NOHMI BOSAI LTD.

ANNUAL REPORT 2007

For the Year Ended March 31, 2007

NOHMI

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 2007, ended March 31, 2007, the Company realized consolidated net sales of ¥79.7 billion. Nohmi Bosai is responsible for the development, marketing, installation and maintenance of a wide variety of state-of-the-art fire protection systems. In addition to our strong domestic presence, we are also active in China, other parts of Asia and the United States.

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Cautionary Statement with Respect to Forward-Looking Statements

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

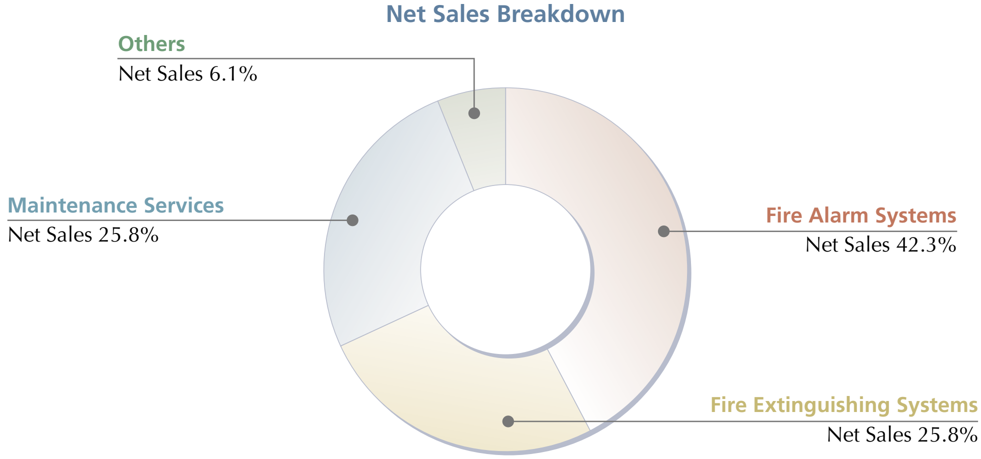
Consolidated Financial Highlights

Nohmi Bosai Ltd. and its Subsidiaries
For the years ended March 31, 2005, 2006 and 2007

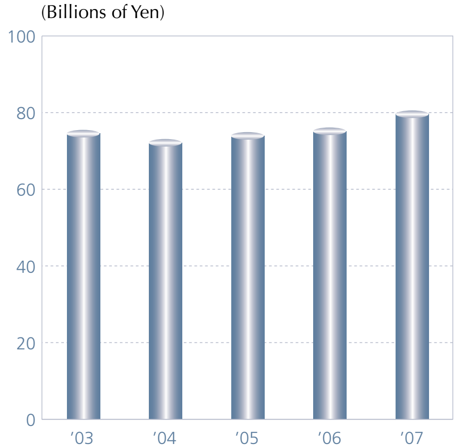
	Millions of Yen			Percentage Change	Thousands of U.S. Dollars
	2005	2006	**2007**	2007/2006	**2007**
For the year:					
New orders	¥72,030	¥77,270	**¥83,493**	8.1 %	**$707,268**
Net sales	73,956	75,147	**79,706**	6.1	**675,188**
Cost of sales	54,731	55,532	**¥57,681**	3.9	**488,615**
Operating income	2,212	2,515	**3,802**	51.2	**32,207**
Net income	1,177	1,354	**2,067**	52.7	**17,510**
At year-end:					
Total assets	¥63,719	¥64,432	**¥77,444**	20.2 %	**$656,027**
Total net assets	29,672	31,082	**46,646**	50.1	**395,138**
Backlog of orders	26,378	28,501	**32,288**	13.3	**273,511**
Number of employees	1,883	1,859	**1,878**	—	**—**
Per share (in yen and U.S. dollars):					
Net income—primary	¥ 26.14	¥ 30.35	**¥43.44**	43.1 %	**$ 0.37**
Cash dividends	10.00	10.00	**10.00**	—	**0.08**

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 ¥118.05=US$1, the approximate effective rate of exchange prevailing on March 31, 2007.
3. All amounts are in millions of yen or thousands of U.S. dollars, except number of employees and per share amounts.

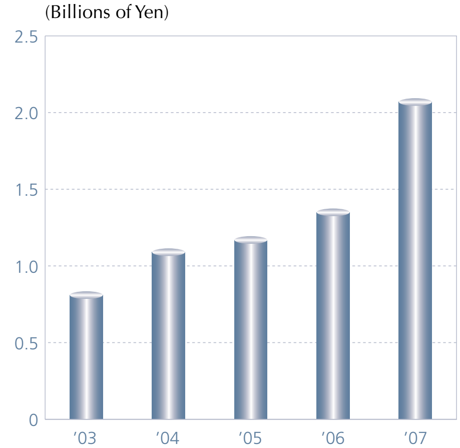
Net Sales Breakdown



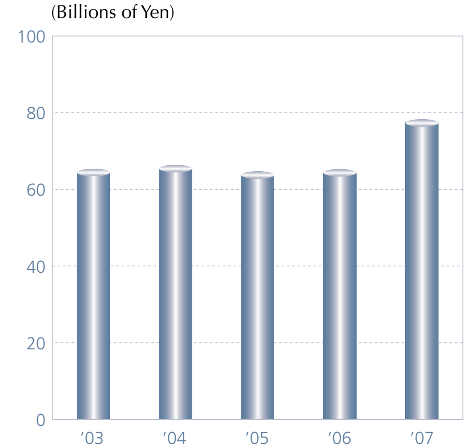
Net Sales
(Billions of Yen)



Net Income
(Billions of Yen)



Total Assets
(Billions of Yen)



A Message from the President

Tadashi Tanoue
President

Business Environment and Results

This year, we have seen corporate earnings rise significantly along with growing exports and corporate capital investments. Consumer spending has also been steadily increasing as employees' incomes have gradually risen. These factors are expected to maintain the overall Japanese economy's slow recovery during this fiscal year.

The domestic fire protection industry continues to face an uphill battle in a market that has been hit hard by downward spiraling public investments and an overall decline in the demand for new construction on top of dropping prices.

The Nohmi Bosai Group has been weathering the storm while striving to improve our operations under a three-year medium-term business plan implemented in 2004. That plan has focused on:

1. Reinforcing management by target for orders received and strengthening organized sales efforts for large-scale projects.

2. Establishing the optimal organizations for installation and maintenance.

3. Continually launching distinctive new products onto the market.

4. Increasing our competitive edge in price, quality and delivery time.

5. Systematically developing versatile human resources.

As a result, the value of orders received totaled ¥83,493 million for this year. That represents an 8.1% year-on-year jump with net sales moving up 6.1% year-on-year to reach ¥79,706 million.

Ordinary income increased 47.9% year-on-year to total ¥3,906 million yen. Net income for this year also soared 52.7% year-on-year to top out at ¥2,067 million.

Given this backdrop, we have decided to set year-end cash dividends at ¥5.00 per share. Total cash dividends at the end of fiscal 2007 will amount to ¥10.00 per share combined with interim dividends of ¥5.00 per share.

Operating Highlights

Nohmi Bosai issued new shares to Secom Co., Ltd., through third-party stock allocation. Payment was completed on December 8, 2006. As a member of the Secom Group, we will leverage our fire protection business expertise to build a new partnership that combines the best in fire protection and security technologies.

Management Policies

The Nohmi Bosai Group is committed to our mission as pioneers in the fire protection industry who contribute to a safer society. In keeping with our mission, we adhere to a basic policy of providing the most suitable, up-to-date and highest quality fire protection systems to protect life and property, covering research and development right through to sales, installation and maintenance, while emphasizing conservation of the environment, energy and resources.

In addition, we have implemented measures to further improve corporate governance. We demonstrate accountability to our shareholders and investors, important stakeholders, by disclosing information in a timely and appropriate manner and ensure compliance with our code of conduct and internal group rules in order to prevent misconduct.

We have appointed two directors to the Board of Directors from outside the company. The Board makes important business decisions and oversees business operations with the aim of maximizing corporate value, ensuring transparency in corporate management, and enabling faster decision-making.

We have appointed three corporate auditors to the Board of Auditors from outside the company as well. The standing Corporate Auditors attend all important meetings including those held by the Board of Directors and Board of Managing Directors. They investigate all the companies within the Group, monitor the independence of accounting auditors, and communicate with the accounting auditors for the purpose of reporting and explaining. They hold auditors' meetings on a regular basis to report and discuss results of their work in order to reinforce the board's auditing function.

The Audit Office, an internal audit department independent from other departments, coordinates with auditors and accounting auditors, and systematically conducts financial and operational audits of all departments. It provides recommendations for improvements based on audit findings, and requires departments to report on the status of any recommended improvements on a regular basis and to report to the president and auditors in order to solve any problems.

We have developed risk management guidelines and established a risk management organization, which will include a Risk Management Committee led by the director in charge of general affairs, and depending on the nature of the emergency, an Emergency Headquarters headed by the president.

As stated above, we are reorganizing our corporate management and reviewing rules for corporate management and business operations in order to improve corporate governance.

Outlook

The general economy is likely to continue its gradual upward trajectory as exports keep pace with overseas economic expansion and rising corporate earnings translate into higher employee incomes that drive consumer spending up.

Unfortunately, the current outlook for the fire protection industry remains cloudy due to diminishing government investments, market saturation for existing fire protection systems and stiff price competition.

We have developed a new three-year medium-term business plan to meet the challenging times that lie ahead and will strive for better business performance under the slogan "Building a Premium Fire Protection Systems Brand." This plan focuses on the following priorities:

To strengthen corporate management:

1. Tap into new markets

2. Reform existing businesses

3. Enhance consolidated operations

To strengthen our corporate foundation:

1. Boost R&D and technological capabilities

2. Build up production capacities

3. Strengthen overseas operations

4. Improve core business systems

5. Enhance the training and development of fire protection professionals

I would like to take this opportunity on behalf of the Board of Directors at Nohmi Bosai to thank all the stakeholders including our shareholders for their continued support over the coming year.

July 2007

Tadashi Tanoue

Tadashi Tanoue
President

Fire Alarm Systems

The Nohmi Bosai Group provides a wide range of fire alarm systems and equipment, including automatic fire alarm systems, environmental monitoring systems, fire doors and smoke control systems for various locations, ranging from homes to large-scale commercial and industrial facilities. These products are regarded highly in the marketplace for their cutting-edge technology and outstanding practicality and safety, which is backed by our stringent quality assurance.

We continue to develop highly reliable products that meet the diverse requirements of buildings as well as fire alarm equipment that satisfy overseas standards.

The Year in Review

Net sales in the Fire Alarm System segment in fiscal 2007, which represented 42.3% of consolidated net sales, were up 19.6%, or ¥5,529 million, from last year for a total of ¥33,722 million. Operating income was up 59.0% year-on-year, or ¥1,461 million, to total ¥3,937 million. New orders increased 19.3% year-on-year, or ¥5,501 million to reach ¥34,076 million.

In the period under review, we saw a slight increase in revenue from both new installations and renovation work and a significant increase in sales of residential fire alarms. This resulted in a substantial increase in gross profit and operating income for product-related sales.

Outlook

In response to persistent customer demands for even lower prices, we will focus marketing efforts on targeting small multi-occupant buildings and expanding sales of residential fire alarms. At the same time, we will reinforce our market share abroad by strengthening sales to China, which is continuing to rebuild its domestic infrastructure.

Major Products and Services

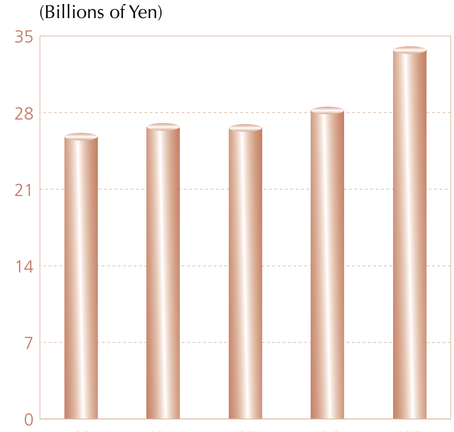
- Fire Alarms and Bells
- Heat, Smoke and Gas Detectors
- Infrared Ray Flame Detectors
- Control Panels
- Very Early Smoke Detection Apparatus
- Smoke Control Systems
- Transmitters
- Auxiliary Equipment

Fire Monitoring Panels in Control Center

Residential Fire Alarm

Net Sales of Fire Alarm Systems

(Billions of Yen)



Fire Extinguishing Systems

The Nohmi Bosai Group offers a variety of sprinklers, foams, and plant and tunnel fire protection systems for large-scale buildings and facilities, including office buildings, leisure complexes, factories, industrial plants and road tunnels. We have earned an excellent reputation for the sophisticated design and installation technologies we employ in our fire extinguishing systems for waste incineration facilities, chemical plants and other specialized facilities.

We are leveraging our proprietary technologies to develop distinctive new products as well as to develop products that will cultivate new markets in an aging society.

The Year in Review

Net sales in the Fire Extinguishing Systems segment in fiscal 2007, which represented 25.8% of consolidated net sales totaling ¥20,600 million, experienced a year-on-year decline of 3.4%, or ¥735 million. Operating income rose 64.7%, or ¥357 million, over last year to ¥910 million. New orders increased 3.4%, or ¥791 million, to ¥24,014 million.

In the period under review, sales of fire extinguishing equipment for general properties such as high-rise buildings and special properties, including plants and factories, declined, while sales of road tunnel fire protection equipment increased.

Thanks to the increase in sales of road tunnel fire protection equipment as well as the decrease in the cost to sales ratio, the gross profit for road tunnel fire protection equipment grew by a wide margin. This resulted in an increase in operating income despite rising sales expenses.

Outlook

We will boost our marketing proposals by leveraging our outstanding technological capabilities to develop products suited to control fires in industrial plants and those resulting from hazardous materials and will deliberately and systematically respond to the new demands arising from the performance-based codes incorporated into the amendments to the Fire Service Law.

Major Products and Services

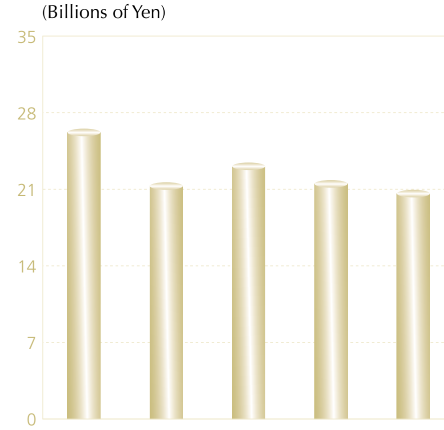
- Sprinklers
- Spray Heads and Nozzles
- Fire Extinguishers
- High-Expansion Foam Extinguishing Systems
- Dry Chemical Extinguishing Systems
- Heat and Gas Dispersion Control Systems
- Water Cannons

High-Expansion Foam Extinguishing System

Foam Extinguishing Test

Net Sales of Fire Extinguishing Systems

(Billions of Yen)



Maintenance Services

In addition to conducting research and development aimed at ensuring the optimal fire protection systems, we recognize the need to keep the quality and correct functioning of these systems, and for that, maintenance is essential.

The Maintenance Services segment guarantees the safety of all its products by offering a wide variety of maintenance services, including round-the-clock online monitoring and telephone support services, repairs and fire protection equipment leasing. We also offer fire protection consulting services to building owners.

The Year in Review

Net sales for the Maintenance Services segment in fiscal 2007 amounted to ¥20,505 million, up 3.6%, or ¥710 million, from the previous fiscal year and represent 25.8% of consolidated net sales. Operating income dipped 2.3%, or ¥85 million, to ¥3,700 million. New orders increased 3.7%, or ¥713 million, to ¥20,207 million.

We achieved only a slight gain in revenue from maintenance, repair and installation services despite our focus on this area as an important part of the medium-term business plan. While overall sales in this segment increased during the fiscal year, operating income decreased along with the deterioration of the cost of sales ratio. This led to only a slight increase in gross profit which failed to offset the increase in sales expenses.

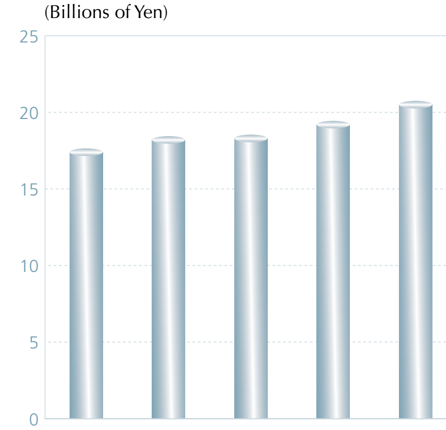
Outlook

Japanese Fire Service Law stipulates the regular inspection of all fire alarms and fire extinguishing equipment. Accordingly, the market for these products and related maintenance services has remained stable. Because we conduct in-house design, development and installation of our fire protection equipment, we are in an excellent position to offer comprehensive maintenance service. We are adapting to advances in building construction technology by taking steps to enhance the technical skills and expertise of our maintenance staff with intensive training programs. We are also strengthening our capabilities to market maintenance services to customers who place orders for new installations.

Major Services
- Maintenance Services
- Inspection Services

Inspection Services

Net Sales of Fire Maintenance Services
(Billions of Yen)



Others

This segment includes the assembly of printed circuit boards (PCBs) and the installation and management service of parking lot control systems. PCBs are an essential part of high-technology equipment, and their assembly requires advanced technical skills and state-of-the art equipment. Thanks to our high level of expertise, PCB orders from customers in other industries, including medical equipment, telecommunications and electronics manufacturers, are increasing rapidly.

Our parking lot control service utilizes the driving lane control system to make driving in parking lots safer and improves the efficiency of guide and operation of parking lots. We offer a full range of these systems to accommodate parking lots of all sizes.

The Year in Review

Net sales for this segment in fiscal 2007 amounted to ¥4,879 million, down 16.2%, or ¥945 million from the previous fiscal year and represent 6.1% of consolidated net sales. Operating income was up 19.3% year-on-year, or ¥57 million, to total ¥355 million. New orders amounted to only ¥5,196 million after experiencing a 13.1%, or ¥784 million, year-on-year decline.

Overall sales plummeted due to a sharp decline in PCB assembly sales despite an upswing in sales of parking lot control systems. Gross profit increased due to the better cost to sales ratio and operating income edged up due to a slight drop in sales expenses.

Outlook

There are signs of a recovery in demand for IT-related products in the global market, and under the current circumstances, we will continue to implement measures aimed at reducing cost and increasing competitiveness.

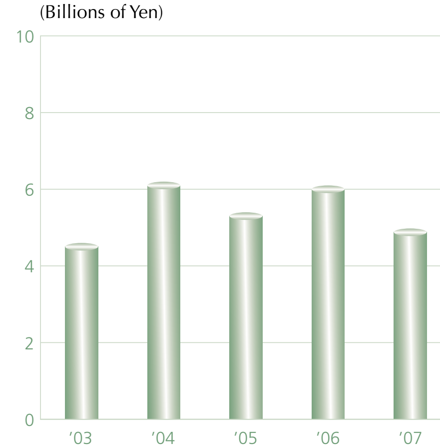
Major Products and Services

- Printed Circuit Board Assembly Operations
- Parking Lot Maintenance Services

Printed Circuit Board Assembly

Net Sales of Others

(Billions of Yen)



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 the fire alarm and extinguishing system that provides 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. Evincing 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.

Performance Analysis

The Nohmi Bosai Group’s consolidated financial statements based on generally accepted accounting standards in Japan and representing our financial status and operating results are as shown below.

The fire protection industry market environment remains harsh due to decreasing investment in the public sector and the decline in the aggregate construction demand. Given this backdrop, the Nohmi Bosai Group’s results by segment are as follows.

Fire alarm systems experienced a jump in sales of residential fire alarms as well as a slight increase in construction-related sales for both new and renovation projects. This brought net sales up 19.6% on a year-on-year basis to total ¥33,722 million.

While sales of road tunnel fire protection equipment have increased, sales of fire extinguishing systems for high rise buildings and special facilities such as plants and factories have dipped below year-on-year levels, causing net sales to drop by 3.4% to ¥20,600 million.

While sales of maintenance, repair and installation services did not grow as we expected despite our concentrated efforts in this priority area, net sales edged up a mere 3.6% year-on-year to total ¥20,505 million.

In other areas, net sales of parking lot control systems increased while net sales of PCB assemblies plummeted. As a result, net sales decreased 16.2% year-on-year to ¥4,879 million.

Consequently, net sales increased 6.1% or ¥4,559 million over last year’s total, to reach ¥79,706 million.

Continuous efforts to reducing cost were successful in bringing the cost to sales ratio to 72.4%.

Gross profit increased 12.3% year-on-year, to ¥22,025 million and the gross profit margin experienced a 1.5 point year-on-year rise to hit 27.6%.

Although sales, general and administrative expenses (SGA) increased ¥1,123 million due to growth in net sales, the SGA to net sales ratio remained flat at last year's figure of 22.8%.

Consequently, operating income skyrocketed 51.2% year-on-year, to reach ¥3,802 million. The net income for the fiscal year also soared 52.7% year-on-year, to hit ¥2,067 million with the net income per share being ¥43.44.

Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2007 amounted to ¥77,444 million, up 20.2%, or ¥13,010 million year-on-year.

Total current assets at the end of fiscal 2007 increased 31.0%, or ¥13,727 million, to ¥57,947 million comparing to the previous year.

Investments and advances decreased by 6.2%, or ¥659 million, to ¥9,902 million. The main factor leading to the decline was the decrease in deferred tax assets by ¥484 million.

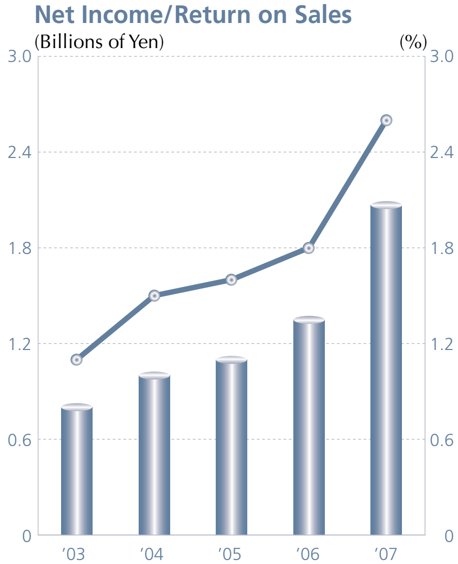
Property, plant and equipment decreased by 1.1%, or ¥99 million, to ¥8,834 million. This decrease was mainly caused by the increase of ¥158 million in accumulated depreciation.

Total liabilities fell year-on-year by 7.7%, or ¥2,552 million, to ¥30,798 million.

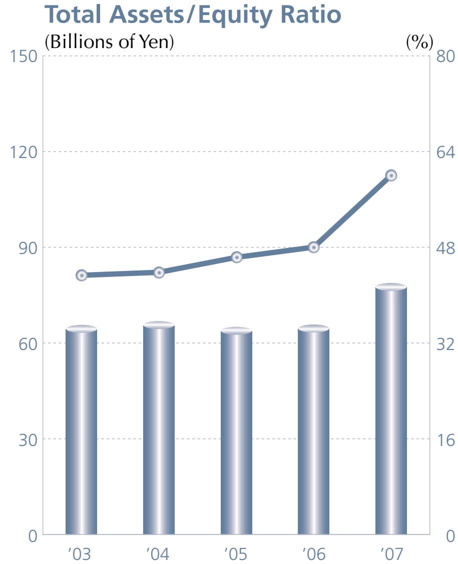
Interest-bearing debt dropped to ¥135 million, owing to a ¥145 million decline in short-term debt and ¥6,000 million in payment of bonds.

Total net assets increased 50.1% year-on-year, or ¥15,564 million to ¥46,646 million. The ratio increased 12.0 points from 48.0% for the previous year to 60.0%, and the price per share was ¥769.92, up from ¥736.25 in fiscal 2006.

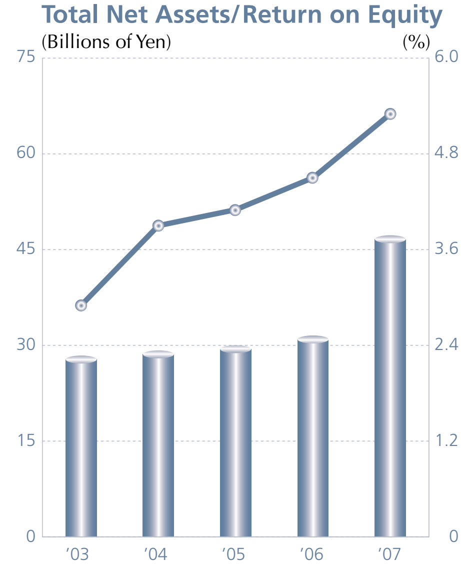
Net Income/Return on Sales



Total Assets/Equity Ratio



Total Net Assets/Return on Equity



Cash Flow

Net cash outflow from operating activities amounted to ¥838 million due primarily to ¥3,847 million in earnings before income taxes, ¥5,039 million increase in receivables, ¥2,365 million increase in inventory assets and ¥1,698 million increase in payables.

Net cash outflow from investment activities amounted to ¥851 million, owing primarily to moderate investments in fixed assets.

Net cash used in financing activities included ¥14,060 million for a capital increase, part of which was used for the redemption of debentures. This resulted in a cash inflow of ¥7,482 million.

Cash and cash equivalents for fiscal 2007 showed a net increase of ¥5,793 million, bringing cash and cash equivalents at the end of the current fiscal year to ¥14,017 million. This amount has been temporarily posted as deposits and securities in preparation for future investments.

Outlook

Fiscal year 2007 marks a brand new beginning for us under a new medium-term business plan, “Next Stage 21.” We will move forward under the banner of “Building a Premium Fire Protection Systems Brand” with action plans that embody our underlying corporate mission.

We forecast growing sales of roadway tunnel fire protection equipment and residential fire alarms for fiscal 2008. At the same time, earnings from EMS are expected to decline due to changes in accounting methods. In light of these factors, we anticipate a ¥3,800 million year-on-year increase in net sales. The cost to sales ratio is expected to deteriorate, causing gross profit to stagger to the point where it cannot offset increases in sales, general and administrative expenses. As a result, operating income will likely drop approximately ¥150 million from the previous year. On the brighter side, we expect to see ¥100 million jump in ordinary profit and ¥200 million increase in net income due to improvements in nonoperating losses from the previous year as a result of lower financial expenses.

We plan to pay an interim cash dividend of ¥5.00 and a year-end cash dividend of ¥5.00, for a total of ¥10.00 per share.

Consolidated Statements of Income and Retained Earnings

Nohmi Bosai Ltd. and its Subsidiaries
For the years ended March 31, 2005, 2006 and 2007

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2005	2006	2007	2007
Net Sales	¥73,956	¥75,147	¥79,706	$675,188
Cost of Sales	54,731	55,532	57,681	488,615
Gross profit	19,224	19,615	22,025	186,573
Selling, General and Administrative Expenses	17,012	17,100	18,223	154,366
Operating income	2,212	2,515	3,802	32,207
Other Income (Expenses):				
Interest income	10	17	41	347
Interest expense	(85)	(80)	(68)	(576)
Dividend on insurance policies	20	0	45	381
Rental revenue	79	80	78	661
Loss on sale of short-term investments and investments in securities	—	(1)	—	—
Loss on sale/disposal of property and equipment	(31)	(46)	(61)	(517)
Amortization of difference between investment costs and equity in net assets acquired	4	4	10	85
Equity in earnings of affiliates	6	35	44	373
Provision for allowance for bad debts	—	(6)	—	—
Loss on write-off of memberships	(1)	(1)	—	—
Impairment loss on fixed assets (Notes 3 and 6)	—	(146)	(32)	(271)
Other, net	102	152	(12)	(102)
	104	7	45	381
Income before income taxes	2,317	2,522	3,847	32,588
Income Taxes:				
Current (Note 11)	1,250	1,405	1,823	15,443
Deferred (Note 11)	(125)	(254)	(49)	(415)
	1,124	1,151	1,774	15,028
Minority Interests in Consolidated Subsidiaries	(15)	(17)	(6)	(50)
Net income	1,177	1,354	2,067	17,510
Retained Earnings:				
Balance at beginning of year	16,474	17,213		
Decrease:				
Cash dividends	(420)	(420)		
Directors' bonuses	(16)	(78)		
Balance at end of year	¥17,213	¥18,068		

	Yen			U.S. Dollars (Note 1)
Per Share (Note 2):				
Net income—primary	¥26.14	¥30.35	¥43.44	$0.37
—fully diluted	—	—	—	—
Cash dividends	10.00	10.00	10.00	0.08
Weighted Average Number of Shares Issued (in thousands)	41,937	41,937	47,595	—

The accompanying notes are an integral part of the statements.

Consolidated Balance Sheets

Nohmi Bosai Ltd. and its Subsidiaries
As of March 31, 2006 and 2007

ASSETS	Millions of Yen 2006	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2007
Current Assets:			
Cash in hand and in banks	¥8,434	¥12,216	$103,482
Short-term investments	—	2,000	16,942
Trade receivables:			
Notes	5,050	8,179	69,284
Accounts	18,694	20,560	174,164
Unconsolidated subsidiaries and affiliates	117	232	1,965
	23,862	28,971	245,413
Less: Allowance for bad debts	(370)	(376)	(3,185)
	23,492	28,595	242,228
Inventories (Note 7)	10,751	13,116	111,105
Deferred tax assets (Note 11)	908	1,504	12,740
Prepaid expenses and other current assets	632	516	4,371
Total current assets	44,219	57,947	490,868
Investments and Advances:			
Investments in securities (Note 5)	2,826	2,732	23,143
Investments in and advances to unconsolidated subsidiaries and affiliates	2,386	2,428	20,567
Loans to employees	162	138	1,169
Long-term receivables	78	30	254
Deferred tax assets (Note 11)	2,645	2,161	18,306
Other investments and advances	2,717	2,609	22,101
	10,817	10,098	85,540
Less: allowance for bad debts	(255)	(196)	(1,660)
Total investments and advances	10,561	9,902	83,880
Property, Plant and Equipment:			
Buildings and structures	8,319	8,344	70,682
Machinery and equipment	2,082	1,993	16,883
Tools and furniture	5,457	5,586	47,319
	15,859	15,923	134,884
Less: accumulated depreciation	(10,396)	(10,555)	(89,412)
	5,462	5,368	45,472
Construction in progress	36	33	280
Land	3,433	3,433	29,081
	8,933	8,834	74,833
Intangibles	718	761	6,446
Total assets	¥64,432	¥77,444	$656,027

The accompanying notes are an integral part of the statements.

LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY/NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Current Liabilities:			
Short-term debt (Note 8)	¥6,280	¥ 135	$1,144
Trade payables:			
Notes	1,950	2,798	23,702
Accounts	4,356	4,857	41,144
Unconsolidated subsidiaries and affiliates	2,042	2,131	18,052
	8,350	9,786	82,898
Non-trade accounts payable	4,417	4,629	39,212
Advances received on uncompleted construction contracts	2,267	3,303	27,980
Accrued bonuses to employees	1,572	2,262	19,161
Accrued warranty costs	57	54	457
Income taxes payable (Note 11)	1,326	1,914	16,213
Other current liabilities	1,202	1,476	12,503
Total current liabilities	25,474	23,559	199,568
Long-term Liabilities:			
Long-term debt (Note 8)	345	353	2,990
Accrued retirement benefits (Note 9)	6,880	6,294	53,316
Directors' and corporate auditors' retirement benefits	576	528	4,473
Other long-term liabilities	28	28	237
Difference between investment costs and equity in net assets acquired	46	36	305
Total long-term liabilities	7,876	7,239	61,321
Minority Interests in Consolidated Subsidiaries	144	—	—
Contingent liabilities (Note 12)			
Stockholders' Equity:			
Common stock;			
Authorized: 160,000,000 shares at March 31, 2005 and 2006			
Issued: 42,332,771 shares at March 31, 2006	6,272	—	—
Additional paid-in capital	5,714	—	—
Retained earnings	18,069	—	—
Net unrealized gain on securities	936	—	—
Foreign currency translation adjustments	141	—	—
	31,132	—	—
Less: Treasury stock, at cost—			
423,235 shares at March 31, 2006	(194)	—	—
Total shareholders' equity	30,938	—	—
Net Assets (Note 13)			
Common stock;			
Authorized: 160,000,000 shares at March 31, 2007			
Issued: 60,832,771 shares at March 31, 2007	—	13,302	112,681
Capital surplus	—	12,744	107,954
Retained earnings	—	19,634	166,320
Less treasury stock, at cost.	—	(204)	(1,728)
435,203 shares at March 31, 2007			
Unrealized gains on securities, net of taxes	—	845	7,158
Foreign currency translation adjustments	—	181	1,533
Minority interests	—	144	1,220
Total net assets	—	46,646	395,138
	¥64,432	¥77,444	$656,027

The accompanying notes are an integral part of the statements.

Consolidated Statements of Changes in Net Assets

Nohmi Bosai Ltd. and its Subsidiaries
For the year ended March 31, 2007

	Thousands	Millions of Yen							
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Foreign currency translation adjusments	Minority interests	Total
Shareholders' equity at March 31, 2006, as previously reported	42,332	6,272	5,714	18,069	(194)	936	141	—	30,938
Reclassification due to adoption of new accounting standards for presentation of net assets in the balance sheet at April 1, 2006								144	144
Net assets at April 1, 2006	42,332	6,272	5,714	18,069	(194)	936	141	144	31,082
New issue of stocks	18,500	7,030	7,030						14,060
Net income				2,067					2,067
Cash dividends paid				(420)					(420)
Directors and corporate auditors' bonuses				(82)					(82)
Acquisition of treasury stock					(10)				(10)
Gain on sales of treasury stock			0		0				0
Net changes during the year						(91)	40	0	(51)
Balance at March 31, 2007	60,832	13,302	12,744	19,634	(204)	845	181	144	46,646

See accompanying notes.

	Thousands of U.S. Dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Foreign currency translation adjusments	Minority interests	Total
Shareholders' equity at March 31, 2006, as previously reported	53,130	48,403	153,062	(1,643)	7,929	1,194	—	262,075
Reclassification due to adoption of new accounting standards for presentation of net assets in the balance sheet at April 1, 2006							1,220	1,220
Net assets at April 1, 2006	53,130	48,403	153,062	(1,643)	7,929	1,194	1,220	263,295
New issue of stocks	59,551	59,551						119,102
Net income			17,510					17,510
Cash dividends paid			(3,557)					(3,557)
Directors and corporate auditors' bonuses			(695)					(695)
Acquisition of treasury stock				(85)				(85)
Gain on sales of treasury stock		0		0				0
Net changes during the year					(771)	339	0	(432)
Balance at March 31, 2007	112,681	107,954	166,320	(1,728)	7,158	1,533	1,220	395,138

See accompanying notes.

Consolidated Statements of Cash Flows

Nohmi Bosai Ltd. and its Subsidiaries
For the years ended March 31, 2005, 2006 and 2007

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2005	2006	2007	2007
Cash Flows from Operating Activities:				
Income before income taxes	¥ 2,317	¥ 2,522	¥ 3,847	$ 32,588
Adjustments for:				
Depreciation and amortization	951	888	899	7,615
Impairment loss	—	146	32	271
Amortization of difference between investment costs and equity in net assets acquired	(4)	(4)	(10)	(85)
Decrease in allowance for bad debts	(22)	(93)	(55)	(466)
Decrease in accrued retirement benefits	(74)	(119)	(635)	(5,379)
Increase in accrued bonuses	169	33	690	5,845
Increase (decrease) in accrued warranty costs	(1)	7	(4)	(34)
Interest and dividend income	(33)	(44)	(70)	(593)
Interest expenses	85	80	68	576
Equity in earnings of affiliates	(6)	(35)	(44)	(373)
Loss on write-off of memberships	1	—	—	—
Loss on sales/disposal of property, plant and equipment	31	46	61	517
Loss (gain) on sales of investments in securities	—	(107)	—	—
Decrease in receivables	1,817	(1,018)	(5,039)	(42,685)
Decrease (increase) in inventories	(650)	757	(2,365)	(20,034)
Increase (decrease) in payables	(29)	(400)	1,698	14,384
Increase (decrease) in advance received on uncompleted construction contracts	(294)	(225)	1,036	8,776
Directors' bonuses paid	(18)	(80)	(84)	(711)
Other, net	(201)	194	419	3,549
Subtotal	4,037	2,545	444	3,761
Interest and dividend income received	34	52	72	610
Interest expenses paid	(87)	(80)	(79)	(669)
Income taxes paid	(175)	(1,340)	(1,275)	(10,801)
Net cash provided by (used in) operating activities	¥ 3,809	¥ 1,177	¥ (838)	$ (7,099)
Cash Flows from Investing Activities:				
Refund of time deposits	¥ (39)	¥ (5)	¥11	$93
Payments for purchase of property, plant and equipment	(679)	(678)	(963)	(8,158)
Proceeds from sales of property, plant and equipment	35	52	7	59
Payments for purchase of investments in securities	(330)	(56)	(56)	(474)
Proceeds from sales of investments in securities	249	134	1	8
Increase of loans receivable	(40)	(57)	(26)	(220)
Decrease of loans receivable	147	129	146	1,237
Other, net	(154)	(159)	29	246
Net cash used in investing activities	(812)	(640)	(851)	(7,209)
Cash Flows from Financing Activities:				
Decrease in short-term debt	(3,324)	(230)	(145)	(1,228)
Repayments of bonds	—	—	(6,000)	(50,826)
Proceeds from issuance of stock	—	—	14,060	119,102
Cash dividends paid	(420)	(420)	(420)	(3,558)
Cash dividends paid to minority stockholders	(2)	(8)	(3)	(25)
Payments for purchase of treasury stock	(11)	(12)	(10)	(85)
Net cash provided by (used in) financing activities	(3,758)	(671)	7,482	63,380
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—
Net increase (decrease) in cash and cash equivalents	(762)	(134)	5,793	49,072
Cash and cash equivalents at beginning of year	9,121	8,359	8,224	69,666
Cash and cash equivalents at end of year (Note 4)	¥ 8,359	¥ 8,224	¥14,017	$118,738

The accompanying notes are an integral part of the statements.

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 Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure, including changes in retained earnings of consolidated statement of income and retained earnings for 2005 and 2006) 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 Securities 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 consolidated balance sheet as of March 31, 2007, which has been prepared in accordance with the new accounting standard as discussed in Note 3 (2), is presented with the consolidated balance sheet as of March 31, 2006 prepared in accordance with the previous presentation rules.

Also, as discussed in Note 3 (3), the consolidated statement of changes in net assets for the year ended March 31, 2007 has been prepared in accordance with the new accounting standard.

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, 2007, which was ¥118.05 to U.S. $1. The convenience translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation and Elimination

The Company had 26 subsidiaries at March 31, 2007 (26 at March 31, 2006). The consolidated financial statements include the accounts of the Company and 21 subsidiaries at March 31, 2007 (21 at March 31, 2006).

The 21 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.	72.3%

The accounts of the remaining 5 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 consolidated subsidiaries are incorporated into the financial statements at fair value and the difference between net assets at fair value and investment amount are amortized over a five-year period on a straight-line basis.

(3) Investments in Unconsolidated Subsidiaries and Affiliates

At March 31, 2007, the Company had 5 affiliates (5 for 2006). Investments in unconsolidated subsidiaries and affiliates are generally accounted for by the equity method, by which such investments are carried at cost and are adjusted for equity in the unconsolidated earnings (deficit). The Company's net income includes its equity in the net income (loss) of the unconsolidated subsidiaries and affiliates after cash dividends received and elimination of intercompany profits.

The equity method is applied to the investments in 3 affiliates in the consolidated financial statements.

However, the remaining 5 subsidiaries and 2 affiliates do not have a material effect on "Net income (loss)" or "Retained Earnings" in the consolidated financial statements. Accordingly, the investments in the unconsolidated 5 subsidiaries and 2 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

Inventories are stated at cost determined by the following methods according to inventory item:

Products and raw materials .... Average cost method
Work in progress and cost of construction contracts
in progress .... Individually identified cost method

(6) Financial Instruments

Securities

Securities held by the Company and its subsidiaries are, in accordance with Japanese Accounting Standards, classified into four categories:

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 by the equity method.

Other securities for which market quotations are available are stated at fair value.

(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 as prescribed by Japanese corporate income tax laws.

(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 in accordance with Japanese income tax laws.

(9) Allowance for Bad Debts

In Accordance with Japanese Accounting Standards for Financial Instruments, 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 another appropriate basis, or on a disaggregated basis by category of similar receivable.

Receivables from debtors who have not gone into bankruptcy, but who are or probably would be in serious financial difficulty if they had to repay debts are called “doubtful receivables.” The allowance for doubtful accounts against these doubtful receivables is estimated by first deducting future cash inflows to be generated from foreclosure or guarantors from the recorded receivable amount, and then considering the debtor’s financial condition and operating results to determine the remaining amount.

Receivables from debtors who have either gone into bankruptcy or are substantially insolvent are called “failed receivables.” The allowance for doubtful accounts against failed receivables and other similar receivables is estimated as the recorded receivables amount less cash inflows from foreclosures or guarantors.

(10) Accrued Warranty Costs

Accrued warranty costs have been provided by the Company and its consolidated subsidiaries for the cost of warranties on completed construction contracts estimated to be incurred subsequent to year-end dates. In estimating the accrued costs of warranties, the formula prescribed by the Japanese corporate income tax laws is applied, primarily based on past experience.

(11) Accounting for Leases

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases; leases that do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles generally accepted in Japan.

(12) Income Taxes

Income taxes consist of corporation, enterprise and inhabitant taxes.

In accordance with accounting standards 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.

(13) Accrued Retirement Benefits

In accordance with Japanese Accounting Standards 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. Unrecognized prior service cost is fully recognized in the fiscal year in which it arises.

(14) Retirement Benefits for Directors and Corporate Auditors

Retirement benefits for directors and corporate auditors are provided for at an amount based upon internal rules at the balance sheet date.

(15) 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. Net income per share adjusted for dilution is computed on the assumption of full conversion of all convertible bonds of the Company outstanding, with a related reduction in interest expenses. Cash dividends per share shown for each period in the accompanying consolidated statements of income, represent dividends declared as applicable to the respective periods.

(16) Reclassification

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

3. Accounting Change

(1) Adoption of Accounting Standard for Impairment of Fixed Assets

The Company and its consolidated subsidiaries were adopted a new accounting standard for impairment loss on fixed assets, which had effect of increasing loss before income taxes by ¥146 million for the period ended March 31, 2006. Accumulated impairment losses on fixed assets are included in 'accumulated depreciation' on the consolidated balance sheets.

(2) Accounting Standards for Presentation of Net Assets in the Balance Sheet

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, "the New Accounting Standards").

The consolidated balance sheet as of March 31, 2007 prepared in accordance with the New Accounting Standards comprises three sections, which are the assets, liabilities and net assets sections. The consolidated balance sheet as of March 31, 2006 prepared pursuant to the previous presentation rules comprises the assets, liabilities, minority interests and stockholders' equity sections.

The adoption of the New Accounting Standards had no impacts on the consolidated statement of income for the year ended March 31, 2007. Also, if the New Accounting Standards had not been adopted at March 31, 2007, the shareholders' equity amounting to ¥46,501 million ($393,909 thousand) would have been presented.

(3) Accounting Standard for Statement of Changes in Net Assests

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, "the Additional New Accounting Standards").

The Company prepared the accompanying consolidated statement of changes in net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards.

4. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Cash and bank deposits	¥8,564	¥8,434	¥12,216	$103,482
Short-term investments	—	—	2,000	16,942
Total	8,564	8,434	14,216	120,424
Time deposits with deposit terms of over three months	(205)	(210)	(199)	(1,686)
Cash and cash equivalents	¥8,359	¥8,224	¥14,017	$118,738

5. Securities

The following tables summarize the acquisition costs, book values and fair values of securities with available fair values as of March 31, 2007.

Available for sale securities

Securities with book value exceeding acquisition costs

	Millions of Yen		
	2007		
	Acquisition Cost	Book Value	Difference
Equity securities	¥923	¥2,347	¥1,424

	Thousands of U.S. Dollars		
	2007		
	Acquisition Cost	Book Value	Difference
Equity securities	$7,819	$19,882	$12,063

Securities with book value not exceeding acquisition cost

	Millions of Yen		
	2007		
	Acquisition Cost	Book Value	Difference
Equity securities	¥276	¥249	¥(27)

	Thousands of U.S. Dollars		
	2007		
	Acquisition Cost	Book Value	Difference
Equity securities	$2,338	$2,109	$(229)

The following tables summarize book value of securities with no available fair market values as of March 31, 2006.

Available for sale securities

	2007	
	Millions of Yen	Thousands of U.S. Dollars
Non-listed equity securities	¥ 136	$ 1,152
Negotiable certificate of deposit	2,000	16,942
	¥2,136	$18,094

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

	Millions of Yen	
	2007	
	Within 1 year	Over 1 year but within 5 years
Negotiable certificate of deposit	¥2,000	¥—

	Thousands of U.S. Dollars	
	2007	
	Within 1 year	Over 1 year but within 5 years
Negotiable certificate of deposit	$16,942	$—

6. Impairment Loss on Fixed Assets

The Company and its consolidated subsidiaries have recognized impairment loss of ¥146 million, for the following group of assets as of March 31, 2006.

Location	Use	Category
Osaka Prefecture Suita City, Chiyoda Ward, Tokyo	For business	Land, Buildings and structures, Other
Hiroshima Prefecture Hatsukaichi City, Sumida Ward, Tokyo	For lease	Land, Buildings and structures, Other

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

Due to the decline in real estate value and poor performance of assets, operating profitability has worsened substantially.

Therefore, the Company and its consolidated subsidiaries have decided to mark the assets down to the recoverable value, and accrued impairment loss of ¥146 million, which comprises of land ¥39 million, buildings and structures ¥70 million, and others ¥35 million.

The recoverable value is determined as the higher of the net selling value and the value in use. The net selling value is based on appraisal provided by professional real estate assessors, and the value in use is calculated as future cash flow discounted mostly by 3.7%.

The Company and its consolidated subsidiaries have recognized impairment loss of ¥32 million ($271 thousand), for the following group of assets as of March 31, 2007.

Location	Use	Category
Shiga factory (Shiga Prefecture, Konan City)	For business	Buildings and structures, Other

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

The Shiga plant was set to be closed in the next consolidated fiscal year due to its low profitability caused by fierce competition in the domestic market. The collectability was not realized.

So the full amount of the book value as of the end of the current consolidated fiscal year was recorded as ¥32 million of impairment loss, which included ¥32 million of buildings and others.

7. Inventories

Inventories consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Products	¥ 1,938	¥ 2,249	$19,051
Raw materials	2,539	2,783	23,575
Work in progress	690	1,009	8,547
Cost of construction contracts in progress	5,582	7,075	59,932
	¥10,751	¥13,116	$111,105

8. Short-term Debt and Long-term Debt

Short-term debts at March 31, 2007, bore interest at annual rates ranging from 1.375% to 1.75% and were 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, 2006 and 2007 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Unsecured 1.40% domestic standard bonds due in 2007	¥ 3,500	¥ —	$ —
Unsecured 0.88% domestic standard bonds due in 2007	2,500	—	—
Guarantee deposits received	345	353	2,990
	6,345	353	2,990
Less–portion due within one year	6,000	—	—
Total long-term debt	¥345	¥353	$2,990

9. Accrued Retirement Benefits and Pension Plan

The composition of amounts recognized in the consolidated balance sheets at March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Benefit obligations at end of year	¥(10,989)	¥(11,649)	$(98,679)
Fair value of plan assets at end of year	3,817	4,857	41,144
Funded status	(7,171)	(6,792)	(57,535)
Unrecognized actuarial losses	291	498	4,219
Net amount recognized	(6,880)	(6,294)	(53,316)
Accrued retirement benefits	¥ (6,880)	¥(6,294)	$(53,316)

The components of net pension and employees' severance costs for the years ended March 31, 2005, 2006 and 2007 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Service costs	¥520	¥510	¥546	$4,625
Interest costs	253	252	258	2,186
Expected return on plan assets	(60)	(63)	(85)	(720)
Recognized actuarial loss	103	104	69	584
Extra severance costs	14	10	17	144
Net periodic benefit costs	¥831	¥815	¥805	$6,819

Assumptions used as of March 31, 2006 and 2007, were as follows:

	2006	2007
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%

10. 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. Certain key information on such lease contracts of the Companies for the years ended March 31, 2006 and 2007 were as follows:

As a 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, was summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Machinery and equipment	¥ 12	¥ 13	$ 110
Tools and furniture	153	139	1,177
Others	26	19	161
	192	171	1,448
Less: Accumulated depreciation	(113)	(118)	(999)
Net book value	¥ 79	¥ 53	$ 449
Depreciation	¥ 32	¥ 24	$ 203

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 lease rental payments on such lease contracts as of March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Due within one year	¥ 25	¥19	$161
Due over one year	53	34	288
	¥ 79	¥53	$449
Lease rental expenses for the year	¥ 32	¥25	$212

As lessor:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Leased tools and furniture:			
Purchase cost	¥ 185	¥ 172	$ 1,457
Accumulated depreciation	(159)	(148)	(1,254)
Net book value	¥ 25	¥ 24	$ 203

The scheduled maturities of future lease rental income on such lease contracts as of March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Due within one year	¥ 43	¥ 37	$ 313
Due over one year	156	131	1,110
	¥199	¥168	$1,423
Lease rental revenue for the year	¥ 53	45	$ 381
Depreciation for the year	¥ 6	¥ 3	$ 25

11. Income Taxes

At March 31, 2006 and 2007 significant components of deferred tax and liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Deferred tax assets:			
Accrued employees retirement benefits	¥2,787	¥2,547	$21,576
Accrued bonuses	640	922	7,810
Directors' retirement allowance	235	215	1,821
Accrued enterprise taxes	130	178	1,508
Loss on write-off of property and equipment	211	167	1,415
Allowance for bad debts	—	160	1,355
Accrued legal welfare expense	90	111	940
Other	297	349	2,957
Subtotal	4,393	4,649	39,382
Valuation allowance	(132)	(345)	(2,923)
Total	¥4,260	¥4,304	$36,459
Deferred tax liabilities:			
Depreciation	¥ (706)	¥ (639)	$ (5,413)
Net deferred tax assets	¥3,554	¥3,665	$31,046

The disclosure of reconciliation of the statutory tax rate to the effective income tax rate of March 31, 2006 and 2007 were as follows:

	2006	2007
Statutory tax rate	40.7%	40.7%
Adjustments:		
Entertainment expenses and other non-deductible expenses	5.7	3.3
Dividend income non-taxable	(1.9)	(0.1)
Per capital levy of local resident income taxes	3.2	2.1
Other factors	(2.1)	0.1
Effective tax rate	45.6%	46.1%

12. Contingent Liabilities

The Company and its consolidated subsidiaries were contingently liable for trade notes endorsed for payment to third parties in the ordinary course of business in the amount ¥98 million ($830 thousand) and performance gurantees made for unconsolidated subsidiary of ¥8 million ($68 thousand) at March 31, 2007.

13. Net Assets

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

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.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller 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 earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings 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 28, 2007, the shareholders approved cash dividends amounting to ¥302 million ($2,558 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2007. Such appropriations are recognized in the period in which they are approved by the shareholders.

14. Segment Information

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

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

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			Thousands of U.S. Dollars
	2005	2006	2007	2007
Net sales:				
Fire alarm systems	¥26,512	¥28,192	¥33,722	$285,659
Fire extinguishing systems	23,083	21,335	20,600	174,502
Maintenance services	19,232	19,795	20,505	173,697
Others	5,127	5,824	4,879	41,330
	73,956	75,147	79,706	675,188
Operating expenses:				
Fire alarm systems	25,147	25,787	29,855	252,901
Fire extinguishing systems	21,783	20,994	19,804	167,759
Maintenance services	15,693	16,011	16,806	142,363
Others	5,034	5,706	4,551	38,552
	67,658	68,500	71,016	601,575
Operating income before unallocatable costs	6,297	6,647	8,690	73,613
Less:				
Unallocatable operating expenses and eliminations	¥ (4,085)	¥ (4,132)	¥ (4,888)	$(41,406)
Operating income	¥ 2,212	¥ 2,515	¥ 3,802	$ 32,207
Total assets:				
Fire alarm systems	¥24,636	¥24,127	¥28,392	$240,508
Fire extinguishing systems	14,881	16,241	18,730	158,662
Maintenance services	7,775	7,416	9,021	76,417
Others	1,665	1,622	1,948	16,501
	48,959	49,408	58,091	492,088
Unallocatable or headquarters	14,759	15,024	19,353	163,939
	¥63,719	¥64,432	¥77,444	$656,027

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Depreciation:				
Fire alarm systems	¥419	¥392	¥ 400	$3,388
Fire extinguishing systems	114	106	100	847
Maintenance services	87	82	82	695
Others	21	18	18	152
	642	599	600	5,082
Unallocatable or headquarters	308	288	299	2,533
	¥951	¥888	¥ 899	$7,615

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Impairment loss:				
Fire alarm systems	—	¥ 58	—	—
Fire extinguishing systems	—	20	—	—
Maintenance services	—	35	—	—
Others	—	—	—	—
	—	113	—	—
Unallocatable or headquarters	—	32	—	—
	—	¥146	¥—	$—

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Capital expenditure:				
Fire alarm systems	¥371	¥410	¥ 490	$4,151
Fire extinguishing systems	87	85	105	889
Maintenance services	45	90	74	627
Others	11	23	31	263
	514	610	700	5,930
Unallocatable or headquarters	289	258	314	2,660
	¥804	¥868	¥1,014	$8,590

15. 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, 2007, were as follows:

	As of March 31, 2007				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	Equity ownership percentage by the Company	Description of the Company's transactions	2005	2006	**2007**	2006	**2007**
SECOM Incorporated	¥66,378 million	Security service	50.9%(*)	Sale of products	¥2,053	¥2,313	**¥2,899 ($24,557)**	Trade receivables ¥295	Trade receivables **¥197 ($1,669)**
				Issued new shares through third-party stock allocation	¥—	¥—	**¥14,060 ($119,102)**		
KOATSU Co., Ltd.	¥60 million	Fire extinguishing systems	20.8%	Purchase of raw materials	¥3,854	¥3,850	**¥4,486 ($38,001)**	Trade payables (¥2,001)	Trade payables **¥2,077 ($17,594)**

(*) The Company is a subsidiary of SECOM Incorporated.

The terms and conditions of the above transactions are the same as those of arm's-length transactions.

Independent Auditors' Report

To the Shareholders and 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, 2007, and the related consolidated statements of income, changes in net assets and cash flows for the year then ended, 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. The consolidated financial statements of Nohmi Bosai Ltd. and consolidated subsidiaries for the years then ended March 31, 2005 and 2006 were audited by the other auditors whose report, dated June 29, 2006, expressed an unqualified opinion on those statements.

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 consolidated financial position of Nohmi Bosai Ltd. and subsidiaries as of March 31, 2007, and the consolidated results of their operations and their cash flows for the year then ended, 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, 2007 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 28, 2007

Board of Directors and Corporate Auditors
(As of June 28, 2007)

Chairman
Shoichi Kimura*

President
Tadashi Tanoue*

Senior Managing Directors
Kazuaki Yasuhara
Takeshi Hashizume

Managing Directors
Yuushi Tayama
Yukimasa Tachibana

Directors
Haruo Takeda†
Shuji Maeda†
Tsuneo Komatsuzaki
Michio Takeda
Mitsuo Komatsu
Kazuo Kajita
Toshiyuki Mori
Jun Uchiyama
Makoto Sawano
Hajime Arai
Kiyotaka Fujii
Yoshinori Soda
Akira Igarashi
Hiroaki Ishii

Standing Corporate Auditors
Hiroshi Shiina
Shojiro Nohmi

Corporate Auditors
Takashi Yamashita
Tojiro Ishii
Mitsunori Shirakura

*Representative Director
†External

Investor Information
(As of March 31, 2007)

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	52	8,601	14.22
Japanese securities companies	33	313	0.52
Other Japanese corporations	212	35,391	58.54
Japanese individuals and others	3,593	14,284	23.62
Foreign institutions and individuals	43	1,568	2.59
Treasury stocks	1	311	0.51
Total	3,934	60,468	100

NOHMI

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