

SEMIANNUAL REPORT 2006

For the Six-Month Period Ended September 30, 2006



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A MESSAGE FROM THE PRESIDENT

Operating Results and Business Report

Falling market prices due to downward spiraling public investments and a decline in overall construction demand have created a harsh market climate for the domestic fire protection industry.

Against this backdrop, the Nohmi Bosai Group has continued to work on profitability-focused strategies such as comprehensive marketing efforts that include maintenance services and capitalize on the expanding renovation market.

We are also focusing more effort on the general residential building market as demand for fire alarms rises more quickly than expected in response to the mandatory installation of fire alarms in newly constructed homes nationwide which went into effect in June 2006.

Orders received this period amounted to ¥44,119 million, a 10.8% year-on-year increase, while sales remained flat at ¥32,296 million.

A breakdown of sales by segment shows that fire alarm equipment accounted for ¥14,556 million, a 20.1% year-on-year increase, fire extinguishing equipment was down 25.2% at ¥6,107 million, maintenance services inspections at ¥9,213 million, represented a 4.5% increase, while other segments experienced a 24.0% year-on-year decline with sales totaling ¥2,418 million.

Thanks to an increase in the number of residential fire alarms shipped as well as our group-wide cost reduction effort through profitability-focused marketing activities, operating income totaled ¥485 million and net income totaled ¥59 million.

Our financial position in this period compared to the previous one shows a ¥3,305 million increase in total assets due to an increase in inventories. Total liabilities rose ¥1,954 million due to an increase in trade payables. The total amount of stockholders' equity at the end of this period increased by ¥1,405 million from the same period last year.

Regarding cash flow, net cash provided by operating activities was ¥1,932 million, increase ¥1,073 million from the same period last year. Net cash used in investing activities was ¥494 million, increase ¥117 million from the same period last year. Net cash used in financing activities ¥239 million, decrease ¥88 million from the same period last year. Consequently, cash and cash equivalents at the end of period amounted to 9,422 million.

Given these results, we will distribute an interim dividend of ¥5.00 per share as we did in the previous term.

Management Policies and Strategies

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.

Our medium and long term outlook is based on a medium-term plan that began in March 2005 and is designed to foster strategic unified group-wide sales activities, promote creative, speedy product development and provide the kind of personnel training needed for an organization of fire protection professionals. In order to realize our vision for the future we are concentrating our efforts in the following areas:

1. Strengthening the control of new orders on target and implementing thoroughly organized sales efforts for large-scale projects.
2. Creating an optimal installation and maintenance organization.
3. Continually launching new and distinctive products onto the market.

4. Increasing our competitive edge in price, quality, and delivery time.
5. Systematically training human resources to develop a versatile workforce.

In order to fulfill our responsibilities to society and develop a management structure that will sustain our growth, we must look beyond the traditional maturing fire protection markets and move into other markets, including the residential houses market opened up by new regulations. In addition, we have set our sights on strengthening our business foundation by further making inroads into overseas fire protection and other related markets.

We are dedicated to enhancing corporate governance through accountability to our shareholders and investors who are the key stakeholders by disclosing information in a timely and appropriate manner and ensuring compliance with our internal rules in order to prevent misconduct. Our commitment to compliance management extends to our group companies to comply with our corporate ethics and our internal rules and regulations.

We believe that as well as returning profits to the shareholders, it is important to retain some as well in order to strengthen the corporate makeup upon which we can build for the future. Therefore, we will determine dividend distribution in terms of our financial position.

Future Outlook

Although dark clouds remain on the horizon for an industry burdened by falling market prices, the surroundings of our group's business has been changing with growing public awareness of the need for fire protection and revisions to the Fire Service Law. This in turn has led to opportunities for business expansion.

In order to break free of the current economic malaise and grow, we will continue to focus on the tasks we have dealt with during the first half of the year. We will also endeavor to secure further orders and profits by:

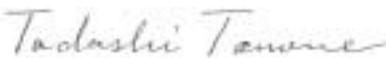
1. Establishing appropriate internal controls.
2. Proposal-type marketing based on advanced value engineering and cost reduction reviews.
3. Re-allocating management resources and exploring new markets such as the renovation market, the residential building fire protection market, the industrial fire protection market and the early fire detection system market in order to respond to declining market prices in the existing building fire protection market.
4. Promoting organized progress management for installation projects.

Through the implementation of these initiatives, we predict net sales of ¥79,500 million and net income for the period to be ¥1,700 million.

We are also forecasting a year-end cash dividend of ¥5.00 per share, or ¥10.00 per share when combined with the interim dividend.

On behalf of the Board of Directors of Nohmi Bosai, I would like to thank our shareholders for their continued support and understanding.

February 2007



Tadashi Tanoue
President

CONSOLIDATED BALANCE SHEETS

Nohmi Bosai Ltd. and its Consolidated Subsidiaries
As of September 30, 2005 and 2006

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2006	2006
Current Assets:			
Cash on hand and in banks	¥ 8,729	¥ 9,607	\$ 81,487
Trade receivables:			
Notes	4,437	4,245	36,011
Accounts	12,298	12,857	109,054
Unconsolidated subsidiaries and affiliates	129	176	1,496
Other	540	377	3,203
	17,405	17,657	149,766
Less: allowance for bad debts	(355)	(323)	(2,739)
	17,050	17,334	147,026
Inventories	12,445	14,663	124,372
Deferred tax assets	931	890	7,552
Prepaid expenses and other current assets	342	340	2,886
Total current assets	39,499	42,836	363,326
Investments and Advances:			
Investments in securities	2,190	2,499	21,200
Investments in and advances to unconsolidated subsidiaries and affiliates	2,288	2,376	20,160
Loans to employees	173	151	1,287
Long-term receivables	—	78	669
Deferred tax assets	2,864	2,498	21,189
Other investments and advances	2,436	2,333	19,794
	7,762	7,439	63,100
Less: allowance for bad debts	(293)	(259)	(2,203)
	7,468	7,179	60,897
Total investments and advances	9,659	9,679	82,097
Property, Plant and Equipment:			
Buildings and structures	4,038	3,887	32,969
Land	3,433	3,433	29,121
Other	1,610	1,601	13,583
Total property, plant and equipment	9,082	8,921	75,673
Deferred Charges and Intangibles	1,003	1,113	9,443
Total assets	¥ 59,244	¥ 62,550	\$530,539

Notes: (1) U.S. dollar amounts are translated at the rate of ¥117.90=US\$1, for convenience only.
(2) The accompanying notes are an integral part of the financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2006	2006
Current Liabilities:			
Short-term bank loans	¥ 405	¥ 260	\$ 2,205
Trade payables:			
Notes	1,674	2,842	24,105
Accounts	3,217	4,341	36,819
Unconsolidated subsidiaries and affiliates	1,139	1,422	12,061
	6,030	8,605	72,986
Non-trade accounts payable	2,972	3,142	26,656
Advances received on uncompleted construction contracts	3,904	3,603	30,568
Accrued bonuses to employees	1,369	1,403	11,900
Accrued warranty costs	17	48	413
Income taxes payable	266	477	4,052
Other current liabilities	1,022	6,952	58,972
Total current liabilities	15,988	24,494	207,754
Long-Term Liabilities:			
Long-term debt	6,352	346	2,940
Accrued retirement benefits	7,589	7,021	59,555
Other long-term liabilities	29	27	235
Difference between investment costs and equity in net assets acquired	15	40	345
Total long-term liabilities	13,987	7,436	63,076
Minority Interests in Consolidated Subsidiaries	172	133	1,129
Contingent Liabilities (Note 3)	—	—	—
Stockholders' Equity:			
Common stock;			
Authorized: 160,000,000 shares at September 30, 2005 and 2006			
Issued: 42,332,771 shares at September 30, 2005 and 2006	6,272	6,272	53,200
Additional paid-in capital	5,713	5,713	48,464
Retained earnings	16,683	17,836	151,283
Net unrealized gain on securities	554	739	6,271
Foreign currency translation adjustments	58	125	1,060
	29,281	30,687	260,280
Less: treasury stock, at cost— 413 and 430 thousand shares at September 30, 2005 and 2006	(185)	(200)	(1,701)
Total liabilities and stockholders' equity	¥59,244	¥62,550	\$530,539

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Nohmi Bosai Ltd. and its Consolidated Subsidiaries

For the Six-Month Periods Ended September 30, 2005 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2006	2006
Net Sales	¥32,284	¥32,296	\$273,927
Cost of Sales	24,245	23,310	197,712
Gross profit	8,039	8,985	76,215
Selling, General and Administrative Expenses	8,346	8,500	72,098
Operating income (loss)	(306)	485	4,116
Other Income (Expenses):			
Interest income	8	10	91
Interest expense	(40)	(39)	(332)
Dividend on insurance policies	0	7	62
Rental revenue	40	41	353
Gain on sale of short-term investments and investments in securities	107	—	—
Loss on sale/disposal of property and equipment	(24)	(41)	(354)
Impairment loss on fixed assets	(146)	—	—
Amortization of difference between investment costs and equity in net assets acquired	2	4	40
Equity in earnings of affiliates	16	22	191
Other, net	17	68	582
	(17)	75	636
Income (loss) before income taxes	(324)	560	4,753
Income Taxes:			
Current	155	204	1,737
Deferred	(238)	302	2,564
	(82)	507	4,302
Minority Interests in Consolidated Subsidiaries	0	(6)	(56)
Net income (loss)	(241)	59	507
Retained Earnings:			
Balance at beginning of year	17,213	18,068	153,256
Decreases:			
Cash dividends	(210)	(210)	(1,782)
Directors' bonuses	(78)	(82)	(698)
Balance at end of year	¥16,683	¥17,836	\$151,283
	Yen		U.S. Dollars (Note 1)
Per Share:			
Net income (loss)—primary fully diluted	¥(5.77)	¥1.43	\$0.01
Cash dividends	5.00	5.00	0.04
Weighted Average Number of Shares Issued (in thousands)	41,923	41,906	

Notes: (1) U.S. dollar amounts are translated at the rate of ¥117.90=US\$1, for convenience only.
(2) The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nohmi Bosai Ltd. and its Consolidated Subsidiaries

For the Six-Month Periods Ended September 30, 2005 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2006	2006
Cash Flows from Operating Activities:			
Income (loss) before income taxes	¥ (324)	¥ 560	\$ 4,753
Adjustments for:			
Depreciation and amortization	447	446	3,783
Impairment loss on fixed assets	146	—	—
Amortization of difference between investment costs and equity in net assets acquired	(2)	(4)	(40)
Decrease in allowance for bad debts	(71)	(43)	(371)
Increase (decrease) in accrued retirement benefits	13	(434)	(3,687)
Decrease in accrued bonuses	(169)	(169)	(1,436)
Decrease in accrued warranty costs	(33)	(8)	(75)
Interest and dividend income	(28)	(30)	(258)
Interest expenses	40	39	332
Equity in losses of affiliates	(16)	(22)	(191)
Loss on sales/retirement of property, plant and equipment	24	41	354
Loss on sale of short-term investments and investments in securities	(107)	—	—
Decrease in receivables	6,022	6,605	56,022
Increase in inventories	(937)	(3,911)	(33,180)
Decrease in payables	(4,051)	(919)	(7,797)
Increase in advances received on uncompleted construction contracts	1,411	1,336	11,337
Directors' bonuses paid	(80)	(83)	(709)
Other, net	(266)	(405)	(3,440)
Subtotal	2,016	2,993	25,393
Interest and dividend income received	33	31	265
Interest expenses paid	(40)	(38)	(328)
Income taxes paid	(1,150)	(1,053)	(8,939)
Net cash provided by operating activities	859	1,932	16,390
Cash Flows from Investing Activities:			
Increase in time deposits	(10)	25	219
Payments for purchase of property, plant and equipment	(414)	(566)	(4,801)
Proceeds from sales of property, plant and equipment	41	4	35
Payments for purchase of investments in securities	(54)	(2)	(22)
Proceeds from sales of investments in securities	134	—	—
Increase of loans receivable	(31)	(16)	(137)
Decrease of loans receivable	71	93	796
Other, net	(113)	(33)	(283)
Net cash used in investing activities	(376)	(494)	(4,193)
Cash Flows from Financing Activities:			
Decrease in short-term bank loans	(105)	(20)	(169)
Proceeds from sales of treasury stock	(3)	(6)	(55)
Cash dividends paid	(210)	(210)	(1,782)
Cash dividends paid to minority shareholders	(8)	(2)	(23)
Net cash used in financing activities	(328)	(239)	(2,031)
Effect of exchange rate changes on cash and cash equivalents	—	—	—
Net increase (decrease) in cash and cash equivalents	154	1,198	10,166
Cash and cash equivalents at beginning of year	8,359	8,224	69,756
Cash and cash equivalents at end of six-month period and year	¥ 8,513	¥ 9,422	\$ 79,923

Notes: (1) U.S. dollar amounts are translated at the rate of ¥117.90=US\$1, for convenience only.

(2) The accompanying notes are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED SEMI-ANNUAL FINANCIAL STATEMENTS

Nohmi Bosai Ltd. and its Consolidated Subsidiaries

1. Basis of the Consolidated Semiannual Financial Statements

Accounting Principles

The accompanying consolidated semiannual financial statements of Nohmi Bosai Ltd. (the "Company") and its consolidated subsidiaries for the six-month period ended September 30, 2005 and 2006, have been prepared in conformity with accounting and reporting standards with respect to such consolidated semiannual financial statement in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated semiannual financial statements filed with the Director of the Kanto Local Finance Bureau in Japan have been reclassified for the convenience of readers outside in Japan.

The consolidated semiannual financial statements are not intended to present to consolidated semiannual position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥117.90=US\$1, the rate of exchange on September 30, 2006, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the rate or any other rate.

2. Accounting Change

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 six-month period ended September 30, 2005.

3. Contingent Liabilities

The Company and its consolidated subsidiaries were contingently liable for trade notes endorsed for payment to third parties in the ordinary course of business in the amount of ¥669 million (\$5,680 thousand), and borrowings from bank in the aggregate amount of ¥7 million (\$62 thousand) at September 30, 2006.

4. Subsequent Events

At the Board of Directors Meeting on November 22, 2006, the Company resolved to issue new shares through a third-party stock allocation, with the payment completed on December 8, 2006. Accordingly, as parent company, SECOM CO., LTD., executed the third-party stock allocation. The terms of the third-party stock allocation is as follows:

- (1) Number of new shares issued: 18,500,000 shares of common stock of the Company
- (2) Issue price: ¥760 (\$6.44) per share
- (3) Total issue price: ¥14,060 million (\$119,253 thousand)
- (4) Total portion of issue price transferred to stated capital: ¥7,030 million (\$59,626 thousand)
- (5) Initial date of dividend recognition: October 1, 2006
- (6) Number of shares allocated to SECOM CO., LTD.: 18,500,000
- (7) Use of proceeds: Research and development investment, production facilities investment, corporate bond redemption funding and overseas business investment