ANNUAL REPORT 2011

For the Year Ended March 31, 2011

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 2011, ended March 31, 2011, the Company realized consolidated net sales of ¥80.0 billion. Nohmi Bosai is responsible for the development, marketing, installation and maintenance of a wide variety of state-of-the-art fire protection systems. In addition to our strong domestic presence, we are also active in China, other parts of Asia and the United States.

Contents

Cautionary Statement with Respect to Forward-Looking Statements

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

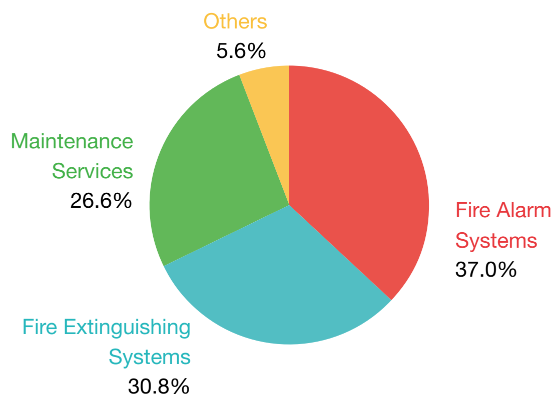
Consolidated Financial Highlights

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2009, 2010 and 2011

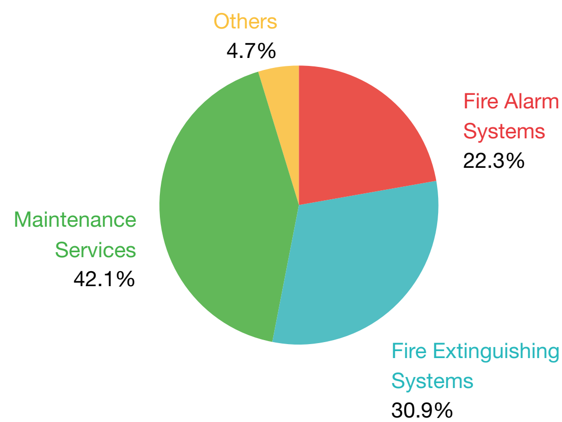
	Millions of Yen			Percentage Change	Thousands of U.S. Dollars
	2009	2010	**2011**	2011/2010	**2011**
For the year:					
New orders	¥ 92,516	¥ 77,799	**¥ 84,056**	8.0 %	**$ 1,010,896**
Net sales	89,580	84,150	**79,952**	(5.0)	**961,539**
Cost of sales	63,462	59,612	**57,331**	(3.8)	**689,488**
Operating income	5,579	4,338	**2,944**	(32.1)	**35,406**
Net income	3,202	2,334	**1,866**	(20.1)	**22,441**
Comprehensive income	—	—	**1,709**	—	**20,553**
At year-end:					
Total assets	¥ 81,875	¥ 80,266	**¥ 80,390**	0.2 %	**$ 966,807**
Total net assets	50,981	52,633	**53,399**	1.5	**642,201**
Backlog of orders	35,354	29,003	**33,107**	14.2	**398,160**
Number of employees	2,150	2,214	**2,223**	0.4	**—**
Per share (in yen and U.S. dollars):					
Net income	¥ 53.04	¥ 38.66	**¥ 30.92**	(20.0) %	**$ 0.37**
Net assets	828.72	854.26	**867.15**	1.5	**10.43**
Cash dividends	15.00	15.00	**15.00**	—	**0.18**

Notes: 1. Per share amounts are based on the weighted average number of shares outstanding during each period.
2. 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 ¥83.15=US$1, using the prevailing exchange rate at March 31, 2011.
3. All amounts are in millions of yen or thousands of U.S. dollars, except number of employees and per share amounts.

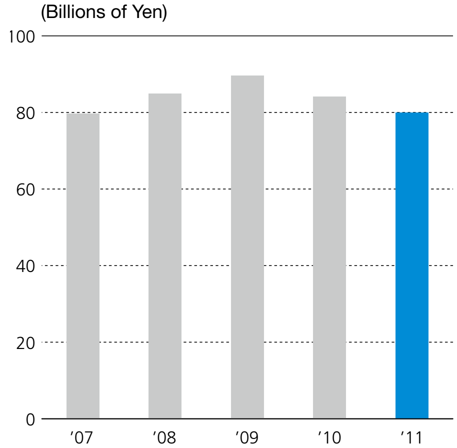
FY2011 Net Sales Breakdown



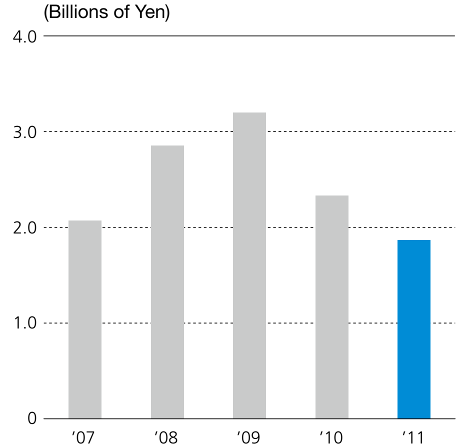
FY2011 Operating Income Breakdown



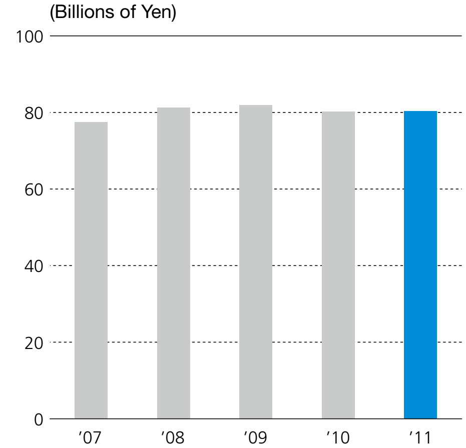
Net Sales
(Billions of Yen)



Net Income
(Billions of Yen)



Total Assets
(Billions of Yen)



A Message from the President

First and foremost, I would like to express my utmost appreciation for your unwavering support of Nohmi Bosai. At the same time, all members of the Nohmi Bosai Group would like to convey our heartfelt sympathies to the victims of the Great East Japan Earthquake that struck the country on March 11, 2011. We sincerely hope for the swift recovery of the people and areas affected by the disaster.

Operating Environment and Business Results in Fiscal 2011

During fiscal 2011 (ended March 31, 2011), although exports were on an upward trend and corporate earnings were showing signs of recovery, the Japanese economy struggled to make headway as a result of various factors including prolonged appreciation of the yen and deflation. Additionally, the Great East Japan Earthquake is also expected to have a significant impact on the Japanese economy.

In the domestic fire protection industry, competition became increasingly intense amid a harsh business environment in which demand for private capital investment remained stagnant.

Amid such circumstances, the Nohmi Bosai Group has formulated a three-year medium-term business plan starting from fiscal 2011 and has since been promoting respective key measures centered on "Challenge and Reform." Although new orders increased 8.0% to ¥84,056 million, net sales declined 5.0% to ¥79,952 million on a consolidated basis compared with the previous year due to a prolonged cooling of the market environment.

By business segments, net sales in the Fire Alarm Systems segment declined 1.8% year-on-year to ¥29,614 million and net sales in the Fire Extinguishing Systems segment decreased 6.8% to ¥24,605 million. Meanwhile, the Maintenance Services segment was down 7.3% to ¥21,235 million and the Others segment declined 3.6% to ¥4,498 million.

At the profit level, operating income decreased 32.1% to ¥2,944 million and net income was down 20.1% to ¥1,866 million year-on-year.

Management Policy & Progress of Medium-Term Business Plan for Fiscal 2011-2013

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

Based on this basic policy, in order to break free from a business environment that remains uncertain, we are implementing " Challenge and Reform—Project 24" as the medium-term business plan covering the three years from fiscal 2011.

Medium-Term Business Plan "Challenge and Reform—Project 24"

Vision

"Further enhance customer confidence built up as a leading company and contribute to safer environments worldwide"

(1) Accelerate measures in each business segment and boost confidence
- Cultivate core businesses
- Speed up measures in new strategic businesses
- Enhance customer confidence

(2) Implement structural reforms in technology and production systems and bolster manufacturing functions
- Implement structural reforms in R&D and strengthen manufacturing functions
- Create a structure enabling the planning of new businesses and new distinctive products through to commercialization
- Implement structural reforms in production and logistics systems

(3) Review and reinforce the revenue base
- Further increase cost competitiveness
- Reduce SG&A expenses
- Bolster human resource development

(4) Strengthen corporate social responsibility (CSR)
- Enhance quality of operations through compliance and internal controls
- Reinforce business continuity plan (BCP)
- Undertake concerted efforts to reduce environmental loads
- Proactively undertake social contribution activities

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

The times have changed from the pursuit of wealth to a focus on safety and security. As such, we need to fulfill our responsibility of contributing to safety through system development and sales promotion. Although uncertainty remains with regard to economic trends and the market environment, the Nohmi Bosai Group intends to continue taking on challenges and exerting its full power amid strong headwinds in making reforms. To realize our management philosophy underpinned by the concept of valuing people and safety, we will continue pursuing challenges with a bright, energetic and positive spirit. While working to strengthen the corporate foundation and profit structure, the starting point of reforms will be to focus on customer sites and actual circumstances, ensure speedy decision-making and execution, and become an innovator in safety-related areas. In fiscal 2011, we have promoted initiatives to strengthen our corporate foundation and profit structure during the initial year of the current medium-term business plan.

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 preventing misconduct of any kind.

Shareholder Return

For the fiscal year ended March 31, 2011, 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 2012

In terms of the economic outlook, the situation is difficult to foresee due to the overwhelming impact of the Great East Japan Earthquake on the Japanese economy in addition to existing risks leading to economic stagnation, including the influence of soaring oil prices and deflation.

In the fire protection industry, the business environment surrounding the Nohmi Bosai Group is projected to remain uncertain since public-sector investment and private capital investment are expected to be sluggish.

In order to address these situations, in fiscal 2012, the Nohmi Bosai Group will undertake greater efforts to strongly and swiftly promote key measures in the second year of our three-year medium-term business plan starting from fiscal 2011, thereby aiming to strengthen our corporate foundation and profit structure to accomplish our goals.

Through these measures, we are projecting consolidated net sales of ¥81,500 million, operating income of ¥3,000 million and net income of ¥1,900 million in fiscal 2012.

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

July 2011

Takeshi Hashizume

Takeshi Hashizume
President

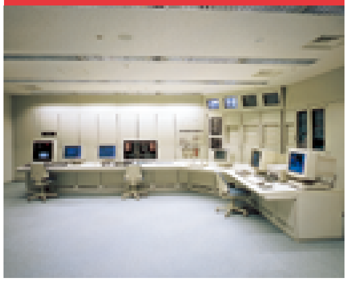
Takeshi Hashizume
President

Aiming to Make Greater Strides as a Leading Company in the Fire Protection Industry

Nohmi Bosai at a Glance

*Percentage of segment net sales for the fiscal year ended March 31, 2011

Fire Alarm Systems



Fire Monitoring Panels in Control Center

37.0%*

The Nohmi Bosai Group provides a wide range of fire alarm systems and equipment—including automatic fire alarm systems, environmental monitoring systems and fire/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 continue 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.

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

Fire Extinguishing Systems

Foam Extinguishing Test

30.8%*

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 an assortment of 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.

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

Maintenance Services

Inspection Services

26.6%*

Along with R&D for creating the best-suited fire protection systems, regular maintenance 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 services, including round-the-clock online monitoring and telephone support services, as well as inspections and repairs. We also offer fire protection consulting services to building owners.

Major Services

- Maintenance Services
- Inspection Services

Others

Parking Control System

5.6%*

This segment includes the installation and management of parking lot control systems.

In our parking lot control service, 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 all sizes.

Major Products and Services

- Parking Lot Maintenance Services

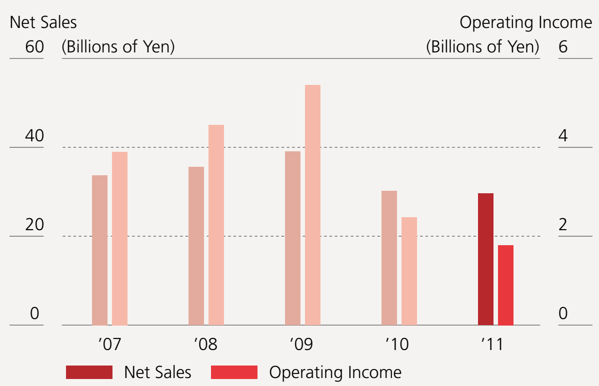
Fire Alarm Systems

The Year in Review

Net sales in the Fire Alarm Systems segment in fiscal 2011 declined ¥557 million, or 1.8%, from the previous year to ¥29,614 million, accounting for 37.0% of consolidated net sales. Operating income decreased ¥632 million, or 26.1%, to ¥1,791 million due to deterioration of the cost-of-sales ratio in revenue from installation work. New orders declined ¥828 million, or 2.8%, to ¥28,993 million.

During the fiscal year under review, although revenue from product sales and renovation-related installations increased, a decrease in new construction work resulted in recording a decline in overall net sales for this segment.

Net Sales/Operating Income of Fire Alarm Systems



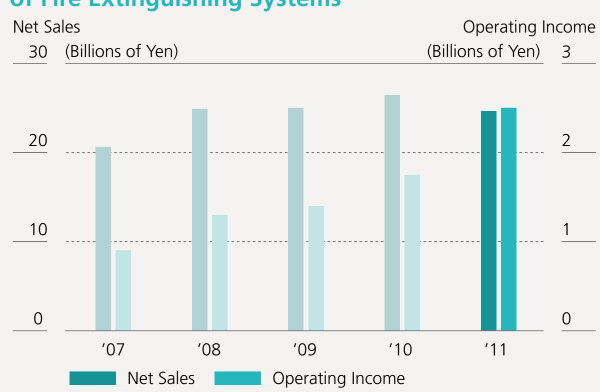
Fire Extinguishing Systems

The Year in Review

Net sales in the Fire Extinguishing Systems segment in fiscal 2011 declined ¥1,796 million, or 6.8%, to ¥24,605 million, accounting for 30.8% of consolidated net sales. Operating income rose ¥730 million, or 41.7%, to ¥2,482 million. New orders increased ¥6,140 million, or 27.1%, to ¥28,775 million.

While revenue from fire extinguishing equipment for general properties such as high-rise buildings increased, we recorded lower sales for systems used in specialty facilities, including plants and factories, and in highway tunnels. As a result, we recorded a decrease in overall sales for this segment. However, an improvement in the cost-of-sales ratio contributed to an increase in operating income.

Net Sales/Operating Income of Fire Extinguishing Systems



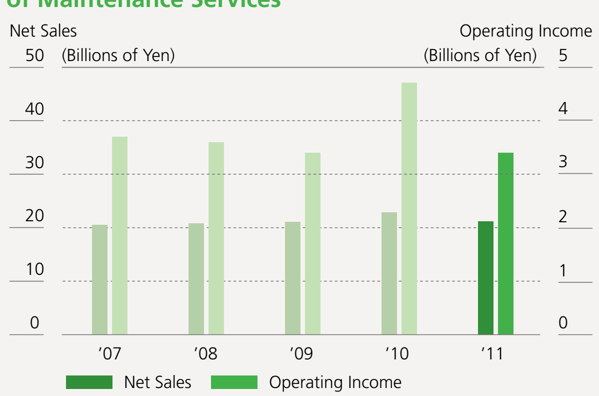
Maintenance Services

The Year in Review

Net sales in the Maintenance Services segment in fiscal 2011 were down ¥1,676 million, or 7.3%, to ¥21,235 million, representing 26.6% of consolidated net sales. Operating income decreased ¥1,333 million, or 28.3%, to ¥3,384 million. New orders increased ¥1,078 million, or 5.2%, to ¥21,702 million.

During the fiscal year under review, both sales in maintenance services and repair/renewal services decreased. Additionally, we recorded a significant decline in operating income due to deterioration of the cost-of-sales ratio.

Net Sales/Operating Income of Maintenance Services



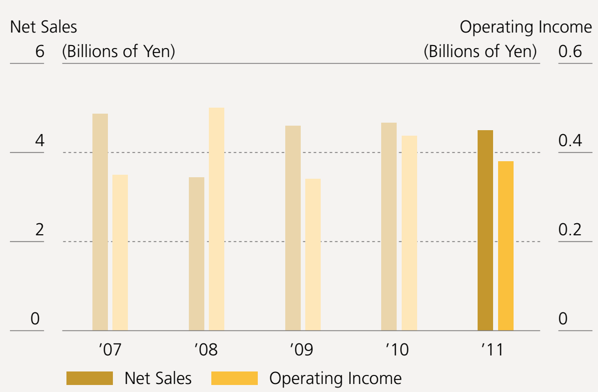
Others

The Year in Review

Net sales for this segment in fiscal 2011 were down ¥169 million, or 3.6%, from the previous fiscal year to ¥4,498 million, representing 5.6% of consolidated net sales. Operating income decreased ¥62 million, or 14.2%, to ¥375 million. New orders declined ¥133 million, or 2.8%, to ¥4,586 million.

During the fiscal year under review, although revenue gains were achieved in parking lot control systems, revenue decreased in other businesses. As a result, we recorded a decline in net sales and operating income in this segment.

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 an appropriate 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 auditor system and has appointed three outside directors to the Board of Directors. The Board makes important management decisions and oversees the execution of business operations with the aims of maximizing corporate value, ensuring transparency in corporate management and assuring a quick decision-making process.

We have also appointed three outside corporate auditors to the Board of Auditors. Two standing corporate auditors 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 corporate auditors' meetings on a regular basis to report and discuss these results, which further reinforces the Board of Auditors' auditing functions.

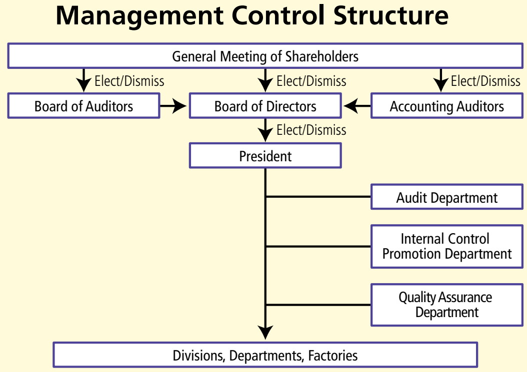
The Audit Department, which is an internal audit department comprised of two staff members and is independent from other departments, works in collaboration with corporate auditors and accounting auditors to systematically conduct financial and operational audits of all departments. The Audit Department provides recommendations for improvements based on the results of these audits and requires departments to regularly report on the status of any recommended improvements. At the same time, the department reports to the president and corporate auditors to help address any problems.

Additionally, we have established the Internal Control Promotion Department comprised of four staff members as a dedicated body to address the evaluation and audit of internal controls over financial reporting based on the 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 establishing a management control structure while enhancing our corporate governance through measures that include formulating rules for management control and business execution.

Management Control Structure



Internal Control System

In accordance with the Companies Act as well as the Ordinance for Enforcement of the Companies Act, we have established the 10 structures and related matters listed below to assure that we execute our business in an appropriate manner. Under this structure, the directors and employees act in accordance with our code of conduct and other internal rules, which serve as corporate conduct criteria prescribing the proper ways of behavior for each employee. We aim for greater permeation of these behavioral criteria through training and dissemination 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.

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 crisis 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 Nohmi Bosai Group, composed of Nohmi Bosai Ltd. and its subsidiaries
6. Structure related to internal audits
7. Matters concerning employees who, based on requests of corporate auditors, are dispatched to assist corporate auditors with work duties
8. Matters concerning the independence of employees mentioned in (7) from directors
9. Structure for reports by directors and employees to corporate auditors
10. Structure for assuring that audits of corporate auditors are performed effectively

An Integrated Fire Protection Service

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

Research and Development

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

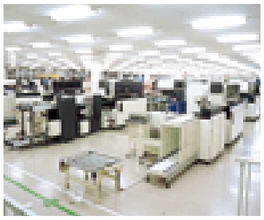
Risk Analysis

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

Consultation and System Design

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

Manufacturing and Quality Assurance



All of Nohmi Bosai's products are manufactured under a strict quality control system. Evidence of our commitment to quality is the certification of our Menuma factory under ISO 9002—an internationally recognized standard for quality systems.

Installation

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

Commissioning

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

Maintenance

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

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 2011 is shown below.

With regard to the Nohmi Bosai Group's business results for the fiscal year under review, both revenue and profits declined due to a rapid cooling of the market environment surrounding the fire protection industry. Under such conditions, the Nohmi Bosai Group's business results by segment were as follows.

Net sales in the Fire Alarm Systems segment decreased ¥557 million, or 1.8%, year-on-year to ¥29,614 million. Although revenue increased in product sales and renovation-related installations, we recorded a decline in revenue from installation work for new construction.

In the Fire Extinguishing Systems segment, net sales were down ¥1,796 million, or 6.8%, year-on-year to ¥24,605 million. Revenue increased in fire extinguishing equipment for general properties such as high-rise buildings; however, a decline was recorded in revenue from systems used in specialty facilities, including plants and factories, and in highway tunnels.

Net sales in the Maintenance Services segment decreased ¥1,676 million, or 7.3%, year-on-year to ¥21,235 million due to a decline in both maintenance and repair/renewal services.

In the Others segment, which includes all other businesses, net sales were down ¥169 million, or 3.6%, year-on-year to ¥4,498 million despite an increase in revenue of parking lot control systems.

Consequently, net sales decreased ¥4,198 million, or 5.0%, from the previous fiscal year to ¥79,952 million.

Despite the efforts to reduce costs amid harsh circumstances, the cost-of-sales ratio increased 0.9 percentage point from the previous fiscal year to 71.7%.

Gross profit fell 7.8% to ¥22,621 million, and the gross profit margin edged down 0.9 percentage point from the previous fiscal year to 28.3%.

Although selling, general and administrative (SG&A) expenses decreased ¥523 million, the SG&A expenses-to-net-sales ratio increased 0.6 percentage point from the previous fiscal year to 24.6%.

As a result of these factors, operating income declined 32.1% to ¥2,944 million. Net income fell 20.1% year-on-year to ¥1,866 million, and net income per share was ¥30.92.

Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2011 amounted to ¥80,390 million, up ¥124 million, or 0.2%, from the previous fiscal year-end.

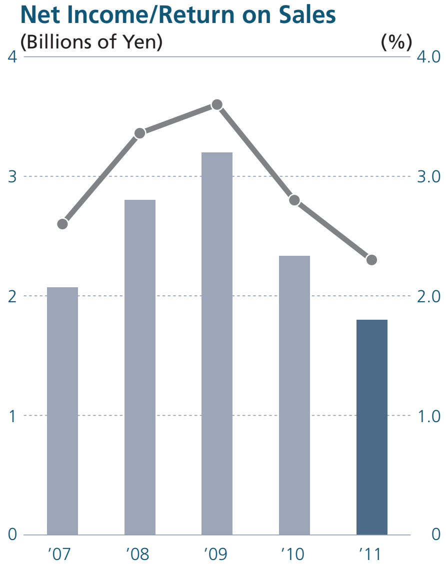
Total current assets decreased ¥2,384 million, or 3.9%, from the previous fiscal year-end to ¥58,546 million.

Total current liabilities and long-term liabilities declined ¥642 million, or 2.3%, from the previous fiscal year-end to ¥26,991 million.

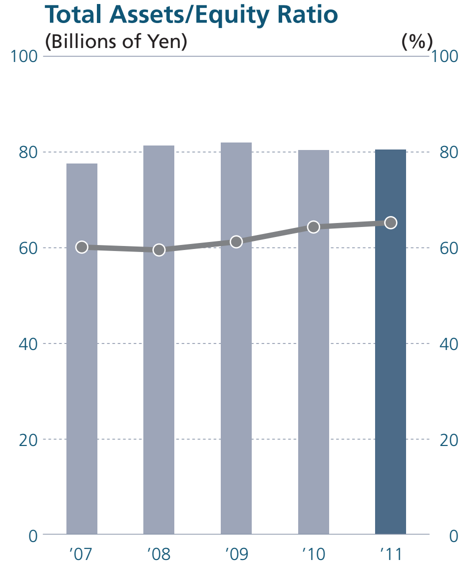
Interest-bearing debt remained roughly on par with the previous fiscal year-end at ¥34 million.

Total net assets increased ¥766 million, or 1.5%, from the end of the previous fiscal year to ¥53,399 million. The equity ratio was 65.1%, up 0.9 percentage point from 64.2% at the end of the previous fiscal year. Net assets per share rose to ¥867.15 from ¥854.26 per share in fiscal 2010.

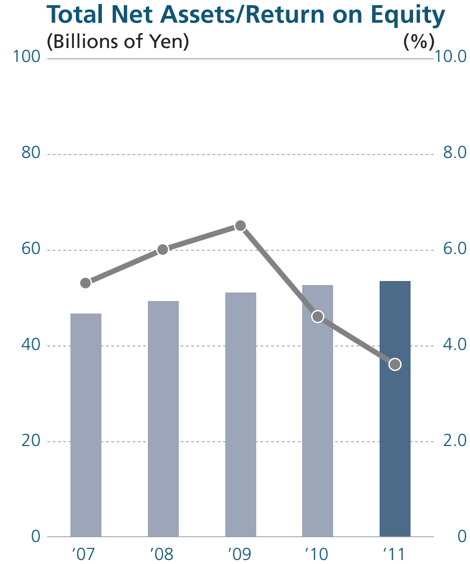
Net Income/Return on Sales



Total Assets/Equity Ratio



Total Net Assets/Return on Equity



Cash Flow

Net cash provided by operating activities amounted to ¥5,618 million compared with ¥5,653 million in the previous fiscal year consisting mainly of ¥1,567 million in income taxes paid, ¥3,323 million in income before income taxes and minority interests, a decrease in inventories of ¥1,718 million, depreciation and amortization totaling ¥1,442 million and a decrease in receivables of ¥1,036 million.

Net cash used in investing activities amounted to ¥4,035 million compared with ¥1,958 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 ¥947 million compared with ¥1,078 million in the previous fiscal year consisting mainly of cash dividends paid.

As a result, net increase in cash and cash equivalents amounted to ¥593 million. Therefore, cash and cash equivalents at end of year totaled ¥20,073 million.

Outlook for Fiscal 2012

Given the current circumstances, the future situation is difficult to foresee in the fire protection industry due to the overwhelming impact of the Great East Japan Earthquake on the Japanese economy in addition to existing risks leading to economic stagnation, including the influence of soaring oil prices and deflation.

In order to address these situations, the Nohmi Bosai Group will undertake greater efforts in fiscal 2012 to strongly and swiftly promote key measures in the second year of its three-year medium-term business plan that got underway from fiscal 2011, thereby aiming to strengthen our corporate foundation and profit structure to accomplish our goals.

For fiscal 2012, ending March 2012, we are forecasting consolidated net sales of ¥81,500 million, operating income of ¥3,000 million and net income of ¥1,900 million. Although we foresee a difficult environment for new orders, we are aiming for a ¥1,548 million increase in net sales by obtaining new orders through actively responding to market needs, including strategic businesses such as residential fire alarms, sprinklers and wireless detectors for group homes for cognitively impaired elderly persons and fire alarm systems for overseas markets. At the same time, the cost-of-sales ratio is expected to slightly deteriorate although we have set the target of maintaining the ratio at the current level. To this end, we will strive to secure profits through intensive cost-reduction measures and lowering the SG&A expenses-to-net-sales ratio. We will aim for increases in operating income and net income, albeit slightly. Accordingly, we plan to pay annual cash dividends per share of ¥15.00, which will include an interim cash dividend per share of ¥7.50 and a year-end cash dividend per share of ¥7.50.

Risk Information

(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, 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 greatly fluctuate by season, whereby there is a tendency for sales to amass in the fourth quarter of the fiscal year.

Consolidated Balance Sheets

Nohmi Bosai Ltd. and Subsidiaries
As of March 31, 2010 and 2011

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2011	2011
Current Assets:			
Cash and bank deposits (Notes 4 and 12)	¥18,765	¥19,297	$232,075
Short-term investments (Notes 4, 5 and 12)	2,000	2,000	24,053
Trade receivables (Notes 12 and 18):			
Notes	5,433	4,609	55,430
Accounts	20,295	20,098	241,708
Unconsolidated subsidiaries and affiliates	233	181	2,176
	25,961	24,888	299,314
Less: Allowance for bad debts	(291)	(259)	(3,115)
	25,670	24,629	296,199
Inventories (Note 7)	12,307	10,515	126,458
Deferred tax assets (Note 13)	1,528	1,572	18,906
Prepaid expenses and other current assets	660	533	6,410
Total current assets	60,930	58,546	704,101
Property, Plant and Equipment (Notes 6 and 11):			
Buildings and structures	8,747	10,450	125,676
Machinery and equipment	2,486	2,396	28,815
Tools and furniture	5,828	6,259	75,274
	17,061	19,105	229,765
Less: Accumulated depreciation	(10,700)	(11,173)	(134,371)
	6,361	7,932	95,394
Construction in progress	62	54	650
Land	3,563	4,392	52,820
Net property, plant and equipment	9,986	12,378	148,864
Intangibles:			
Software	1,328	1,329	15,983
Goodwill	—	64	770
Other intangibles	79	83	998
Total intangibles	1,407	1,476	17,751
Investments and Other Assets:			
Investments in securities (Notes 5 and 12)	1,398	1,322	15,899
Investments in unconsolidated subsidiaries and affiliates (Note 12)	1,643	1,712	20,589
Long-term receivables	30	60	722
Long-term loans receivable (Note 12)	273	223	2,682
Prepaid pension cost (Note 9)	692	691	8,310
Deferred tax assets (Note 13)	1,890	1,875	22,550
Other assets	2,212	2,275	27,360
	8,138	8,158	98,112
Less: Allowance for bad debts	(195)	(168)	(2,021)
Total investments and other assets	7,943	7,990	96,091
Total assets	¥80,266	¥80,390	$966,807

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2011	2011
Current Liabilities:			
Short-term debt (Notes 8 and 12)	¥ 34	¥ 34	$ 409
Trade payables (Notes 12 and 18):			
Notes	1,643	1,832	22,032
Accounts	4,288	4,749	57,114
Unconsolidated subsidiaries and affiliates	2,052	2,182	26,242
	7,983	8,763	105,388
Non-trade accounts payable (Note 12)	4,839	4,567	54,925
Advances received on uncompleted construction contracts	2,596	2,213	26,615
Accrued bonuses to employees	2,580	2,357	28,346
Accrued warranty costs	58	38	457
Income taxes payable (Notes 12 and 13)	1,310	1,090	13,109
Allowance for losses on construction contracts	145	380	4,570
Other current liabilities	1,575	1,199	14,419
Total current liabilities	21,120	20,641	248,238
Long-term Liabilities:			
Long-term debt (Note 8)	364	368	4,426
Accrued retirement benefits (Note 9)	5,433	5,328	64,077
Directors' and corporate auditors' retirement benefits	671	598	7,192
Other long-term liabilities	28	35	421
Asset retirement obligations	—	15	180
Negative goodwill	17	6	72
Total long-term liabilities	6,513	6,350	76,368
Contingent liabilities (Note 14)			
Net Assets (Note 15)			
Shareholders' Equity:			
Common stock:			
Authorized: 160,000,000 shares at March 31, 2010 and 2011			
Issued: 60,832,771 shares at March 31, 2010 and 2011	13,302	13,302	159,976
Capital surplus	12,745	12,745	153,277
Retained earnings	25,552	26,511	318,833
Less: Treasury stock, at cost			
477,721 shares and 493,026 shares at March 31, 2010 and 2011	(238)	(246)	(2,958)
Total shareholders' equity	51,361	52,312	629,128
Accumulated Other Comprehensive Income:			
Unrealized gains on securities, net of taxes	181	110	1,323
Foreign currency translation adjustments	17	(98)	(1,178)
Total accumulated other comprehensive income	198	12	145
Minority interests	1,074	1,075	12,928
Total net assets	52,633	53,399	642,201
	¥80,266	¥80,390	$966,807

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2009, 2010 and 2011

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2010	**2011**	**2011**
Net Sales (Note 18)	¥89,580	¥84,150	**¥79,952**	**$961,539**
Cost of Sales (Note 18)	63,462	59,612	**57,331**	**689,488**
Gross profit	26,118	24,538	**22,621**	**272,051**
Selling, General and Administrative Expenses (Note 10)	20,539	20,200	**19,677**	**236,645**
Operating income	5,579	4,338	**2,944**	**35,406**
Other Income (Expenses):				
Interest income	106	52	**35**	**421**
Interest expense	(4)	(4)	**(4)**	**(48)**
Dividend income	39	26	**27**	**325**
Dividend on insurance policies	31	34	**16**	**192**
Insurance return	—	75	**107**	**1,287**
Rental revenue	76	71	**71**	**854**
Rental expense	(72)	(62)	**(56)**	**(673)**
Amortization of negative goodwill	15	11	**11**	**132**
Equity in earnings of affiliates	82	58	**74**	**890**
Sales discount	(10)	(6)	**(60)**	**(722)**
Foreign exchange loss	(13)	(28)	**(9)**	**(108)**
Commitment fee	(7)	(32)	**(7)**	**(84)**
Gain on sales of investments in securities	—	—	**67**	**806**
Reversal of allowance for bad debts	—	—	**21**	**253**
Loss on sales/disposals of property and equipment	(120)	(89)	**(54)**	**(649)**
Effect of adoption of accounting standard for asset retirement obligations	—	—	**(34)**	**(409)**
Loss on devaluation of investments in securities	(66)	(110)	**(4)**	**(48)**
Impairment loss on fixed assets (Note 6)	—	(15)	**—**	**—**
Others, net	105	99	**178**	**2,139**
	162	80	**379**	**4,558**
Income before income taxes and minority interests	5,741	4,418	**3,323**	**39,964**
Income Taxes (Note 13):				
Current	2,079	1,562	1,349	**16,224**
Deferred	402	392	2	**24**
	2,481	1,954	1,351	**16,248**
Income before minority interests	3,260	2,464	1,972	**23,716**
Minority Interests in Net Income of Consolidated Subsidiaries	(58)	(130)	**(106)**	**(1,275)**
Net income	¥ 3,202	¥ 2,334	**¥ 1,866**	**$ 22,441**
	Yen			U.S. Dollars (Note 1)
Per Share (Note 2):				
Net income	¥ 53.04	¥ 38.66	**¥ 30.92**	**$ 0.37**
Net assets	828.72	854.26	**867.15**	**10.43**
Cash dividends	15.00	15.00	**15.00**	**0.18**
Weighted Average Number of Shares Issued (in thousands)	60,374	60,359	**60,347**	**—**

Consolidated Statement of Comprehensive Income

Nohmi Bosai Ltd. and Subsidiaries
For the year ended March 31, 2011

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2010	**2011**	**2011**
Income before Minority Interests	¥ —	¥ —	**¥1,973**	**$23,728**
Other Comprehensive Income (Note 16):				
Unrealized gains on securities, net of taxes	—	—	**(69)**	**(830)**
Foreign currency translation adjustments	—	—	**(193)**	**(2,321)**
Share of other comprehensive income of affiliates accounted for under the equity method	—	—	**(2)**	**(24)**
Total other comprehensive income	—	—	**(264)**	**(3,175)**
Comprehensive income (Note 16)	¥ —	¥ —	**¥1,709**	**$20,553**
Total Comprehensive Income Attributable to (Note 16):				
Owners of the parent	¥ —	¥ —	**¥1,680**	**$20,204**
Minority interests	—	—	**29**	**349**

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, 2009, 2010 and 2011

	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, 2008	60,832	¥13,302	¥12,745	¥21,883	¥(214)	¥47,716	¥321	¥203	¥ 524	¥1,079	¥49,319
Effect of application of the Practical Issues Task Force No. 18 (Note 3 (1))				(21)		(21)					(21)
Net income				3,202		3,202					3,202
Cash dividends paid				(787)		(787)					(787)
Acquisition of treasury stock					(21)	(21)					(21)
Gain on sales of treasury stock			0		1	1					1
Net changes during the year							(389)	(202)	(591)	(121)	(712)
Balance at March 31, 2009	60,832	¥13,302	¥12,745	¥24,277	¥(234)	¥50,090	¥ (68)	¥ 1	¥ (67)	¥ 958	¥50,981
Net income				2,334		2,334					2,334
Cash dividends paid				(1,059)		(1,059)					(1,059)
Acquisition of treasury stock					(4)	(4)					(4)
Net changes during the year							249	16	265	116	381
Balance at March 31, 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**

	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, 2010	**$159,976**	**$153,277**	**$307,300**	**$(2,862)**	**$617,691**	**$ 2,177**	**$ 205**	**$ 2,382**	**$12,916**	**$632,989**
Net income			**22,441**		**22,441**					**22,441**
Cash dividends paid			**(10,908)**		**(10,908)**					**(10,908)**
Acquisition of treasury stock				**(96)**	**(96)**					**(96)**
Net changes during the year						**(854)**	**(1,383)**	**(2,237)**	**12**	**(2,225)**
Balance at March 31, 2011	**$159,976**	**$153,277**	**$318,833**	**$ (2,958)**	**$629,128**	**$ 1,323**	**$(1,178)**	**$ 145**	**$12,928**	**$642,201**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nohmi Bosai Ltd. and Subsidiaries
For the years ended March 31, 2009, 2010 and 2011

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2010	**2011**	**2011**
Cash Flows from Operating Activities:				
Income before income taxes and minority interests	¥ 5,741	¥ 4,418	**¥ 3,323**	**$ 39,964**
Adjustments for:				
Depreciation and amortization	1,171	1,291	**1,442**	**17,342**
Impairment loss	—	15	**—**	**—**
Amortization of goodwill	—	—	**16**	**192**
Amortization of negative goodwill	(15)	(11)	**(11)**	**(132)**
Increase (decrease) in allowance for bad debts	(37)	57	**(57)**	**(686)**
Decrease in accrued retirement benefits	(310)	(145)	**(104)**	**(1,251)**
Increase (decrease) in directors' and corporate auditors' retirement benefits	(1)	78	**(73)**	**(878)**
Increase (decrease) in accrued bonuses	151	(510)	**(222)**	**(2,670)**
Increase (decrease) in accrued warranty costs	1	(1)	**(19)**	**(229)**
Increase (decrease) in allowance for losses on construction contracts	(39)	(96)	**234**	**2,814**
Interest and dividend income	(144)	(78)	**(62)**	**(746)**
Insurance return	—	(75)	**(107)**	**(1,287)**
Interest expenses	4	4	**4**	**48**
Equity in earnings of affiliates	(82)	(58)	**(74)**	**(890)**
Loss on sales/disposal of property, plant and equipment	120	89	**54**	**649**
Loss on devaluation of investments in securities	66	110	**4**	**48**
Gain on sales of investments in securities	—	—	**(67)**	**(806)**
Decrease in receivables	1,768	696	**1,036**	**12,459**
Decrease (increase) in inventories	(2,612)	3,936	**1,718**	**20,661**
Increase (decrease) in payables	(1,073)	(1,457)	**741**	**8,912**
Increase (decrease) in advance received on uncompleted construction contracts	680	(1,185)	**(383)**	**(4,606)**
Others, net	(560)	391	**(269)**	**(3,232)**
Subtotal	4,829	7,469	**7,124**	**85,676**
Interest and dividend income received	148	81	**65**	**782**
Interest expenses paid	(4)	(4)	**(4)**	**(48)**
Income taxes paid	(2,372)	(1,893)	**(1,567)**	**(18,845)**
Net cash provided by operating activities	2,601	5,653	**5,618**	**67,565**
Cash Flows from Investing Activities:				
Decrease (increase) in time deposits	(264)	(173)	**40**	**481**
Payments for purchase of property, plant and equipment	(1,722)	(2,148)	**(4,151)**	**(49,922)**
Proceeds from sales of property, plant and equipment	8	42	**7**	**84**
Payments for purchase of investments in securities	(30)	(7)	**(7)**	**(84)**
Proceeds from sales of investments in securities	4	10	**80**	**962**
Payments for transfer of business	—	—	**(100)**	**(1,203)**
Payments for loans receivable	(32)	(10)	**(1)**	**(12)**
Proceeds from loans receivable	83	70	**56**	**673**
Proceeds from cancellation of insurance contracts	—	281	**359**	**4,317**
Others, net	(122)	(23)	**(318)**	**(3,823)**
Net cash used in investing activities	(2,075)	(1,958)	**(4,035)**	**(48,527)**
Cash Flows from Financing Activities:				
Increase in short-term debt	14	—	**—**	**—**
Cash dividends paid	(787)	(1,059)	**(907)**	**(10,908)**
Cash dividends paid to minority shareholders	(16)	(14)	**(29)**	**(349)**
Payments for purchase of treasury stock	(19)	(4)	**(8)**	**(96)**
Others, net	(1)	(1)	**(3)**	**(36)**
Net cash used in financing activities	(809)	(1,078)	**(947)**	**(11,389)**
Effect of exchange rate changes on cash and cash equivalents	(36)	6	**(43)**	**(517)**
Net increase (decrease) in cash and cash equivalents	(319)	2,623	**593**	**7,132**
Cash and cash equivalents at beginning of year	17,176	16,857	**19,480**	**234,275**
Cash and cash equivalents at end of year (Note 4)	¥ 16,857	¥ 19,480	**¥20,073**	**$ 241,407**

See accompanying notes to consolidated financial statements.

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.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheets and the consolidated statements of changes in net assets. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 16 as required under Japanese GAAP.

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries were based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 3 (1), the accounts of consolidated overseas subsidiaries for the year ended March 31, 2009 are prepared in accordance with International Financial Reporting Standards with adjustments for the specified six items as applicable.

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 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, 2011, which was ¥83.15 to U.S.$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 subsidiaries at March 31, 2011 (29 at March 31, 2010). The consolidated financial statements include the accounts of the Company and 22 subsidiaries at March 31, 2011 (23 at March 31, 2010).

The 22 major subsidiaries which have been consolidated with the Company are listed as follows:

	Equity ownership percentage
Nohmi Setsubi Co., Ltd.	100.0%
Ichibou Co., Ltd.	73.2%
Kyushu Nohmi Co., Ltd.	100.0%
Chiyoda Service Co., Ltd.	70.0%
Bosai Engineering Co., Ltd.	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.	75.5%
Nohmi Taiwan Ltd.	52.0%
Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd.	60.0%

Kyushu Nohmi Engineering Co., Ltd. was merged with Fukuoka Nohmi Co., Ltd., which was renamed Kyushu Nohmi Co., Ltd. during the year ended March 31, 2011.

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 entirely 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 investment amount 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, 2010 and 2011, the Company had investments in 4 affiliates. Investments in unconsolidated subsidiaries and affiliates are generally accounted for under the equity method. Consolidated income includes the Company's current equity in the net income of affiliates after elimination of intercompany profits.

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

However, the remaining 6 unconsolidated subsidiaries and 3 affiliates do not have a material effect on "Net income" or "Retained earnings" in the consolidated financial statements. Accordingly, the investments in the 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 able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent minor risk of fluctuations in value.

(5) Inventories

Prior to April 1, 2008, inventories of the Company and its consolidated subsidiaries are stated at cost determined by the following methods according to inventory item:

Products and raw materials…….Weighted-average cost method

Work in progress and cost of construction contracts in progress

…….Individually identified cost method

As discussed in Note 3 (2), effective April 1, 2008, the Company and its consolidated subsidiaries adopted a new accounting standard for the measurement of inventories and stated the inventories at the lower of weighted-average cost or net realizable value at March 31, 2009. Inventories of consolidated foreign subsidiaries are stated at the lower of weighted-average cost or market.

(6) Financial Instruments

Securities

In accordance with Japanese GAAP, securities held by the Company and its consolidated 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 consolidated 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 of the Company 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.

Effective from the year ended March 31, 2009, the Company and its consolidated subsidiaries changed the useful lives of machinery and equipment from 10 years to 8 years based on a reassessment of the useful lives in light of the change in the Corporation Tax Law of Japan.

The effect on net income of this change was not material.

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

(8) Amortization

With respect to intangibles, amortization of software is computed using the straight-line method over the expected useful life of the software (5 years).

Amortization of intangibles and deferred charges other than software is computed using the straight-line method.

Goodwill and negative goodwill are 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 consolidated 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 inevitable at the balance sheet date and reasonable estimation of the amounts of such losses is possible.

(12) Accounting for Leases

The Company and its consolidated domestic subsidiaries account for finance leases commencing prior to April 1, 2008 which do not transfer the ownership of the leased property to the lessee as operating leases with disclosures of certain "as if capitalized" information. As discussed in Note 3 (3), the Company and its consolidated domestic subsidiaries adopted a new accounting standard and capitalized finance leases which commenced on or after April 1, 2008, except for certain immaterial or short-term finance leases, which are accounted for as operating leases.

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.

(13) Revenue Recognition

As discussed in Note 3 (5), effective from April 1, 2009, the Company and its consolidated subsidiaries adopted a new accounting standard for recognition of revenues.

The Company and its consolidated subsidiaries apply the percentage-of-completion method to construction contracts, commencing on or after April 1, 2009, whose outcomes are deemed certain for progress until 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 consist of corporation, enterprise and inhabitant taxes.

In accordance with Japanese GAAP for deferred taxes, the Company and its consolidated subsidiaries adopted the deferred tax assets and liability method, which is used to recognize deferred tax assets.

(15) Accrued Retirement Benefits

In accordance with Japanese Accounting Standard for 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 the period of 10 years from the next year in which they arise.

As discussed in Note 3 (4), effective from April 1, 2009, the Company and its consolidated subsidiaries adopted a new accounting standard.

(16) Directors' and Corporate Auditors' Retirement Benefits

Retirement benefits for directors and corporate auditors are provided for at an amount based on the rules of directors' and corporate auditors' retirement benefits.

(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 financial statements.

(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) Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective from April 1, 2008, the Company and its consolidated subsidiaries adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No. 18 ("PITF No. 18") issued by the Accounting Standards Board of Japan ("ASBJ")). PITF No. 18 requires that accounting policies and procedures applied by the Company and its consolidated subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that their impact on net income is accounted for in accordance with Japanese GAAP unless the impact is not material.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangibles
(e) Retrospective treatment of a change in accounting policies
(f) Accounting for net income attributable to minority interests

There were no material effects as a result of the adoption of PITF No. 18 on the consolidated financial statements.

(2) Accounting Standard for Inventories

Effective from April 1, 2008, the Company and its consolidated subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (Statement No. 9 issued by the ASBJ). As permitted under the superseded accounting standard, the Company and its consolidated subsidiaries previously stated inventories at cost. The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value. Replacement cost may be used in lieu of the net realizable value, if appropriate.

The adoption of the new accounting standard had no material effects on the consolidated financial statements.

(3) Accounting Standard for Lease Transactions as Lessee

Prior to the year ended March 31, 2009, the Company and its consolidated domestic subsidiaries accounted for finance leases, which do not transfer ownership of the leased property to the lessee, as operating leases with disclosure of certain "as if capitalized" information in the notes to the consolidated financial statements.

On March 31, 2007, the ASBJ issued Statement No. 13, "Accounting Standard for Lease Transactions" and Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions." The new accounting standards require that all finance lease transactions be treated as capital leases.

Effective from the year ended March 31, 2009, the Company and its consolidated subsidiaries adopted the new accounting standard for finance leases commencing on or after April 1, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. 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.

The adoption of the new accounting standard had no material effects on the consolidated financial statements.

(4) Accounting Standard for Retirement Benefits

Effective from April 1, 2009, the Company and its consolidated subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19 issued on July 31, 2008). The new accounting standard requires companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, companies were allowed to use a discount rate determined by taking into consideration fluctuations in the yield of long-term government or gilt-edged bonds over a certain period. This change had no impact on the consolidated financial statements

(5) Accounting Standard for Construction Contracts

The "Accounting Standards for Construction Contracts" (ASBJ Statement No. 15 issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18 issued on December 27, 2007) have been adopted in recognition of the sales effective in the fiscal year ended March 31, 2010.

The Company applies the percentage-of-completion method to construction contracts, commencing on or after April 1, 2009, whose outcomes are deemed certain for progress until 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.

By having adopted the new accounting standards, net sales increased ¥903 million and gross profit, operating income and income before income taxes increased ¥136 million, respectively, for the year ended March 31, 2010.

(6) New 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.

(7) New 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 Statement No. 10 issued on December 26, 2008).

(8) New Accounting Standard for Presentation of Comprehensive Income

Effective March 31, 2011, the Company and its consolidated subsidiaries adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 issued on June 30, 2010).

Information on the consolidated statement of comprehensive income for the year ended March 31, 2009 has been omitted because it is not required to be disclosed under Japanese GAAP.

The comparative information for the year ended March 31, 2010 is disclosed in Note 16.

4. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2010	**2011**	**2011**
Cash and bank deposits	¥15,965	¥18,765	**¥19,297**	**$232,075**
Short-term investments	2,000	2,000	**2,000**	**24,053**
Total	17,965	20,765	**21,297**	**256,128**
Time deposits with deposit terms of over three months	(1,108)	(1,285)	**(1,224)**	**(14,721)**
Cash and cash equivalents	¥16,857	¥19,480	**¥20,073**	**$241,407**

5. Securities

The following tables summarize the acquisition costs and book value/fair value of securities with available fair values as of March 31, 2010 and 2011.

Available-for-sale securities

Securities with book value exceeding acquisition costs

	Millions of Yen		
	2010		
	Acquisition Cost	Book Value/ Fair Value	Difference
Equity securities	¥ 660	¥ 950	¥ 290

	Millions of Yen		
	2011		
	Acquisition Cost	Book Value/ Fair Value	Difference
Equity securities	**¥ 490**	**¥ 711**	**¥ 221**

	Thousands of U.S. Dollars		
	2011		
	Acquisition Cost	Book Value/ Fair Value	Difference
Equity securities	**$ 5,893**	**$ 8,551**	**$ 2,658**

Securities with book value not exceeding acquisition cost

	Millions of Yen		
	2010		
	Acquisition Cost	Book Value/ Fair Value	Difference
Equity securities	¥ 393	¥ 335	¥ (58)
Negotiable certificate of deposit	¥ 2,000	¥ 2,000	¥ —

	Millions of Yen		
	2011		
	Acquisition Cost	Book Value/ Fair Value	Difference
Equity securities	**¥ 598**	**¥ 511**	**¥ (87)**
Negotiable certificate of deposit	**¥ 2,000**	**¥ 2,000**	**¥ —**

	Thousands of U.S. Dollars		
	2011		
	Acquisition Cost	Book Value/ Fair Value	Difference
Equity securities	**$ 7,192**	**$ 6,146**	**$ (1,046)**
Negotiable certificate of deposit	**$24,053**	**$24,053**	**$ —**

The following tables summarize book value of securities with no available fair market values as of March 31, 2010 and 2011.

Available-for-sale securities

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Non-listed equity securities	¥ 113	¥ 100	$ 1,202

6. Impairment Loss on Fixed Assets

The Company has recognized an impairment loss of ¥15 million for the following group of assets as of March 31, 2010.

Location	Use	Category
International division (Chiyoda Ward, Tokyo Metropolis)	For business	Tools and furniture

The Company recognized impairment losses amounting to ¥15 million on the assets for businesses due to its low profitability caused by fierce competition outside of Japan. The collectible amount is measured by net sale value and calculated on the disposable value.

7. Inventories

Inventories consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Products	¥ 2,584	¥ 2,550	$ 30,667
Raw materials	3,753	3,497	42,057
Work in progress	813	1,037	12,471
Cost of construction contracts in progress	5,157	3,431	41,263
	¥ 12,307	¥ 10,515	$126,458

8. Short-term Debt and Long-term Debt

Short-term debt at March 31, 2011 bore interest at annual rates ranging from 1.875% to 3.0% 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 each year.

Long-term debt at March 31, 2010 and 2011 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Guarantee deposits received	¥ 364	¥ 368	$ 4,426
Total long-term debt	¥ 364	¥ 368	$ 4,426

The average interest rate (0.53%) represents the weighted-average rate applicable to the year-end balance.

Since there are not the annual maturities of guarantee deposits received, the annual maturities and the aggregate annual maturities are not presented.

9. Accrued Retirement Benefits and Pension Plan

The composition of amounts recognized in the consolidated balance sheets at March 31, 2010 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Benefit obligations at end of year	¥(11,053)	¥(11,318)	$(136,115)
Fair value of plan assets at end of year	5,389	5,750	69,152
Funded status	(5,664)	(5,568)	(66,963)
Unrecognized actuarial losses	923	931	11,196
Net amount recognized	(4,741)	(4,637)	(55,767)
Prepaid pension costs	692	691	8,310
Accrued retirement benefits	¥ (5,433)	¥ (5,328)	$ (64,077)

The components of net pension and employees' severance costs for the years ended March 31, 2009, 2010 and 2011 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2010	2011	2011
Service costs	¥ 591	¥ 540	¥ 629	$ 7,565
Interest expenses	260	251	256	3,078
Expected return on plan assets	(109)	(102)	(124)	(1,491)
Recognized actuarial loss	138	222	185	2,225
Extra severance costs	19	10	7	84
Net periodic benefit costs	¥ 899	¥ 921	¥ 953	$11,461

Assumptions used as of March 31, 2009, 2010 and 2011 were as follows:

	2009	2010	2011
Discount rate	Mainly 2.5%	Mainly 2.5%	Mainly 2.5%
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

10. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2009, 2010 and 2011 were ¥1,691 million, ¥1,673 million and ¥1,592 million ($19,146 thousand), respectively.

11. 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 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 subsidiaries for the years ended March 31, 2010 and 2011 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		Thousands of U.S. Dollars
	2010	**2011**	**2011**
Machinery and equipment	¥ 13	**¥ —**	**$ —**
Tools and furniture	37	**14**	**168**
Intangibles	16	**—**	**—**
	66	**14**	**168**
Less: Accumulated depreciation	(56)	**(10)**	**(120)**
Net book value	¥ 10	**¥ 4**	**$ 48**
Depreciation	¥ 16	**¥ 6**	**$ 72**

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

The scheduled maturities of future minimum lease payments on such lease contracts as of March 31, 2010 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	**2011**	**2011**
Due within one year	¥ 6	**¥ 3**	**$ 36**
Due over one year	4	**1**	**12**
	¥ 10	**¥ 4**	**$ 48**
Minimum lease payments expensed for the year	¥ 16	**¥ 6**	**$ 72**

As lessor:

	Millions of Yen		Thousands of U.S. Dollars
	2010	**2011**	**2011**
Leased tools and furniture:			
Purchase cost	¥ 29	**¥ 22**	**$ 265**
Accumulated depreciation	(22)	**(16)**	**(192)**
Net book value	¥ 7	**¥ 6**	**$ 73**

The scheduled maturities of future minimum lease payments to be received on such lease contracts as of March 31, 2010 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	**2011**	**2011**
Due within one year	¥ 16	**¥ 12**	**$ 144**
Due over one year	34	**17**	**205**
	¥ 50	**¥ 29**	**$ 349**
Revenue on minimum lease payments to be received for the year	¥ 25	**¥ 15**	**$ 180**
Depreciation for the year	¥ 2	**¥ 1**	**$ 12**

12. Financial Instruments

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Company and its consolidated subsidiaries applied the revised accounting standard and the new guidance effective in the year ended March 31, 2010.

(a) Policy Related to Financial Instruments

The necessary funds of the Company and its consolidated subsidiaries are covered primarily by retained earnings. Cash surplus is invested in low-risk financial instruments. Derivatives are not used.

(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 certificate 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 via 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 among assumptions because the rational valuation techniques include variable factors.

Fair value of financial instruments:

	Millions of Yen		
	2010		
	Carrying Amount	Fair Value	Unrecognized Gain (Loss)
Cash and bank deposits	¥18,765	¥18,765	¥ —
Trade receivables	25,961	25,961	—
Short-term investments and investments in securities	3,285	3,285	—
Long-term loans receivable	273	273	0
Total	¥48,284	¥48,284	¥ 0
Trade payables	¥ 7,983	¥ 7,983	¥ —
Short-term debt	34	34	—
Non-trade accounts payable	4,839	4,839	—
Income taxes payable	1,310	1,310	—
Total	¥14,166	¥14,166	¥ —
Derivatives	¥ —	¥ —	¥ —

	Millions of Yen		
	2011		
	Carrying Amount	Fair Value	Unrecognized Gain (Loss)
Cash and bank deposits	**¥19,297**	**¥19,297**	**¥ —**
Trade receivables	**24,888**	**24,888**	**—**
Short-term investments and investments in securities	**3,221**	**3,221**	**—**
Long-term loans receivable	**223**	**223**	**0**
Total	**¥47,629**	**¥47,629**	**¥ 0**
Trade payables	**¥ 8,763**	**¥ 8,763**	**¥ —**
Short-term debt	**34**	**34**	**—**
Non-trade accounts payable	**4,567**	**4,567**	**—**
Income taxes payable	**1,090**	**1,090**	**—**
Total	**¥14,454**	**¥14,454**	**¥ —**
Derivatives	**¥ —**	**¥ —**	**¥ —**

	Thousands of U.S. Dollars		
	2011		
	Carrying Amount	Fair Value	Unrecognized Gain (Loss)
Cash and bank deposits	**$232,075**	**$232,075**	**$ —**
Trade receivables	**299,314**	**299,314**	**—**
Short-term investments and investments in securities	**38,737**	**38,737**	**—**
Long-term loans receivable	**2,682**	**2,682**	**0**
Total	**$572,808**	**$572,808**	**$ 0**
Trade payables	**$105,388**	**$105,388**	**$ —**
Short-term debt	**409**	**409**	**—**
Non-trade accounts payable	**54,925**	**54,925**	**—**
Income taxes payable	**13,109**	**13,109**	**—**
Total	**$173,831**	**$173,831**	**$ —**
Derivatives	**$ —**	**$ —**	**$ —**

(Note 1) Calculation methods of fair value of financial instruments and matters concerning and 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 of the stock exchange. The carrying values of negotiable certificate of deposit approximate fair value. The information of the fair value for the short-term investments and investments in securities by classification is included in Note 5.

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 determined by the floating rate is contingent upon the interest rate being reviewed within set periods, the carrying values of long-term loans receivable approximate fair value.

Trade payables, Short-term debt, Non-trade accounts payable and Income taxes payable

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

Derivatives

Derivatives are not used and thus are not pertinent.

(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 for the years ended March 31, 2010 and 2011 were ¥1,755 million and ¥1,813 million ($21,804 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 investment securities and are not included herein.

(Note 3) Maturity analysis for financial assets and securities with contractual maturities:

	Millions of Yen			
	2010			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and bank deposits	¥18,765	¥ —	¥ —	¥ —
Trade receivables	25,961	—	—	—
Short-term investments and investments in securities Available-for-sale securities with contractual maturities (negotiable certificate of deposit)	2,000	—	—	—
Long-term loans receivable	—	179	89	5
Total	¥46,726	¥179	¥ 89	¥ 5

	Millions of Yen			
	2011			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and bank deposits	**¥19,297**	**¥ —**	**¥ —**	**¥ —**
Trade receivables	**24,888**	**—**	**—**	**—**
Short-term investments and investments in securities Available-for-sale securities with contractual maturities (negotiable certificate of deposit)	**2,000**	**—**	**—**	**—**
Long-term loans receivable	**—**	**159**	**61**	**3**
Total	**¥46,185**	**¥159**	**¥ 61**	**¥ 3**

	Thousands of U.S. Dollars			
	2011			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and bank deposits	$232,075	$ —	$ —	$ —
Trade receivables	299,314	—	—	—
Short-term investments and investments in securities Available-for-sale securities with contractual maturities (negotiable certificate of deposit)	24,053	—	—	—
Long-term loans receivable	—	1,912	734	36
Total	$555,442	$1,912	$ 734	$ 36

13. Income Taxes

At March 31, 2010 and 2011, significant components of deferred tax assets and liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Deferred tax assets:			
Accrued retirement benefits	¥ 2,196	¥ 2,155	$ 25,917
Accrued bonuses	1,046	957	11,509
Directors' and corporate auditors' retirement benefits	274	244	2,934
Loss on write-off of fixed assets	238	237	2,850
Accrued legal welfare expense	118	121	1,455
Accrued enterprise taxes	114	107	1,287
Allowance for bad debts	113	90	1,082
Other	386	511	6,147
Subtotal	4,485	4,422	53,181
Valuation allowance	(664)	(603)	(7,252)
Total	¥ 3,821	¥ 3,819	$ 45,929
Deferred tax liabilities:			
Prepaid pension cost	¥ (282)	¥ (282)	$ (3,391)
Special depreciation of acquired assets	(68)	(68)	(818)
Unrealized gains on securities	(53)	¥ (22)	$ (264)
Total	¥ (403)	¥ (372)	$ (4,473)
Net deferred tax assets	¥ 3,418	¥ 3,447	$ 41,456

Income taxes applicable to the Company and its consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes. The statutory income tax rate is approximately 40.7% for the years ended March 31, 2009, 2010 and 2011.

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes for the years ended March 31, 2009 and 2010 was as follows:

	2009	2010
Statutory tax rate	40.7%	40.7%
Adjustments:		
Entertainment expenses and other non-deductible expenses	2.6	3.2
Per capital levy of local resident income taxes	1.4	1.8
Tax rate difference applied for foreign consolidated subsidiaries	(0.4)	(1.3)
Equity in earnings of affiliates	(0.6)	(0.5)
Tax credit of R&D expenses	(2.3)	(2.9)
Prior year income taxes	—	1.4
Valuation allowance	2.3	2.1
Other factors	(0.5)	(0.3)
Effective tax rate	43.2%	44.2 %

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

14. Contingent Liabilities

The Company and its consolidated subsidiaries were contingently liable for trade notes endorsed for payment to third parties in the ordinary course of business in the amount ¥24 million and ¥32 million ($385 thousand) and performance guarantees made for and unconsolidated subsidiary of ¥38 million and ¥34 million ($409 thousand) at March 31, 2010 and 2011, respectively.

15. Net Assets

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

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

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

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

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

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

At the annual shareholders' meeting held on June 24, 2011, the distribution of cash dividends amounting to ¥453 million ($5,448 thousand) was approved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2011 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, 2011

The following was approved by the annual shareholders' meeting held on June 25, 2010

(a) Total dividends	¥454 million ($5,460 thousand)
(b) Cash dividends per common share	¥7.50 ($0.09)
(c) Record date	March 31, 2010
(d) Effective date	June 28, 2010

The following was approved by the Board of Directors held on November 5, 2010.

(a) Total dividends	¥454 million ($5,460 thousand)
(b) Cash dividends per common share	¥7.50 ($0.09)
(c) Record date	September 30, 2010
(d) Effective date	December 7, 2010

b) Dividends to be paid after March 31, 2011 but the record date for the payment belongs to the year ended March 31, 2011

The following was approved by the annual shareholders' meeting held on June 24, 2011.

(a) Total dividends	¥453 million ($5,448 thousand)
(b) Cash dividends per common share	¥7.50 ($0.09)
(c) Record date	March 31, 2011
(d) Effective date	June 27, 2011

16. Comprehensive Income

For the year ended March 31, 2010

Total comprehensive income for the year ended March 31, 2010 comprises the following:

	Millions of Yen
	2010
Total comprehensive income attributable to:	
Owners of the parent	¥ 2,599
Minority interests	141
Total comprehensive income	¥ 2,740

Other comprehensive income for the year ended March 31, 2010 consists of the following:

	Millions of Yen
	2010
Other comprehensive income:	
Unrealized gains on securities, net of taxes	¥ 248
Foreign currency translation adjustments	27
Share of other comprehensive income of affiliates accounted for under the equity method	1
Total other comprehensive income	¥ 276

17. Segment Information

For the years ended March 31, 2009 and 2010

The Company and its consolidated subsidiaries operate principally in the following four industrial segments:

Fire alarm systems	fire alarms and bells; heat, smoke and gas detectors
Fire extinguishing systems	sprinklers and fire extinguishers
Maintenance services	maintenance and inspection services
Others	construction and maintenance of parking spaces and sales of security equipment

The sales of the consolidated subsidiaries located in countries or regions other than Japan are not presented due to their insignificant effect.

	Millions of Yen						
	2009						
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Others	Total	Corporate and elimination	Consolidated
Net sales:							
Outside customers	¥ 38,995	¥ 24,823	¥ 21,144	¥ 4,618	¥ 89,580	¥ —	¥ 89,580
Inter-segment	61	167	1	200	429	(429)	—
Total	39,056	24,990	21,145	4,818	90,009	(429)	89,580
Operating expenses	33,694	23,614	17,702	4,477	79,487	4,514	84,001
Operating income	¥ 5,362	¥ 1,376	¥ 3,443	¥ 341	¥ 10,522	¥ (4,943)	¥ 5,579
Assets	¥ 31,592	¥ 20,871	¥ 7,891	¥ 3,423	¥ 63,777	¥ 18,098	¥ 81,875
Depreciation	¥ 567	¥ 147	¥ 94	¥ 50	¥ 858	¥ 313	¥ 1,171
Capital expenditure	¥ 976	¥ 211	¥ 86	¥ 102	¥ 1,375	¥ 283	¥ 1,658

Note: Corporate assets included in the Elimination line item were ¥18,098 million, consisting mainly of financial assets of the Company (cash and time deposits, short-term investments in securities and investments in securities), and assets related to administrative operations.

	Millions of Yen						
	2010						
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Others	Total	Corporate and elimination	Consolidated
Net sales:							
Outside customers	¥ 30,171	¥ 26,401	¥ 22,911	¥ 4,667	¥ 84,150	¥ —	¥ 84,150
Inter-segment	65	62	1	196	324	(324)	—
Total	30,236	26,463	22,912	4,863	84,474	(324)	84,150
Operating expenses	27,813	24,711	18,195	4,426	75,145	4,667	79,812
Operating income	¥ 2,423	¥ 1,752	¥ 4,717	¥ 437	¥ 9,329	¥ (4,991)	¥ 4,338
Assets	¥ 29,959	¥ 18,433	¥ 9,014	¥ 3,699	¥ 61,105	¥ 19,161	¥ 80,266
Depreciation	¥ 639	¥ 156	¥ 109	¥ 58	¥ 962	¥ 329	¥ 1,291
Capital expenditure	¥ 1,250	¥ 245	¥ 198	¥ 125	¥ 1,818	¥ 414	¥ 2,232

Note 1: Corporate assets included in the Elimination line item were ¥19,161 million, consisting mainly of financial assets of the Company (cash and time deposits, short-term investments in securities and investments in securities), and assets related to administrative operations.

Note 2: As discussed in Note 3 (5), effective from April 1, 2009, the Company and its consolidated subsidiaries adopted a new accounting standard for recognition of revenues. By having adopted the new accounting standards, net sales increased ¥903 million and operating income increased ¥136 million in the Fire Extinguishing Systems segment.

Geographical segments

As net sales and total assets of the overseas operations constituted less than 10% of the consolidated totals for the years ended March 31, 2009 and 2010, the disclosure of geographical segment information has been omitted.

Overseas sales

As overseas sales constituted less than 10% of the consolidated net sales for the years ended March 31, 2009 and 2010, the disclosure of overseas sales information was omitted.

For the year ended March 31, 2011

(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 regularly reviewed by the Board of Directors for the decision of resource allocation and performance evaluation.

The Company and its consolidated subsidiaries mainly offer 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 door, smoke control systems and others.

"Fire Extinguishing Systems" produces, sells and installs 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 consistent to 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 segment

Information for the years ended March 31, 2009 and 2010 have been omitted as permitted since the equivalent segment information under the current standard had been disclosed above.

	Millions of Yen							
	2011							
	Reportable segment							
	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 intangibles	¥ 924	¥ 217	¥ 201	¥ 1,342	¥ 125	¥ 1,467	¥ 2,557	¥ 4,024

	Thousands of U.S. Dollars							
	2011							
	Reportable segment							
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales:								
Outside customers	$ 356,151	$ 295,911	$ 255,382	$ 907,444	$ 54,095	$ 961,539	$ —	$ 961,539
Inter-segment	986	1,612	12	2,610	2,225	4,835	(4,835)	—
Total	357,137	297,523	255,394	910,054	56,320	966,374	(4,835)	961,539
Segment income	$ 21,539	$ 29,850	$ 40,698	$ 92,087	$ 4,510	$ 96,597	(61,191)	$ 35,406
Segment assets	$ 345,255	$ 195,370	$ 124,522	$ 665,147	$ 37,066	$ 702,213	$ 264,594	$ 966,807
Other:								
Depreciation	$ 7,468	$ 1,840	$ 1,299	$ 10,607	$ 818	$ 11,425	$ 5,917	$ 17,342
Amortization of goodwill	$ —	$ —	$ 192	$ 192	$ —	$ 192	$ —	$ 192
Affiliates accounted for under the equity method	$ —	$ 16,801	$ —	$ 16,801	$ —	$ 16,801	$ —	$ 16,801
Increase in property, plant and equipment and intangibles	$ 11,113	$ 2,610	$ 2,417	$ 16,140	$ 1,503	$ 17,643	$ 30,751	$ 48,394

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

Note 2: (1) ¥(5,088) million ($(61,191) 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) ¥22,001 million ($264,594 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) ¥492 million ($5,917 thousand) included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥2,557 million ($30,751 thousand) included in "Adjustments" for "Increase in property, plant and equipment and intangibles" is an increase in corporate assets.

Note 3: Segment income is adjusted 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 same as the reportable segment.

(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

Not applicable.

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

	Millions of Yen							
	2011							
	Reportable segment							
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others	Total	Adjustments	Consolidated
Amortization during the year	**¥ —**	**¥ —**	**¥ 16**	**¥ 16**	**¥ —**	**¥ 16**	**¥ —**	**¥ 16**
Unamortized balance	**¥ —**	**¥ —**	**¥ 65**	**¥ 65**	**¥ —**	**¥ 65**	**¥ —**	**¥ 65**

	Thousands of U.S. Dollars							
	2011							
	Reportable segment							
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others	Total	Adjustments	Consolidated
Amortization during the year	**$ —**	**$ —**	**$ 192**	**$ 192**	**$ —**	**$ 192**	**$ —**	**$ 192**
Unamortized balance	**$ —**	**$ —**	**$ 782**	**$ 782**	**$ —**	**$ 782**	**$ —**	**$ 782**

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

Not applicable.

18. Related Party Information

Material transactions of the Company with related companies and individuals, excluding transactions with consolidated subsidiaries, which are eliminated in the consolidated financial statements, and other than those disclosed elsewhere in these financial statements, for the three years ended March 31, 2011, were as follows. The terms and conditions of the below transactions are the same as those of arm's-length transactions.

	As of March 31, 2011				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	2009	2010	**2011**	2010	**2011**
SECOM Co., Ltd.	¥66,378 million	Security service	Direct: 50.9%(*) Indirect: 0.1%	Sale of products	¥ 3,863	¥ 2,123	**¥ 3,108 ($37,378)**	Trade receivables ¥ 226	Trade receivables **¥ 197 ($ 2,369)**

	As of March 31, 2011				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	The Company share of voting rights	Description of the Company's transactions	2009	2010	**2011**	2010	**2011**
KOATSU Co., Ltd.	¥60 million	Fire extinguishing systems	Direct: 20.8%	Purchase of raw materials	¥ 6,255	¥ 4,670	**¥ 3,546 ($42,646)**	Trade payables ¥ 2,000	Trade payables **¥ 2,105 ($25,316)**

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

Independent Auditors' Report

To the Board of Directors of NOHMI BOSAI Ltd.:

We have audited the accompanying consolidated balance sheets of NOHMI BOSAI Ltd. and consolidated subsidiaries (the "Company") as of March 31, 2011 and 2010, and the related consolidated statements of income for each of the years in the three-year period ended March 31, 2011, consolidated statement of comprehensive income for the year ended March 31, 2011, and consolidated statements of changes in net assets and cash flows for each of the years in the three-year period ended March 31, 2011, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NOHMI BOSAI Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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

Tokyo, Japan
June 24, 2011

Board of Directors and Corporate Auditors
(As of June 24, 2011)

Chairman
Tadashi Tanoue*

President
Takeshi Hashizume*

Senior Managing Director
Toshiyuki Mori

Managing Directors
Yukimasa Tachibana
Jun Uchiyama
Kazuo Kajita
Kiyotaka Fujii

Directors
Koukei Higuchi†
Koichi Sato†
Masahiro Takeda†
Makoto Sawano
Hajime Arai
Yoshinori Soda
Akira Igarashi
Hiroaki Ishii
Tatsunori Ito
Keiji Kageyama
Naoto Sakaguchi

Standing Corporate Auditors
Hiroshi Shiina
Shojiro Nohmi

Corporate Auditors
Tojiro Ishii
Hiroshi Nishigaki
Kazuo Kondo

*Representative Director
†External

Investor Information
(As of June 24, 2011)

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 Trust & Banking Co., Ltd.
5-33, Kitahama 4-chome,
Chuo-ku, Osaka 541-0041, 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	0	0	0.00
Japanese financial institutions	37	8,606	14.22
Japanese securities companies	25	250	0.41
Other Japanese corporations	200	35,453	58.59
Japanese individuals and others	3,056	13,995	23.13
Foreign institutions and individuals	79	1,840	3.04
Treasury stocks	1	369	0.61
Total	3,398	60,513	100.0

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	1,906	3.1
Shareholding Commission of Nohmi Bosai Partners	1,680	2.8
Shareholding Commission of Nohmi Bosai Employees	1,336	2.2
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000	1.6
Japan Trustee Services Bank, Ltd. (Trust Account)	876	1.4
Fuji Electric Holdings Co., Ltd.	855	1.4
Shareholding Commission of Nohmi Bosai Safety and Health Cooperation Forum	799	1.3
Sumitomo Mitsui Banking Corporation	765	1.3
Tokio Marine & Nichido Fire Insurance Co., Ltd.	745	1.2

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

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