,215	3,215	—
Long-term loans receivable	206	207	1
Total	¥ 52,198	¥ 52,199	¥ 1
Trade payables	¥ 10,023	¥ 10,023	¥ —
Short-term debt	33	33	—
Non-trade accounts payable	5,398	5,398	—
Income taxes payable	2,192	2,192	—
Total	¥ 17,646	¥ 17,646	¥ —
Derivatives	¥ —	¥ —	¥ —

	Millions of Yen		
	2013		
	Carrying amount	Fair value	Unrecognized gain (loss)
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	**¥ —**	**¥ —**	**¥ —**

	Thousands of U.S. Dollars		
	2013		
	Carrying amount	Fair value	Unrecognized gain (loss)
Cash and bank deposits	**$217,406**	**$217,406**	**$ —**
Trade receivables	**325,784**	**325,784**	**—**
Short-term investments and investments in securities	**40,064**	**40,064**	**—**
Long-term loans receivable	**1,722**	**1,733**	**11**
Total	**$584,976**	**$584,987**	**$ 11**
Trade payables	**$106,029**	**$106,029**	**$ —**
Short-term debt	**159**	**159**	**—**
Non-trade accounts payable	**55,619**	**55,619**	**—**
Income taxes payable	**18,533**	**18,533**	**—**
Total	**$180,340**	**$180,340**	**$ —**
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, 2012 and 2013 were ¥1,953 million and ¥2,064 million ($21,946 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, 2013:

	Millions of Yen			
	2013			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and bank deposits	¥ 20,447	¥ —	¥ —	¥ —
Trade receivables	30,640	—	—	—
Short-term investments and investments in securities				
Available-for-sale securities with contractual maturities (negotiable certificate of deposit)	2,000	—	—	—
Long-term loans receivable	—	151	9	2
Total	¥ 53,087	¥ 151	¥ 9	¥ 2

	Thousands of U.S. Dollars			
	2013			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and bank deposits	$ 217,406	$ —	$ —	$ —
Trade receivables	325,784	—	—	—
Short-term investments and investments in securities				
Available-for-sale securities with contractual maturities (negotiable certificate of deposit)	21,265	—	—	—
Long-term loans receivable	—	1,605	96	21
Total	$ 564,455	$ 1,605	$ 96	$ 21

14. Income Taxes

At March 31, 2012 and 2013, significant components of deferred tax assets and liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Deferred tax assets:			
Accrued retirement benefits	¥ 1,862	¥ 1,756	$ 18,671
Accrued bonuses	1,078	1,108	11,781
Directors' and Audit & Supervisory Board members' retirement allowance	216	212	2,254
Loss on write-off of fixed assets	216	214	2,275
Accrued legal welfare expenses	128	133	1,414
Accrued enterprise taxes	172	149	1,584
Allowance for bad debts	64	67	712
Impairment loss on fixed assets	157	154	1,638
Devaluation of inventories	158	176	1,871
Allowance for loss on construction contracts	167	178	1,893
Others	432	491	5,221
Subtotal	4,650	4,638	49,314
Valuation allowance	(625)	(615)	(6,539)
Total	¥ 4,025	¥ 4,023	$ 42,775
Deferred tax liabilities:			
Prepaid pension cost	¥ (296)	¥ (190)	$ (2,020)
Special depreciation of acquired assets	(59)	(59)	(627)
Unrealized gains on securities	(35)	(184)	(1,957)
Total	¥ (390)	¥ (433)	$ (4,604)
Net deferred tax assets	¥ 3,635	¥ 3,590	$ 38,171

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 years ended March 31, 2011 and 2012 and 37.9% for the year ended March 31, 2013.

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 was as follows:

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

Since the difference between the statutory tax rate and effective tax rate for the fiscal years ended March 31, 2011 and 2013 is less than 5% of the effective tax rate, a reconciliation of these two rates is not presented.

On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate was reduced to 37.9% for years beginning on or after April 1, 2012 and 35.5% for years beginning on or after April 1, 2015. Based on these amendments, the statutory tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on or after April 1, 2015 are 37.9% and 35.5%, respectively.

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.

15. 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 ¥61 million and ¥51 million ($542 thousand) and performance guarantees made for unconsolidated subsidiaries of ¥10 million and ¥43 million ($457 thousand) at March 31, 2012 and 2013, respectively.

16. 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, 2013, the distribution of cash dividends amounting to ¥453 million ($4,817 thousand) was approved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2013 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, 2013

The following was approved by the annual shareholders' meeting held on June 26, 2012.

(a) Total dividends .... ¥453 million ($4,817 thousand)
(b) Cash dividends per common share ¥7.50 ($0.08)
(c) Record date .... March 31, 2012

(d) Effective date..June 27, 2012

The following was approved by the Board of Directors on November 7, 2012.

(a) Total dividends ....¥453 million ($4,817 thousand)

(b) Cash dividends per common share..¥7.50 ($0.08)

(c) Record date..September 30, 2012

(d) Effective date..December 5, 2012

b) Dividends to be paid after March 31, 2013 but the record date for the payment belongs to the year ended March 31, 2013

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

(a) Total dividends ....¥453 million ($4,817 thousand)

(b) Cash dividends per common share..¥7.50 ($0.08)

(c) Record date..March 31, 2013

(d) Effective date..June 26, 2013

17. Comprehensive Income

For the years ended March 31, 2012 and 2013

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	**2013**	**2013**
Unrealized gains on securities, net of taxes:			
Increase (decrease) during the year	¥ (1)	**¥ 530**	**$ 5,635**
Reclassification adjustments	25	**1**	**11**
Amount before tax effect adjustment	24	**531**	**5,646**
Tax effect	(12)	**(149)**	**(1,584)**
Unrealized gains on securities, net of taxes	12	**382**	**4,062**
Foreign currency translation adjustments:			
Increase (decrease) during the year	(5)	**304**	**3,232**
Reclassification adjustments	—	**—**	**—**
Amount before tax effect adjustment	(5)	**304**	**3,232**
Tax effect	—	**—**	**—**
Foreign currency translation adjustments	(5)	**304**	**3,232**
Share of other comprehensive income of affiliates accounted for under the equity method:			
Increase during the year	3	**2**	**21**
Total other comprehensive income	¥ 10	**¥ 688**	**$ 7,315**

18. Segment Information

Supplemental information

Effective from April 1, 2010, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 issued on March 27, 2009) and the "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 issued on March 21, 2008).

(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 and which is regularly reviewed by the Board of Directors for determining of 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							
	2011							
	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	¥ 29,614	¥ 24,605	¥ 21,235	¥ 75,454	¥ 4,498	¥ 79,952	¥ —	¥ 79,952
Inter-segment	82	134	1	217	185	402	(402)	—
Total	29,696	24,739	21,236	75,671	4,683	80,354	(402)	79,952
Segment income	¥ 1,791	¥ 2,482	¥ 3,384	¥ 7,657	¥ 375	¥ 8,032	¥ (5,088)	¥ 2,944
Segment assets	¥ 28,708	¥ 16,245	¥ 10,354	¥ 55,307	¥ 3,082	¥ 58,389	¥ 22,001	¥ 80,390
Other:								
Depreciation	¥ 621	¥ 153	¥ 108	¥ 882	¥ 68	¥ 950	¥ 492	¥ 1,442
Amortization of goodwill	¥ —	¥ —	¥ 16	¥ 16	¥ —	¥ 16	¥ —	¥ 16
Affiliates accounted for under the equity method	¥ —	¥ 1,397	¥ —	¥ 1,397	¥ —	¥ 1,397	¥ —	¥ 1,397
Increase in property, plant and equipment and intangible assets	¥ 924	¥ 217	¥ 201	¥ 1,342	¥ 125	¥ 1,467	¥ 2,557	¥ 4,024

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

Note 2: (1) ¥(5,088) 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) ¥22,001 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) ¥492 million included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥2,557 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							
	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 an 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

	Thousands of U.S. Dollars							
	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	$ 318,511	$ 286,614	$ 251,930	$ 857,055	$ 58,384	$ 915,439	$ —	$ 915,439
Inter-segment	957	1,371	11	2,339	1,978	4,317	(4,317)	—
Total	319,468	287,985	251,941	859,394	60,362	919,756	(4,317)	915,439
Segment income	$ 28,208	$ 32,281	$ 41,776	$ 102,265	$ 3,902	$ 106,167	$ (58,097)	$ 48,070
Segment assets	$ 303,083	$ 232,174	$ 117,927	$ 653,184	$ 40,989	$ 694,173	$ 240,925	$ 935,098
Other:								
Depreciation	$ 5,933	$ 1,606	$ 1,180	$ 8,719	$ 1,127	$ 9,846	$ 4,923	$ 14,769
Amortization of goodwill	$ —	$ —	$ 170	$ 170	$ —	$ 170	$ —	$ 170
Impairment loss	$ —	$ —	$ —	$ —	$ —	$ —	$ 255	$ 255
Affiliates accounted for under the equity method	$ —	$ 17,225	$ —	$ 17,225	$ —	$ 17,225	$ —	$ 17,225
Increase in property, plant and equipment and intangible assets	$ 5,508	$ 1,839	$ 1,786	$ 9,133	$ 893	$ 10,026	$ 2,063	$ 12,089

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 ($(58,097) 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) ¥22,659 million ($240,925 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) ¥463 million ($4,923 thousand) included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥24 million ($255 thousand) included in "Adjustments" for "Impairment loss" is impairment loss for corporate assets.

(5) ¥194 million ($2,063 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							
	2012							
	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	¥ —	¥ —	¥ 49	¥ 49	¥ —	¥ 49	¥ —	¥ 49

	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**

	Thousands of U.S. Dollars							
	2013							
	Reportable segments							
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others	Total	Adjustments	Consolidated
Amortization during the year	**$ —**	**$ —**	**$ 170**	**$ 170**	**$ —**	**$ 170**	**$ —**	**$ 170**
Unamortized balance	**$ —**	**$ —**	**$ 340**	**$ 340**	**$ —**	**$ 340**	**$ —**	**$ 340**

(6) Information about gain on negative goodwill by reportable segment

The Company recognized gain on negative goodwill in "Fire alarm systems" for the year ended March 31, 2012 amounting to ¥17 million due to the additional acquisition of shares of Yashima Bosai Setsubi Co., Ltd., a consolidated subsidiary of the Company as of and for the year ended March 31, 2012. There was no gain on negative goodwill for the year ended March 31, 2013.

19. 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 three years ended March 31, 2013, 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, 2013				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	2011	2012	**2013**	2012	**2013**
SECOM Co., Ltd.	¥66,378 million	Security service	Direct: 50.9% (*) Indirect: 0.1%	Sale of products	¥3,108	¥2,220	**¥2,103 ($22,360)**	Trade receivables ¥200	Trade receivables **¥212 ($2,254)**

	As of March 31, 2013				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	Description of the Company's transactions	2011	2012	**2013**	2012	**2013**
KOATSU Co., Ltd.	¥60 million	Fire extinguishing systems	Direct: 20.8%	Purchase of raw materials	¥3,546	¥4,652	**¥5,184 ($55,120)**	Trade payables ¥2,725	Trade payables **¥2,647 ($28,145)**

(*) 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, 2013 and 2012, 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, 2013, 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, 2013 and 2012, and their financial performance and cash flows for each of the years in the three-year period ended March 31 2013, 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, 2013 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, 2013
Tokyo, Japan

Investor Information
(As of March 31, 2013)

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
1-4, 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	33	7,729	12.77
Japanese securities companies	24	390	0.64
Other Japanese corporations	187	35,644	58.89
Japanese individuals and others	2,593	13,850	22.88
Foreign institutions and individuals	79	2,522	4.17
Treasury stocks	1	393	0.65
Total	2,917	60,528	100.00

Major Stockholders

	Number of Shares Held (Thousands)	Percentage of Total Shares in Issue (%)
SECOM Co., Ltd.	30,598	50.3
Shareholding Commission of Nohmi Bosai Distributors	2,251	3.7
Shareholding Commission of Nohmi Bosai Partners	1,757	2.9
Shareholding Commission of Nohmi Bosai Employees	1,420	2.3
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000	1.6
Shareholding Commission of Nohmi Bosai Safety and Health Cooperation Forum	898	1.5
Fuji Electric Co., Ltd.	868	1.4
Sumitomo Mitsui Banking Corporation	765	1.3
Tokio Marine & Nichido Fire Insurance Co., Ltd.	745	1.2
Mitsui Sumitomo Insurance Company, Limited.	679	1.1

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