ANNUAL REPORT 2010

For the Year Ended March 31, 2010

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 2010, ended March 31, 2010, the Company realized consolidated net sales of ¥84.2 billion. Nohmi Bosai is responsible for the development, marketing, installation and maintenance of a wide variety of state-of-the-art fire protection systems. In addition to our strong domestic presence, we are also active in China, other parts of Asia and the United States.

Contents

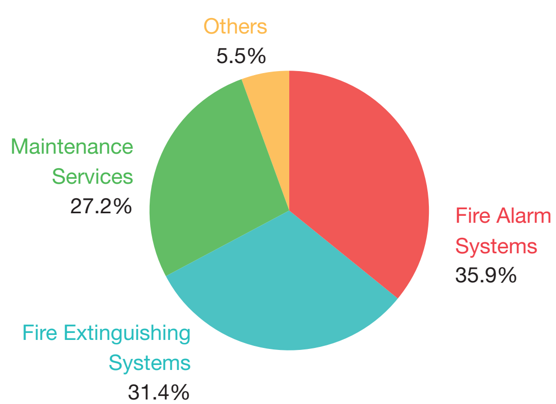
Consolidated Financial Highlights

Nohmi Bosai Ltd. and its Subsidiaries
For the years ended March 31, 2008, 2009 and 2010

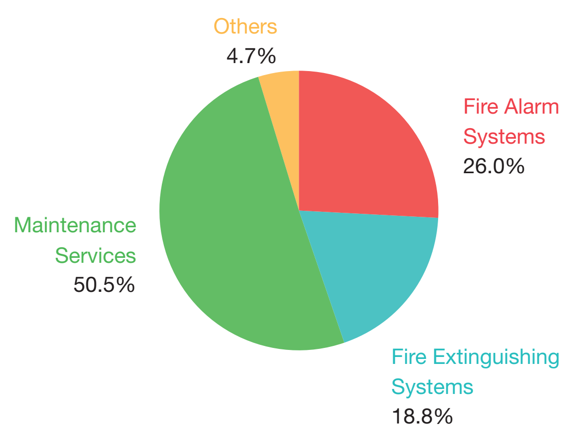
	Millions of Yen			Percentage Change	Thousands of U.S. Dollars
	2008	2009	**2010**	2010/2009	**2010**
For the year:					
New orders	¥ 85,077	¥ 92,516	**¥ 77,799**	(15.9) %	**$ 836,189**
Net sales	84,947	89,580	**84,150**	(6.1)	**904,450**
Cost of sales	60,770	63,462	**59,612**	(6.1)	**640,714**
Operating income	4,829	5,579	**4,338**	(22.2)	**46,625**
Net income	2,854	3,202	**2,334**	(27.1)	**25,086**
At year-end:					
Total assets	¥ 81,249	¥ 81,875	**¥ 80,266**	(2.0) %	**$ 862,704**
Total net assets	49,319	50,981	**52,633**	3.2	**565,703**
Backlog of orders	32,418	35,354	**29,003**	(18.0)	**311,726**
Number of employees	2,068	2,150	**2,214**	3.0	**—**
Per share (in yen and U.S. dollars):					
Net income—primary	¥ 47.26	¥ 53.04	**¥ 38.66**	(27.1) %	**$ 0.42**
Net assets	798.86	828.72	**854.26**	3.1	**9.18**
Cash dividends	13.00	15.00	**15.00**	—	**0.16**

Notes: 1. Per share amounts are based on the weighted average number of shares outstanding during each period.
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 ¥93.04=US$1, using the prevailing exchange rate at March 31, 2010.
3. All amounts are in millions of yen or thousands of U.S. dollars, except number of employees and per share amounts.

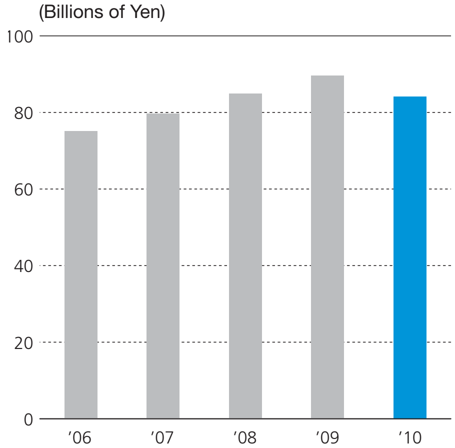
FY2010 Net Sales Breakdown



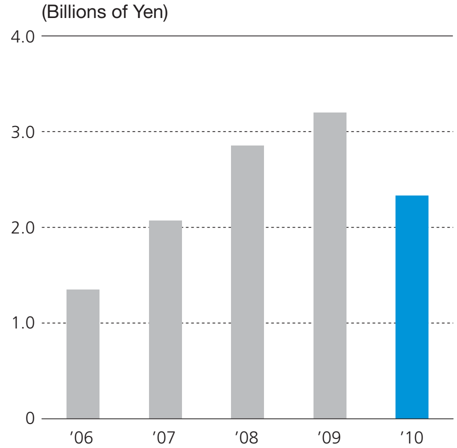
FY2010 Operating Income Breakdown



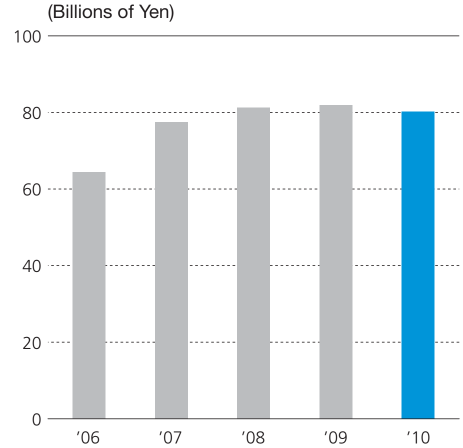
Net Sales
(Billions of Yen)



Net Income
(Billions of Yen)



Total Assets
(Billions of Yen)



A Message from the President

Operating Environment and Business Results in Fiscal 2010

During fiscal 2010 (ended March 31, 2010), although the Japanese economy showed signs of recovery in certain sectors as a result of increased exports and economic stimulus measures, appreciation of the yen and deflation, among other factors, led to continued uncertainty.

The domestic fire protection industry, in which the Nohmi Bosai Group operates, faced a tough business climate due to minimal improvement in private capital investment and weak public-sector investment.

The Nohmi Bosai Group formulated a three-year medium-term business plan under the banner of "Building a Premium Fire Protection Systems Brand" in fiscal 2008 and pushed ahead with efforts to strengthen management oversight and improve the corporate foundation during the fiscal year under review, the final year of the plan. A sharp contraction of the market environment, however, resulted in a 15.9% decline in new orders to ¥77,799 million and a 6.1% decline in net sales to ¥84,150 million compared with the previous fiscal year. At the profit level, operating income decreased 22.2% to ¥4,338 million, and net income decreased 27.1% to ¥2,334 million year-on-year, marking a turnaround from five consecutive years of increases in sales and income.

By business segment, net sales in the Fire Alarm Systems segment were down 22.6% year-on-year to ¥30,171 million due to a decline in both installation work for new construction and renovation-related installations coupled with a decline in sales of residential fire alarms, which were favorable in the previous year. In the Fire Extinguishing Systems segment, net sales increased 6.4% to ¥26,401 million due to strong demand for systems used in specialty facilities, including plants and factories, and in road tunnels. The application of the percentage-of-completion method also contributed to the increase in net sales. The Maintenance Services segment posted an 8.4% rise in net sales to ¥22,911 million due to an increase in repair/renewal services. Net sales in the Others segment increased 1.1% to ¥4,667 million. (See Review of Operations on pages 5 and 6 for a detailed description of segment results.)

Management Policy & Formulation of New 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, we formulated "Challenge and Reform—Project 24" as the medium-term business plan covering the three years from fiscal 2011 aimed at overcoming adversity in the business environment, which remains unclear.

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.

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

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.

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 any kinds of misconduct.

Shareholder Return

For the fiscal year ended March 31, 2010, 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 2011

The fire protection industry is projected to be sluggish in fiscal 2011 with no expectations of drastic improvement in the market environment. In addition, fire protection for existing buildings is becoming a mature market. Faced with these realities, the Nohmi Bosai Group has set as a priority management issue, the enhancement of business foundations, including strengthening sales in the residential fire protection sector where new laws and regulations have been introduced along with cultivating other markets related to fire protection and overseas markets, in order to drive ongoing growth. The initiatives outlined in the new medium-term business plan aim to strengthen our corporate foundation and profit structure. Through these measures, we are projecting consolidated net sales of ¥84,500 million, operating income of ¥4,350 million and net income of ¥2,350 million.

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

July 2010

Takeshi Hashizume

Takeshi Hashizume
President

Takeshi Hashizume
President

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

Nohmi Bosai at a Glance

*Percentage of segment net sales for the fiscal year ended March 31, 2010

Fire Alarm Systems

35.9%*

Fire Monitoring Panels in Control Center

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

31.4%*

Foam Extinguishing Test

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

27.2%*

Inspection Services

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, repairs and fire protection equipment leasing. We also offer fire protection consulting services to building owners.

Major Services

- Maintenance Services
- Inspection Services

Others

5.5%*

Parking Control System

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

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
- Security Equipment

Fire Alarm Systems

The Year in Review

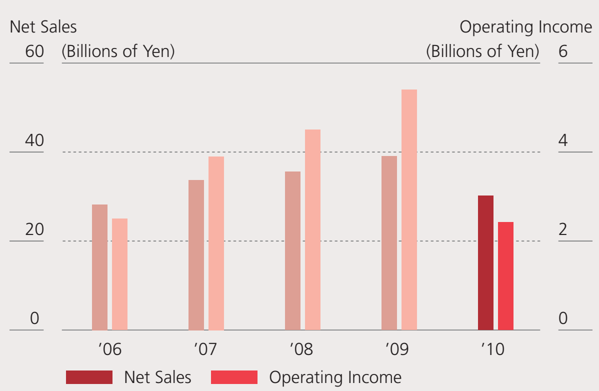
Net sales in the Fire Alarm Systems segment in fiscal 2010 declined ¥8,824 million, or 22.6%, from the previous fiscal year to ¥30,171 million, accounting for 35.9% of consolidated net sales. Operating income decreased ¥2,939 million, or 54.8%, to ¥2,423 million due to deterioration of the cost-of-sales ratio in product sales. New orders declined ¥9,883 million, or 24.9%, to ¥29,821 million.

During the fiscal year under review, revenue from installation work for new construction and renovation-related installations decreased. We also recorded a decline in sales of residential fire alarms, which were favorable in the previous year.

Outlook

Although customer demand for price reductions is expected to continue, we will promote marketing that targets small multi-occupancy buildings for retroactive installations of fire alarm systems while expanding sales of residential fire alarms. At the same time, we will strive to expand our share of overseas markets by strengthening sales in China, which continues to build its infrastructure.

Net Sales/Operating Income of Fire Alarm Systems



Fire Extinguishing Systems

The Year in Review

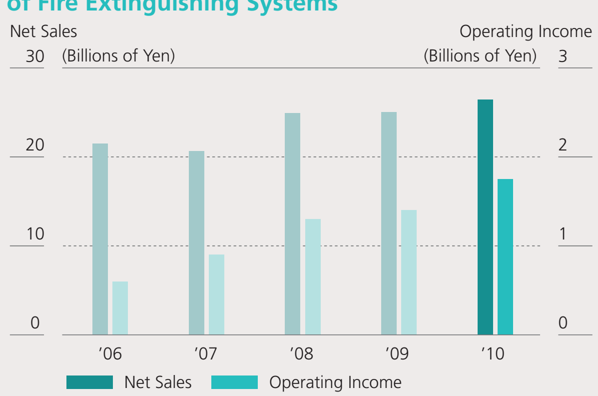
Net sales in the Fire Extinguishing Systems segment in fiscal 2010 rose ¥1,578 million, or 6.4%, to ¥26,401 million, accounting for 31.4% of consolidated net sales. Operating income increased ¥376 million, or 27.3%, from the previous fiscal year to ¥1,752 million. New orders decreased ¥2,816 million, or 11.1%, to ¥22,635 million. The application of the percentage-of-completion method also contributed to the increase in net sales and operating income.

While revenue from fire extinguishing equipment for general properties such as high-rise buildings declined, we recorded higher sales for systems used in specialty facilities, including plants and factories, and in road tunnels. Since the cost-of-sales ratio was unchanged from the previous year, we recorded increases in gross profit and operating income corresponding to higher net sales.

Outlook

We will strengthen our proposal-based marketing that utilizes our outstanding technological capabilities to promote sales of fire extinguishing systems for controlling plant fires and fires involving hazardous materials. We will also make finely tuned responses to new demand arising from the performance-based codes incorporated into amendments to the Japanese Fire Service Law.

Net Sales/Operating Income of Fire Extinguishing Systems



Maintenance Services

The Year in Review

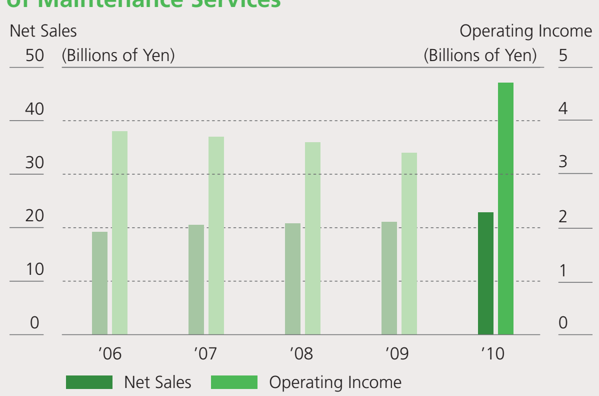
Net sales in the Maintenance Services segment in fiscal 2010 were up ¥1,767 million, or 8.4%, to ¥22,911 million, representing 27.2% of consolidated net sales. Operating income increased ¥1,274 million, or 37.0%, to ¥4,717 million. New orders declined ¥2,428 million, or 10.5%, to ¥20,624 million.

During the fiscal year under review, sales in repair/renewal services contributed to a significant increase in overall revenue. Additionally, we recorded revenue growth in maintenance services. In this segment, gross profit and operating income rose, owing to an improvement in the cost-of-sales ratio and selling, general and administrative (SG&A) expenses-to-net-sales ratio.

Outlook

The Japanese Fire Service Law stipulates that all fire alarm equipment and fire extinguishing equipment are subject to regular inspections. Consequently, the maintenance services market for these products has remained stable. Because we carry out integrated development, design and installation of our fire protection equipment, we are well positioned to provide comprehensive maintenance services. Moreover, we are responding to increasingly sophisticated building construction technologies by focusing on raising the technical skills and expertise of our maintenance staff via intensive training programs. Through such initiatives, we plan to strengthen our marketing approach that focuses on securing maintenance contracts at the same time customers place orders for new installations.

Net Sales/Operating Income of Maintenance Services



Others

The Year in Review

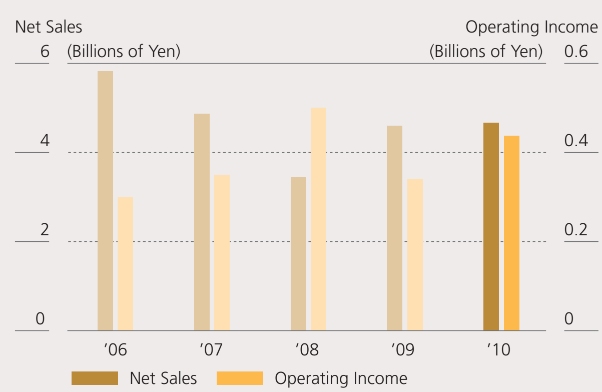
Net sales for this segment in fiscal 2010 increased ¥49 million, or 1.1%, from the previous fiscal year to ¥4,667 million, representing 5.5% of consolidated net sales. Operating income was up ¥96 million, or 28.2%, to ¥437 million. New orders increased ¥409 million, or 9.5%, to ¥4,719 million.

Despite decreased revenue in parking lot control systems, total net sales in this segment increased slightly owing to revenue gains in other businesses. Both gross profit and operating income rose due to improvement in the cost-of-sales ratio.

Outlook

We will leverage the Nohmi Bosai Group's advanced technological and production capabilities to improve overall performance 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 auditors' meetings on a regular basis to report and discuss these results, which further reinforces the Board of Auditors' auditing functions.

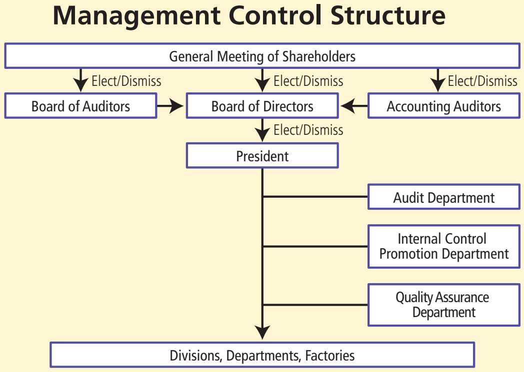
The Audit Department, which is an internal audit department comprised of three staff members and is independent from other departments, works in collaboration with auditors and accounting auditors to systematically conduct financial and operational audits of all departments. The Audit Department provides 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 the 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 auditors, are dispatched to assist 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 auditors and structure for reporting to other auditors
10. Structure for assuring that audits of other 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 2010 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 were down ¥8,824 million, or 22.6%, year-on-year to ¥30,171 million due to a decline in both installation work for new construction and renovation-related installations coupled with a decline in sales of residential fire alarms, which were favorable in the previous year.

In the Fire Extinguishing Systems segment, net sales increased ¥1,578 million, or 6.4%, to ¥26,401 million. Despite a decline in revenue from fire extinguishing equipment for such general properties as high-rise buildings, we posted higher sales for systems used in specialty facilities, including plants and factories, and in road tunnels. The application of the percentage-of-completion method also contributed to the increase in net sales.

Net sales in the Maintenance Services segment rose ¥1,767 million, or 8.4%, to ¥22,911 million. We recorded increased sales in both maintenance and repair/renewal services.

In the Others segment, which includes all other businesses, despite a decrease in revenue of parking lot control systems, net sales edged up ¥49 million, or 1.1%, to ¥4,667 million owing to an increase in sales of security equipment.

Consequently, net sales decreased ¥5,430 million, or 6.1%, from the previous fiscal year to ¥84,150 million.

As a result of efforts to reduce costs amid harsh circumstances, the cost-of-sales ratio was unchanged from the previous fiscal year at 70.8%.

Gross profit fell 6.0% to ¥24,538 million, and the gross profit margin remained the same at 29.2%.

Although selling, general and administrative (SG&A) expenses decreased ¥339 million, the SG&A expenses-to-net-sales ratio increased 1.1 percentage points from the previous fiscal year to 24.0%.

As a result of these factors, operating income declined 22.2% to ¥4,338 million. Net income fell 27.1% from the previous fiscal year to ¥2,334 million, and net income per share was ¥38.66.

Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2010 amounted to ¥80,266 million, down ¥1,609 million, or 2.0%, from the previous fiscal year-end.

Total current assets decreased ¥2,062 million, or 3.3%, from the previous fiscal year-end to ¥60,930 million.

Property, plant and equipment rose ¥448 million, or 4.7%, to ¥9,986 million due to an increase in buildings and structures in the amount of ¥476 million.

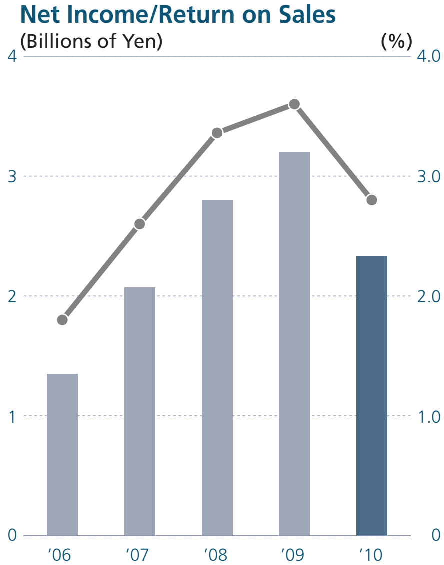
Investments and other assets decreased ¥231 million, or 2.8%, to ¥7,943 million due to a decrease in deferred tax assets in the amount of ¥197 million.

Total current liabilities and long-term liabilities declined ¥3,261 million, or 10.6%, from the previous fiscal year-end to ¥27,633 million.

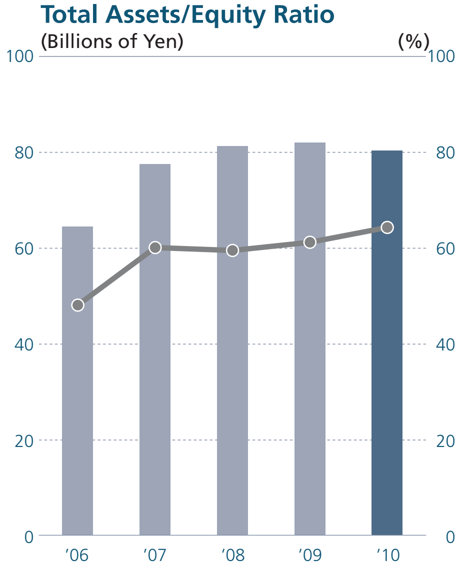
Interest-bearing debt totaled ¥34 million as short-term debt remained at the same level as the previous fiscal year-end.

Total net assets increased ¥1,652 million, or 3.2%, from the end of the previous fiscal year to ¥52,633 million. The equity ratio was 64.2%, up 3.1 percentage points from 61.1% at the end of the previous fiscal year. Net assets per share rose to ¥854.26 from ¥828.72 per share in fiscal 2009.

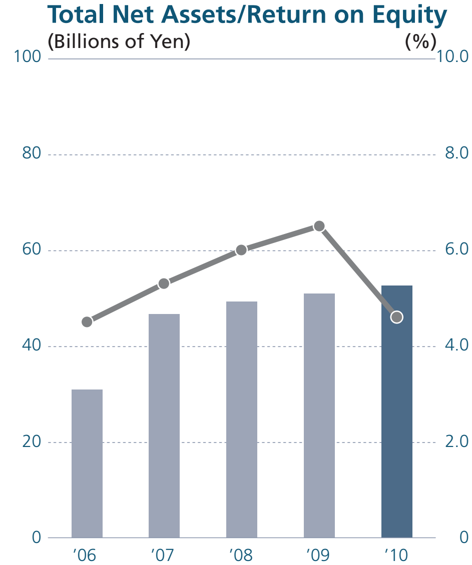
Net Income/Return on Sales



Total Assets/Equity Ratio



Total Net Assets/Return on Equity



Cash Flow

Net cash provided by operating activities amounted to ¥5,653 million compared with ¥2,601 million in the previous fiscal year due primarily to ¥4,418 million in income before income taxes, ¥1,291 million in depreciation and amortization, a decrease in inventories of ¥3,936 million, a decrease in payables of ¥1,457 million and a decrease in advance received on uncompleted construction contracts of ¥1,185 million.

Net cash used in investing activities amounted to ¥1,958 million compared with ¥2,075 million in the previous fiscal year, consisting mainly of payments for purchase of property, plant and equipment.

Net cash used in financing activities amounted to ¥1,078 million compared with ¥809 million in the previous fiscal year due mainly to cash dividends paid.

As a result, net increase in cash and cash equivalents was ¥2,623 million. Therefore, cash and cash equivalents at end of year totaled ¥19,480 million. This amount has been temporarily allocated for bank deposits and securities in preparation for future investments.

Outlook for Fiscal 2011

Given the current situation, a rapid improvement in the market environment in the fire protection industry is not anticipated, and economic conditions are expected to remain sluggish during fiscal 2011 as well. In order to address such circumstances, the Nohmi Bosai Group has formulated "Challenge and Reform—Project 24," a new three-year medium-term business plan starting from fiscal 2011. Under this plan, we aim to secure revenues and profits by strengthening the corporate foundation and profit structure through the implementation of principle measures. These include accelerating measures in each business segment and boosting confidence; implementing structural reforms in technology and production systems and bolstering manufacturing functions; reviewing and reinforcing the revenue base; strengthening CSR; and reinforcing consolidated management.

For fiscal 2011, ending March 31, 2011, we are forecasting consolidated net sales of ¥84,500 million and net income of ¥2,350 million. Although we foresee a difficult environment for new orders, we are aiming for a ¥350 million increase in net sales by obtaining new orders, 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 deteriorate slightly 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 improving 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 its Subsidiaries
As of March 31, 2009 and 2010

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	**2010**	**2010**
Current Assets:			
Cash and bank deposits (Notes 4 and 12)	¥15,965	**¥18,765**	**$201,687**
Short-term investments (Notes 5 and 12)	2,000	**2,000**	**21,496**
Trade receivables (Note 12):			
Notes	6,323	**5,433**	**58,394**
Accounts	20,120	**20,295**	**218,132**
Unconsolidated subsidiaries and affiliates	162	**233**	**2,505**
	26,605	**25,961**	**279,031**
Less: Allowance for bad debts	(200)	**(291)**	**(3,128)**
	26,405	**25,670**	**275,903**
Inventories (Notes 3 and 7)	16,232	**12,307**	**132,276**
Deferred tax assets (Note 13)	1,844	**1,528**	**16,423**
Prepaid expenses and other current assets	546	**660**	**7,095**
Total current assets	62,992	**60,930**	**654,880**
Property, Plant and Equipment (Note 6):			
Buildings and structures	8,271	**8,747**	**94,013**
Machinery and equipment	2,356	**2,486**	**26,720**
Tools and furniture	6,069	**5,828**	**62,640**
	16,696	**17,061**	**183,373**
Less: Accumulated depreciation	(10,849)	**(10,700)**	**(115,004)**
	5,847	**6,361**	**68,369**
Construction in progress	120	**62**	**666**
Land	3,571	**3,563**	**38,295**
Net property, plant and equipment	9,538	**9,986**	**107,330**
Intangibles	1,171	**1,407**	**15,122**
Investments and Other Assets:			
Investments in securities (Notes 5 and 12)	1,144	**1,398**	**15,026**
Investments in unconsolidated subsidiaries and affiliates (Note 12)	1,586	**1,643**	**17,659**
Long-term receivables	55	**30**	**322**
Long-term loans receivable (Note 12)	330	**273**	**2,934**
Prepaid pension cost	765	**692**	**7,438**
Deferred tax assets (Note 13)	2,087	**1,890**	**20,314**
Other assets	2,436	**2,212**	**23,775**
	8,403	**8,138**	**87,468**
Less: Allowance for bad debts	(229)	**(195)**	**(2,096)**
Total investments and other assets	8,174	**7,943**	**85,372**
Total assets	¥81,875	**¥80,266**	**$862,704**

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2010	2010
Current Liabilities:			
Short-term debt (Notes 8 and 12)	¥ 34	¥ 34	$ 365
Trade payables (Note 12):			
Notes	1,823	1,643	17,659
Accounts	6,013	4,288	46,088
Unconsolidated subsidiaries and affiliates	1,621	2,052	22,055
	9,457	7,983	85,802
Non-trade accounts payable (Note 12)	4,756	4,839	52,010
Advances received on uncompleted construction contracts	3,781	2,596	27,902
Accrued bonuses to employees	3,090	2,580	27,730
Accrued warranty costs	58	58	623
Income taxes payable (Notes 12 and 13)	1,649	1,310	14,080
Allowance for losses on construction contracts	241	145	1,558
Other current liabilities	1,237	1,575	16,929
Total current liabilities	24,303	21,120	226,999
Long-term Liabilities:			
Long-term debt (Note 8)	366	364	3,912
Accrued retirement benefits (Note 9)	5,578	5,433	58,394
Directors' and corporate auditors' retirement benefits	594	671	7,212
Other long-term liabilities	26	28	301
Negative goodwill	27	17	183
Total long-term liabilities	6,591	6,513	70,002
Contingent liabilities (Note 14)			
Net Assets (Note 15)			
Shareholders' Equity:			
Common stock;			
Authorized: 160,000,000 shares at March 31, 2009 and 2010			
Issued: 60,832,771 shares at March 31, 2009 and 2010	13,302	13,302	142,971
Capital surplus	12,745	12,745	136,984
Retained earnings	24,277	25,552	274,635
Less: Treasury stock, at cost			
470,747 shares and 477,721 shares at March 31, 2009 and 2010	(234)	(238)	(2,558)
Valuation and Translation Adjustments:			
Unrealized gains (losses) on securities, net of taxes	(68)	181	1,945
Foreign currency translation adjustments	1	17	183
Minority interests	958	1,074	11,543
Total net assets	50,981	52,633	565,703
	¥81,875	¥80,266	$862,704

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Nohmi Bosai Ltd. and its Subsidiaries
For the years ended March 31, 2008, 2009 and 2010

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2009	**2010**	**2010**
Net Sales	¥84,947	¥89,580	**¥84,150**	**$904,450**
Cost of Sales	60,770	63,462	**59,612**	**640,714**
Gross profit	24,177	26,118	**24,538**	**263,736**
Selling, General and Administrative Expenses	19,348	20,539	**20,200**	**217,111**
Operating income	4,829	5,579	**4,338**	**46,625**
Other Income (Expenses):				
Interest income	94	106	**52**	**559**
Interest expense	(8)	(4)	**(4)**	**(43)**
Dividend income	37	39	**26**	**279**
Dividend on insurance policies	25	31	**34**	**365**
Insurance return	—	—	**75**	**806**
Rental revenue	77	76	**71**	**763**
Rental expense	(60)	(72)	**(62)**	**(666)**
Foreign exchange loss	(63)	(13)	**(28)**	**(301)**
Commitment fee	(7)	(7)	**(32)**	**(344)**
Loss on sale/disposal of property and equipment	(81)	(120)	**(89)**	**(957)**
Loss on devaluation of investments in securities	—	(66)	**(110)**	**(1,182)**
Amortization of negative goodwill	13	15	**11**	**118**
Equity in earnings of affiliates	115	82	**58**	**623**
Impairment loss on fixed assets (Note 6)	(122)	—	**(15)**	**(161)**
Others, net	78	95	**93**	**1,001**
	98	162	**80**	**860**
Income before income taxes and minority interests	4,927	5,741	**4,418**	**47,485**
Income Taxes:				
Current (Note 13)	2,075	2,079	**1,562**	**16,789**
Deferred (Note 13)	(23)	402	**392**	**4,213**
	2,052	2,481	**1,954**	**21,002**
Minority Interests in Net Income of Consolidated Subsidiaries	(21)	(58)	**(130)**	**(1,397)**
Net income	¥ 2,854	¥ 3,202	**¥ 2,334**	**$ 25,086**

	Yen			U.S. Dollars (Note 1)
Per Share (Note 2):				
Net income—primary	¥ 47.26	¥ 53.04	**¥ 38.66**	**$ 0.42**
Net assets	798.86	828.72	**854.26**	**9.18**
Cash dividends	13.00	15.00	**15.00**	**0.16**
Weighted Average Number of Shares Issued (in thousands)	60,390	60,374	**60,359**	**—**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Nohmi Bosai Ltd. and its Subsidiaries
For the years ended March 31, 2008, 2009 and 2010

	Thousands	Millions of Yen							
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains (losses) on securities, net of taxes	Foreign currency translation adjustments	Minority interests	Total
Net assets at April 1, 2007	60,832	¥13,302	¥12,744	¥19,634	¥ (204)	¥ 845	¥ 181	¥ 144	¥46,646
Net income				2,854					2,854
Cash dividends paid				(605)					(605)
Acquisition of treasury stock					(11)				(11)
Gain on sales of treasury stock			1		1				2
Net changes during the year						(524)	22	935	433
Balance at March 31, 2008	60,832	¥13,302	¥12,745	¥21,883	¥ (214)	¥ 321	¥ 203	¥1,079	¥49,319
Effect of application of the Practical Issues Task Force No. 18 (Note 3 (1))				(21)					(21)
Net income				3,202					3,202
Cash dividends paid				(787)					(787)
Acquisition of treasury stock					(21)				(21)
Gain on sales of treasury stock			0		1				1
Net changes during the year						(389)	(202)	(121)	(712)
Balance at March 31, 2009	**60,832**	**¥13,302**	**¥12,745**	**¥24,277**	**¥ (234)**	**¥ (68)**	**¥ 1**	**¥ 958**	**¥50,981**
Net income				**2,334**					**2,334**
Cash dividends paid				**(1,059)**					**(1,059)**
Acquisition of treasury stock					**(4)**				**(4)**
Net changes during the year						**249**	**16**	**116**	**381**
Balance at March 31, 2010	**60,832**	**¥13,302**	**¥12,745**	**¥25,552**	**¥ (238)**	**¥ 181**	**¥ 17**	**¥1,074**	**¥52,633**

	Thousands of U.S. Dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains (losses) on securities, net of taxes	Foreign currency translation adjustments	Minority interests	Total
Balance at March 31, 2009	**$142,971**	**$136,984**	**$260,931**	**$(2,515)**	**$ (731)**	**$ 11**	**$10,296**	**$547,947**
Net income			**25,086**					**25,086**
Cash dividends paid			**(11,382)**					**(11,382)**
Acquisition of treasury stock				**(43)**				**(43)**
Net changes during the year					**2,676**	**172**	**1,247**	**4,095**
Balance at March 31, 2010	**$142,971**	**$136,984**	**$274,635**	**$(2,558)**	**$ 1,945**	**$ 183**	**$11,543**	**$565,703**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nohmi Bosai Ltd. and its Subsidiaries
For the years ended March 31, 2008, 2009 and 2010

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2009	**2010**	**2010**
Cash Flows from Operating Activities:				
Income before income taxes and minority interests	¥ 4,927	¥ 5,741	**¥ 4,418**	**$ 47,485**
Adjustments for:				
Depreciation and amortization	1,009	1,171	**1,291**	**13,876**
Impairment loss	122	—	**15**	**161**
Amortization of negative goodwill	(13)	(15)	**(11)**	**(118)**
Increase (decrease) in allowance for bad debts	(177)	(37)	**57**	**613**
Decrease in accrued retirement benefits	(368)	(311)	**(67)**	**(720)**
Increase (decrease) in accrued bonuses	662	151	**(510)**	**(5,482)**
Increase (decrease) in accrued warranty costs	4	1	**(1)**	**(11)**
Interest and dividend income	(130)	(144)	**(78)**	**(838)**
Insurance return	—	—	**(75)**	**(806)**
Interest expenses	8	4	**4**	**43**
Equity in earnings of affiliates	(115)	(82)	**(58)**	**(623)**
Loss on sales/disposal of property, plant and equipment	81	120	**89**	**956**
Loss on devaluation of investments in securities	—	—	**110**	**1,182**
Decrease in receivables	1,145	1,768	**696**	**7,481**
Decrease (increase) in inventories	161	(2,612)	**3,936**	**42,304**
Increase (decrease) in payables	384	(1,073)	**(1,457)**	**(15,660)**
Increase (decrease) in advance received on uncompleted construction contracts	(202)	680	**(1,185)**	**(12,737)**
Others, net	172	(533)	**295**	**3,171**
Subtotal	7,670	4,829	**7,469**	**80,277**
Interest and dividend income received	133	148	**81**	**871**
Interest expenses paid	(7)	(4)	**(4)**	**(43)**
Income taxes paid	(2,062)	(2,372)	**(1,893)**	**(20,346)**
Net cash provided by operating activities	5,734	2,601	**5,653**	**60,759**
Cash Flows from Investing Activities:				
Decrease in time deposits	(311)	(264)	**(173)**	**(1,859)**
Payments for purchase of property, plant and equipment	(1,201)	(1,722)	**(2,148)**	**(23,087)**
Proceeds from sales of property, plant and equipment	0	8	**42**	**451**
Payments for purchase of investments in securities	(16)	(30)	**(7)**	**(75)**
Proceeds from sales of investments in securities	12	4	**10**	**107**
Proceeds from purchases of subsidiaries, net of cash paid	14	—	**—**	**—**
Payments for loans receivable	(35)	(32)	**(10)**	**(107)**
Proceeds from loans receivable	92	83	**70**	**752**
Proceeds from cancellation of insurance contracts	—	—	**281**	**3,020**
Others, net	(387)	(122)	**(23)**	**(247)**
Net cash used in investing activities	(1,832)	(2,075)	**(1,958)**	**(21,045)**
Cash Flows from Financing Activities:				
Increase (decrease) in short-term debt	(115)	14	**—**	**—**
Cash dividends paid	(605)	(787)	**(1,059)**	**(11,382)**
Cash dividends paid to minority stockholders	(3)	(16)	**(14)**	**(150)**
Payments for purchase of treasury stock	(9)	(19)	**(4)**	**(43)**
Others, net	—	(1)	**(1)**	**(11)**
Net cash used in financing activities	(732)	(809)	**(1,078)**	**(11,586)**
Effect of exchange rate changes on cash and cash equivalents	(11)	(36)	**6**	**64**
Net increase (decrease) in cash and cash equivalents	3,159	(319)	**2,623**	**28,192**
Cash and cash equivalents at beginning of year	14,017	17,176	**16,857**	**181,180**
Cash and cash equivalents at end of year (Note 4)	¥ 17,176	¥ 16,857	**¥19,480**	**$ 209,372**

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Nohmi Bosai Ltd. and its Subsidiaries
For the years ended March 31, 2008, 2009 and 2010

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements of Nohmi Bosai Ltd. (the "Company") and its consolidated subsidiaries (the "Companies") 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.

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, 2010, which was ¥93.04 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 29 subsidiaries at March 31, 2010 (29 at March 31, 2009). The consolidated financial statements include the accounts of the Company and 23 subsidiaries at March 31, 2010 (23 at March 31, 2009).

The 23 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%
Fukuoka 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%
Kyushu Nohmi Engineering 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%

The Company acquired additional shares of Nohmi Taiwan Ltd. in June 2007 and shares of Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd. in December 2007.

These Companies had been accounted under the equity method before these acquisitions and have been included in the consolidated financial statements since the date of these acquisitions.

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 Companies 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, 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 (loss)" 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 consolidated domestic 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 domestic 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 subsidiaries are classified into four categories as follows.

Trading securities, which are held for the purpose of generating profits on short-term differences in prices, are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise.

Held-to-maturity debt securities, that the Company and its subsidiaries intend to hold to maturity, are stated at cost after accounting for premium or discount on acquisition, which is amortized over the period to maturity.

Investments 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 valuation and translation adjustments. 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 domestic 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 Code of Japan.

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

Effective from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed their depreciation method for tangible fixed assets acquired on or after April 1, 2007 in accordance with the revision of the Japanese Corporate Tax Law (Partial Revision of Income Tax Law, Law No. 6 of March 30, 2007; Partial Revision of Income Tax Law Enforcement Ordinance, Cabinet Order No. 83 of March 30, 2007). The effect of this change on consolidated operating income and income before income taxes for the year ended March 31, 2008 was immaterial.

Pursuant to an amendment to the Japanese Corporate Tax Law, effective from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries depreciate the difference between the original residual value of 5% of acquisition cost of assets acquired before April 1, 2007 and the new residual value of 1 yen (memorandum value) by the straight-line method over 5 years commencing from the fiscal year following the year in which the asset becomes fully depreciated to the original residual value. As a result of this change, operating income decreased ¥60 million, and income before income taxes decreased ¥61 million for the year ended March 31, 2008.

The Companies 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 intangible fixed assets, amortization of software is computed using the straight-line method over the expected useful life of the software (5 years).

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

Goodwill or 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 Companies 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 Companies adopted a new accounting standard for recognition of revenues.

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.

(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 approach, 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), the Companies 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 upon internal rules at the balance sheet date.

(17) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(18) Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing on the respective balance sheet dates, and resulting exchange gains or losses are included in net income or loss for the period.

The balance sheet accounts of foreign subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date, except for shareholders' equity accounts, which are translated at the historical rates. Revenue and expense accounts of foreign subsidiaries are translated at average rates of exchange in effect during the year. Resulting translation adjustments are presented in net assets as a component of valuation and translation adjustments and minority interests 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 Companies 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). PITF No. 18 requires that accounting policies and procedures applied by the Companies 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 intangible assets
(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) New Accounting Standard for Inventories

Effective from April 1, 2008, the Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Measurement of Inventories" (Statement No. 9 issued by the Accounting Standards Board of Japan). As permitted under the superseded accounting standard, the Company and its consolidated domestic 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) New 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 Accounting Standards Board of Japan 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 domestic 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) New Accounting Standard for Retirement Benefits

Effective from April 1, 2009, the Company and its consolidated domestic subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan Statement No. 19 issued on July 31, 2008). The new accounting standard requires domestic 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, domestic 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 material impact on the consolidated financial statements.

(5) New Accounting Standard for Construction Contracts

The "Accounting Standards for Construction Contracts" (the Accounting Standards Board of Japan Statement No. 15 dated December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (the Accounting Standards Board of Japan Guidance No. 18 dated 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 ($9,706 thousand), and gross profit, operating income and income before income taxes increased ¥136 million ($1,462 thousand), respectively, for the year ended March 31, 2010.

4. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2009	**2010**	**2010**
Cash and bank deposits	¥16,078	¥15,965	**¥18,765**	**$201,687**
Short-term investments	2,000	2,000	**2,000**	**21,496**
Total	18,078	17,965	**20,765**	**223,183**
Time deposits with deposit terms of over three months	(902)	(1,108)	**(1,285)**	**(13,811)**
Cash and cash equivalents	¥17,176	¥16,857	**¥19,480**	**$209,372**

5. Securities

The following tables summarize the acquisition costs, book values and fair values of securities with available fair values as of March 31, 2009 and 2010.

Available-for-sale securities

Securities with book value exceeding acquisition costs

	Millions of Yen		
	2009		
	Acquisition Cost	Book Value	Difference
Equity securities	¥ 382	¥ 493	¥ 111

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

	Thousands of U.S. Dollars		
	2010		
	Acquisition Cost	Book Value	Difference
Equity securities	**$ 7,094**	**$10,211**	**$ 3,117**

Securities with book value not exceeding acquisition cost

	Millions of Yen		
	2009		
	Acquisition Cost	Book Value	Difference
Equity securities	¥ 775	¥ 528	¥ (247)

	Millions of Yen		
	2010		
	Acquisition Cost	Book Value	Difference
Equity securities	**¥ 393**	**¥ 335**	**¥ (58)**

	Thousands of U.S. Dollars		
	2010		
	Acquisition Cost	Book Value	Difference
Equity securities	**$ 4,224**	**$ 3,601**	**$ (623)**

The following tables summarize book value of securities with no available fair market values as of March 31, 2009 and 2010.

Available-for-sale securities

	Millions of Yen		Thousands of U.S. Dollars
	2009	**2010**	**2010**
Non-listed equity securities	¥ 123	**¥ 113**	**$ 1,215**
Negotiable certificate of deposit	2,000	**2,000**	**21,496**
	¥ 2,123	**¥ 2,113**	**$ 22,711**

Available-for-sale securities with maturities and held-to-maturity debt securities are as follows:

	Millions of Yen	
	2009	
	Within 1 year	Over 1 year but within 5 years
Negotiable certificate of deposit	¥ 2,000	¥ —

	Millions of Yen	
	2010	
	Within 1 year	Over 1 year but within 5 years
Negotiable certificate of deposit	**¥ 2,000**	**¥ —**

	Thousands of U.S. Dollars	
	2010	
	Within 1 year	Over 1 year but within 5 years
Negotiable certificate of deposit	**$21,496**	**$ —**

6. Impairment Loss on Fixed Assets

The Companies have recognized impairment loss of ¥122 million for the following group of assets as of March 31, 2008.

Location	Use	Category
Menuma factory (Kumagaya City, Saitama Prefecture)	For business	Buildings and structures, Other
Kobe City, Hyogo Prefecture	For lease	Land, Buildings and structures, Other

The Company recognized impairment losses amounting to ¥107 million on the assets for businesses as the Company planned to dispose of a part of existing equipments in accordance with the production base restructuring plan of the factory, which is to maintain the quality of products and competitiveness with regard to productivity. Items included in the amount of impairment losses on buildings amounted to ¥106 million and others amounted to ¥1 million. The collectible amount is measured by net sale value and calculated on the disposable value.

The Company recognized impairment losses amounting to ¥15 million on the assets for rentals because of the continuous decreases of land prices. Impairment losses on buildings amounted to ¥9 million and land amounted to ¥6 million. The collectible amount is measured based on the usable value and calculated based on the discounted future cash flow by 5.6%.

The Companies have recognized impairment loss of ¥15 million ($161 thousand) 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 ($161 thousand) 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
	2009	**2010**	**2010**
Products	¥ 2,357	**¥ 2,584**	**$ 27,773**
Raw materials	3,648	**3,753**	**40,337**
Work in progress	940	**813**	**8,738**
Cost of construction contracts in progress	9,287	**5,157**	**55,428**
	¥ 16,232	**¥ 12,307**	**$132,276**

8. Short-term Debt and Long-term Debt

Short-term debt at March 31, 2010 bore interest at annual rates ranging from 1.875% to 3.4% 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, 2009 and 2010 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	**2010**	**2010**
Guarantee deposits received	¥ 366	**¥ 364**	**$ 3,912**
Total long-term debt	¥ 366	**¥ 364**	**$ 3,912**

The average interest rate uses the weighted-average rate applicable to the year-end balance.

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

9. Accrued Retirement Benefits and Pension Plan

The composition of amounts recognized in the consolidated balance sheets at March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Benefit obligations at end of year	¥(10,778)	¥(11,053)	$(118,798)
Fair value of plan assets at end of year	4,459	5,389	57,921
Funded status	(6,319)	(5,664)	(60,877)
Unrecognized actuarial losses	1,506	923	9,920
Net amount recognized	(4,813)	(4,741)	(50,957)
Prepaid pension costs	765	692	7,437
Accrued retirement benefits	¥ (5,578)	¥ (5,433)	$ (58,394)

The components of net pension and employees' severance costs for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2009	2010	2010
Service costs	¥649	¥591	¥540	$5,804
Interest costs	272	260	251	2,698
Expected return on plan assets	(109)	(109)	(102)	(1,096)
Recognized actuarial loss	97	138	222	2,386
Extra severance costs	16	19	10	107
Net periodic benefit costs	¥925	¥899	¥921	$9,899

Assumptions used as of March 31, 2008, 2009 and 2010 were as follows.

	2008	2009	2010
Discount rate	2.5%	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%	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	10 years	10 years	10 years

10. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2008, 2009 and 2010 were ¥1,648 million, ¥1,691 million and ¥1,673 million ($17,982 thousand), respectively.

11. Accounting for Leases

The Companies have various lease agreements whereby the Companies act as both lessee and lessor. The Companies' 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 Companies for the years ended March 31, 2009 and 2010 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
	2009	2010	2010
Machinery and equipment	¥ 13	¥ 13	$ 140
Tools and furniture	77	37	397
Intangibles	16	16	172
	106	66	709
Less: Accumulated depreciation	(79)	(56)	(602)
Net book value	¥ 27	¥ 10	$ 107
Depreciation	¥ 22	¥ 16	$ 172

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, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Due within one year	¥ 17	¥ 6	$ 64
Due over one year	10	4	43
	¥ 27	¥ 10	$ 107
Minimum lease payments expensed for the year	¥ 22	¥ 16	$ 172

As lessor:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Leased tools and furniture:			
Purchase cost	¥ 109	¥ 29	$ 312
Accumulated depreciation	(95)	(22)	(237)
Net book value	¥ 14	¥ 7	$ 75

The scheduled maturities of future minimum lease payments to be received on such lease contracts as of March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Due within one year	¥ 27	¥ 16	$ 172
Due over one year	65	34	365
	¥ 92	¥ 50	$ 537
Revenue on minimum lease payments to be received for the year	¥ 31	¥ 25	$ 269
Depreciation for the year	¥ 3	¥ 2	$ 21

12. Financial Instruments

On March 10, 2008, the Accounting Standards Board of Japan revised Accounting Standards Board of Japan Statement No. 10 "Accounting Standard for Financial Instruments" and issued Accounting Standards Board of Japan 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 Companies 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 Companies 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 Companies 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 Companies 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	¥ —	¥ —	¥—

	Thousands of U.S. Dollars		
	2010		
	Carrying Amount	Fair Value	Unrecognized Gain (Loss)
Cash and bank deposits	$201,687	$201,687	$ —
Trade receivables	279,031	279,031	—
Short-term investments and investments in securities	35,307	35,307	—
Long-term loans receivable	2,934	2,934	0
Total	$518,959	$518,959	$ 0
Trade payables	$ 85,802	$ 85,802	$ —
Short-term debt	365	365	—
Non-trade accounts payable	52,010	52,010	—
Income taxes payable	14,080	14,080	—
Total	$152,257	$152,257	$ —
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 is ¥1,755 million ($18,863 thousand). 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

	Thousands of U.S. Dollars			
	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	$201,687	$ —	$ —	$ —
Trade receivables	279,031	—	—	—
Short-term investments and investments in securities				
Available-for-sale securities with contractual maturities (negotiable certificate of deposit)	21,496	—	—	—
Long-term loans receivable	—	1,924	956	54
Total	$502,214	$1,924	$ 956	$ 54

13. Income Taxes

At March 31, 2009 and 2010, significant components of deferred tax assets and liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Deferred tax assets:			
Accrued retirement benefits	¥ 1,947	¥ 2,196	$ 23,603
Accrued bonuses	1,250	1,046	11,242
Directors' retirement allowance	242	274	2,945
Loss on write-off of fixed assets	200	238	2,558
Accrued legal welfare expense	133	118	1,268
Accrued enterprise taxes	154	114	1,225
Allowance for bad debts	86	113	1,215
Other	537	386	4,149
Subtotal	4,549	4,485	48,205
Valuation allowance	(550)	(664)	(7,137)
Total	¥ 3,999	¥ 3,821	$ 41,068
Deferred tax liabilities:			
Prepaid pension cost	¥ —	¥ (282)	$ (3,031)
Special depreciation of acquired assets	(68)	(68)	(731)
Unrealized gains on securities	—	¥ (53)	$ (569)
Total	¥ (68)	¥ (403)	$ (4,331)
Net deferred tax assets	¥ 3,931	¥ 3,418	$ 36,737

Income taxes applicable to the Company and its domestic subsidiaries consist of corporation, inhabitants' and enterprise taxes. The statutory income tax rate is approximately 40.7% for the years ended March 31, 2008, 2009 and 2010.

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 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, 2008 is less than 5%, a reconciliation of these two rates is not presented.

14. Contingent Liabilities

The Companies were contingently liable for trade notes endorsed for payment to third parties in the ordinary course of business in the amount of ¥24 million ($258 thousand) and performance guarantees made for an unconsolidated subsidiary of ¥38 million ($408 thousand) at March 31, 2010.

15. Net Assets

Net assets comprise three subsections, which are shareholders' equity, valuation and translation adjustments and minority interests.

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

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

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

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

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

At the annual shareholders' meeting held on June 25, 2010, the distribution of cash dividends amounting to ¥454 million ($4,880 thousand) was approved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2010 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, 2010

The following was approved by the annual shareholders' meeting held on June 25, 2009

(a) Total dividends .... ¥605 million ($6,503 thousand)
(b) Cash dividends per common share ¥10.00 ($0.11)
(c) Record date .... March 31, 2009
(d) Effective date .... June 26, 2009

The following was approved by the Board of Directors held on November 4, 2009.

(a) Total dividends .... ¥454 million ($4,880 thousand)
(b) Cash dividends per common share ¥7.50 ($0.08)
(c) Record date .... September 30, 2009
(d) Effective date .... December 8, 2009

b) Dividends to be paid after March 31, 2010 but the record date for the payment belongs to the year ended March 31, 2010

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

(a) Total dividends .... ¥454 million ($4,880 thousand)
(b) Cash dividends per common share ¥7.50 ($0.08)
(c) Record date... March 31, 2010
(d) Effective date .... June 28, 2010

16. Segment Information

The Companies 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						
	2008						
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Others	Total	Corporate and Elimination	Consolidated
Net sales:							
Outside customers	¥ 35,671	¥ 24,943	¥ 20,863	¥ 3,470	¥ 84,947	¥ —	¥ 84,947
Inter-segment	76	73	1	197	347	(347)	—
Total	35,747	25,016	20,864	3,667	85,294	(347)	84,947
Operating expenses	31,281	23,727	17,250	3,167	75,425	4,693	80,118
Operating income	¥ 4,466	¥ 1,289	¥ 3,614	¥ 500	¥ 9,869	¥ (5,040)	¥ 4,829
Assets	¥ 32,244	¥ 17,890	¥ 8,604	¥ 2,133	¥ 60,871	¥ 20,378	¥ 81,249
Depreciation	¥ 478	¥ 116	¥ 85	¥ 19	¥ 698	¥ 311	¥ 1,009
Impairment loss	¥ 93	¥ 9	¥ —	¥ 5	¥ 107	¥ 15	¥ 122
Capital expenditure	¥ 785	¥ 175	¥ 78	¥ 38	¥ 1,076	¥ 335	¥ 1,411

Note: Corporate assets included in the Elimination line item were ¥20,378 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						
	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 Companies 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.

	Thousands of U.S. Dollars						
	2010						
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Others	Total	Corporate and Elimination	Consolidated
Net sales:							
Outside customers	$ 324,280	$ 283,760	$ 246,249	$ 50,161	$ 904,450	$ —	$ 904,450
Inter-segment	699	666	11	2,107	3,483	(3,483)	—
Total	324,979	284,426	246,260	52,268	907,933	(3,483)	904,450
Operating expenses	298,936	265,595	195,561	47,571	807,663	50,162	857,825
Operating income	$ 26,043	$ 18,831	$ 50,699	$ 4,697	$ 100,270	$ (53,645)	$ 46,625
Assets	$ 322,001	$ 198,119	$ 96,883	$ 39,757	$ 656,760	$ 205,944	$ 862,704
Depreciation	$ 6,868	$ 1,677	$ 1,172	$ 623	$ 10,340	$ 3,536	$ 13,876
Capital expenditure	$ 13,435	$ 2,633	$ 2,128	$ 1,344	$ 19,540	$ 4,450	$ 23,990

Note 1: Corporate assets included in the Elimination line item were $205,944 thousand, 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 Companies adopted a new accounting standard for recognition of revenues. By having adopted the new accounting standards, net sales increased $9,706 thousand and operating income increased $1,462 thousand 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, 2008, 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, 2008, 2009 and 2010, the disclosure of overseas sales information was omitted.

17. 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, 2010, were as follows:

	As of March 31, 2010				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	2008	2009	**2010**	2009	**2010**
SECOM Co., Ltd.	¥66,378 million	Security service	50.9%(*)	Sale of products	¥ 2,707	¥ 3,863	**¥ 2,123** **($22,818)**	Trade receivables ¥ 353	Trade receivables **¥ 226** **($ 2,429)**

	As of March 31, 2010				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	2008	2009	**2010**	2009	**2010**
KOATSU Co., Ltd.	¥60 million	Fire extinguishing systems	20.8%	Purchase of raw materials	¥ 4,503	¥ 6,255	**¥ 4,670** **($50,193)**	Trade payables ¥ 2,752	Trade payables **¥ 2,000** **($21,496)**

(*) The Company is a subsidiary of SECOM Co., Ltd.
The terms and conditions of the above transactions are the same as those of arm's-length transactions.

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 as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for each of the years in the three-year period ended March 31, 2010, 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 subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2010, 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, 2010 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 & Co.

Tokyo, Japan
June 25, 2010

Board of Directors and Corporate Auditors
(As of June 25, 2010)

Chairman
Tadashi Tanoue*

President
Takeshi Hashizume*

Senior Managing Director
Yushi Tayama

Managing Directors
Yukimasa Tachibana
Jun Uchiyama
Kazuo Kajita
Toshiyuki Mori

Directors
Koukei Higuchi†
Koichi Sato†
Hideo Morishita†
Makoto Sawano
Hajime Arai
Kiyotaka Fujii
Yoshinori Soda
Akira Igarashi
Hiroaki Ishii
Tatsunori Ito
Keiji Kageyama

Standing Corporate Auditors
Hiroshi Shiina
Shojiro Nohmi

Corporate Auditors
Takashi Yamashita
Tojiro Ishii
Hiroshi Nishigaki

*Representative Director
†External

Investor Information
(As of June 25, 2010)

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	40	9,234	15.26
Japanese securities companies	38	478	0.79
Other Japanese corporations	205	35,467	58.61
Japanese individuals and others	3,164	13,619	22.51
Foreign institutions and individuals	66	1,353	2.24
Treasury stocks	1	354	0.59
Total	3,514	60,505	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	1,761	2.9
Shareholding Commission of Nohmi Bosai Partners	1,591	2.6
Shareholding Commission of Nohmi Bosai Employees	1,206	2.0
The Bank of Tokyo-Mitsubishi UFJ , Ltd.	1,140	1.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	997	1.6
Fuji Electric Holdings Co., Ltd.	855	1.4
Sumitomo Mitsui Banking Corporation	765	1.3
Tokio Marine & Nichido Fire Insurance Co., Ltd.	745	1.2
Shareholding Commission of Nohmi Bosai Safety and Health Cooperation Forum	717	1.2

NOHMI

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