NOHMI BOSAI LTD.

ANNUAL REPORT 2006

For the Year Ended March 31, 2006

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 2006, ended March 31, 2006, the Company realized consolidated net sales of ¥75.1 billion. Nohmi Bosai is responsible for the development, marketing, installation and maintenance of a wide variety of state-of-the-art fire protection systems. In addition to our strong domestic presence, we are also active in China, other parts of Asia and the United States.

Contents

Cautionary Statement with Respect to Forward-Looking Statements

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

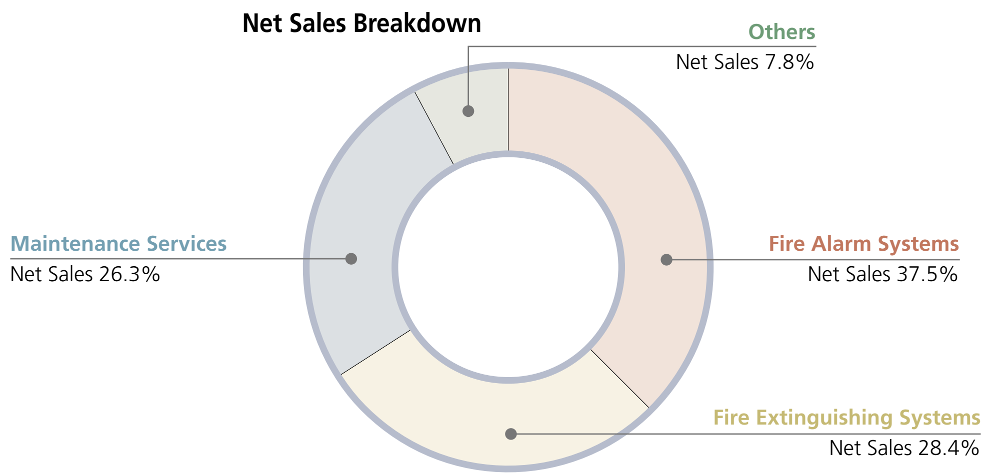
Consolidated Financial Highlights

Nohmi Bosai Ltd. and its Subsidiaries
For the years ended March 31, 2004, 2005 and 2006

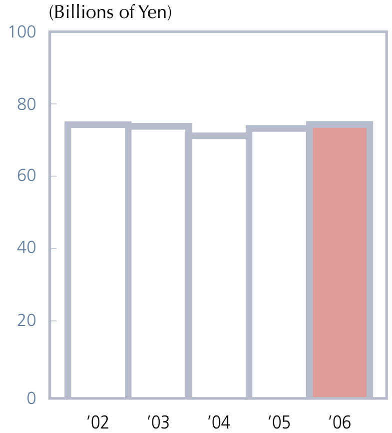
	Millions of Yen			Percentage Change	Thousands of U.S. Dollars
	2004	2005	2006	2006/2005	2006
For the year:					
New orders	¥72,501	¥72,030	¥77,270	7.3 %	$657,792
Net sales	72,144	73,956	75,147	1.6	639,720
Cost of sales	¥53,603	54,731	55,532	1.5	472,736
Operating income	1,662	2,212	2,515	13.7	21,413
Net income	1,098	1,177	1,354	15.1	11,530
At year-end:					
Total assets	¥65,406	¥63,719	¥64,432	1.1 %	$548,505
Total stockholders' equity	28,625	29,489	30,938	4.9	263,371
Backlog of orders	28,304	26,378	28,501	8.0	242,626
Number of employees	1,906	1,883	1,859	—	—
Per share (in yen and U.S. dollars):					
Net income—primary	¥ 25.73	¥ 26.14	¥30.35	— %	$ 0.26
Cash dividends	10.00	10.00	10.00	—	0.09

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 ¥117.47=US$1, the approximate effective rate of exchange prevailing on March 31, 2006.
3. All amounts are in millions of yen or thousands of U.S. dollars, except number of employees and per share amounts.

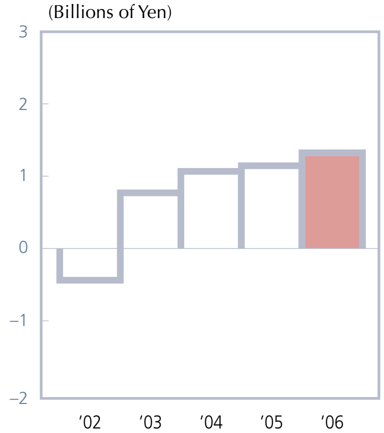
Net Sales Breakdown



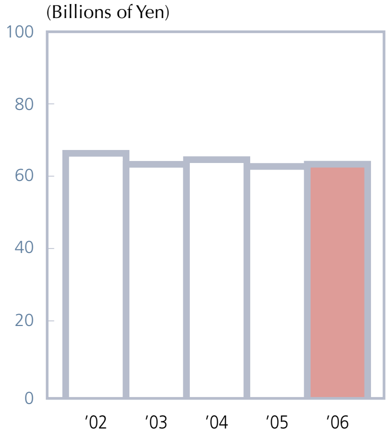
Net Sales
(Billions of Yen)



Net Income (Loss)
(Billions of Yen)



Total Assets
(Billions of Yen)



A Message from the President

Tadashi Tanoue
President

Business Environment and Results

This year, the business sector buoyant could be seen trickling down to all segments of the Japanese economy, and the signs of economic recovery was evident mainly in domestic private sector demand.

The domestic fire protection industry however still faces an uphill battle as product prices hit a plateau in the market due to downward spiraling public investments and the decline in the aggregate construction demand.

The Nohmi Bosai Group has a three-year medium-term business plan that will enable us to navigate this harsh business environment and meet the expanding market needs such as increased needs for public safety, the emerging market targeting private residences created as a result of the revised Fire Service Law and the expansion of the renovation market. During this fiscal year, the second year of the plan, we concentrated on the following areas as priority initiatives:

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 ¥77,270 million for this year, up 7.3% year-on-year, with net sales reaching ¥75,147 million, a 1.6% year-on-year increase.

We made great group-wide efforts to reduce costs and brought operating income up 13.7% year-on-year to a total of ¥2,515 million. Net income for this year also jumped 15.1% year-on-year at ¥1,354 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 2006 will amount to ¥10.00 per share combined with interim dividends of ¥5.00 per share.

Operating Highlights

In Mito City, Ibaraki Prefecture, a new department store called, Keisei Department Store was opened with the aim of attracting visitors from the wider surrounding area. This is a large scale nine story plus basement level shopping complex housing name brand stores, book shops, and restaurants. The total sales floor space covers over 33,000 m^2. Customers of the department store can feel safe knowing that they are protected by our *R-22 MXA* Automatic Fire Alarm system, *C12 CRT* system, discharge nozzle system and *NS sprinkler system*.

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 three 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 two 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 outlook for the domestic economy is promising. Because, capital expenditure and consumer spending is up along with corporate earnings while the need for downsizing of employees is becoming a thing of the past and we can see the upturn in economic activity. However for the meantime we expect business conditions in the fire protection industry to remain harsh since the industry is so closely tied to the construction industry, which is lagging behind other industries during this period of economic recovery.

In response to this challenge, we are following along the same path we carved out last fiscal year and forging ahead together in a group-wide effort to reach our goals during this final year of our medium-term business plan with a particular focus on the following avenues to better business performance:

1. Conducting integrated strategic operational activities across the Group.

2. Organizing an optimal installation and maintenance systems.

3. Strengthening competitiveness in terms of price, quality and delivery time.

4. Developing new products in a creative and expeditious manner.

5. Strengthening 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 2006

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 2006 amounted to ¥28,192 million, up 6.3%, or ¥1,679 million from last year, and representing 37.5% of consolidated net sales. New orders increased 9.7% year-on-year, or ¥2,537 million to total ¥28,574 million. The main factors leading to the jump in net sales and new orders were the spike in installation-related sales due to increasing renovation, despite the decrease in new fire alarm system installations, and increased sales of residential fire alarms and security devices.

During current term we focused closely on selling residential fire alarms in response to the new demand in the expanding market created by the revision to the Fire Service Law that now requires installation of fire alarms in newly constructed houses on and after June 1st, 2006 and installation in existing houses by May 31st, 2011. In addition to conventional smoke alarms, which detects smoke, we added a thermal alarm to our product line. The residential fire alarms, which can be installed in the kitchen was developed in response to customer concerns about cooking smoke triggering false alarms. This development will enable us to garner a larger share of the expanding market in fire alarms for private residences.

Outlook

In response to persistent customer demands for even lower prices, we will focus marketing efforts on targeting small multi-occupants 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.

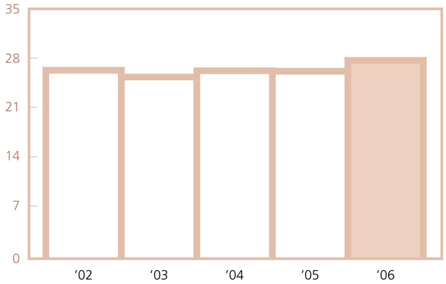
Major Products and Services

- 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 new products that will cultivate new markets in an aging society.

The Year in Review

Net sales in the Fire Extinguishing Systems segment in fiscal 2006 amounted to ¥21,335 million, down 7.6%, or ¥1,747 million, from last year, and represented 28.4% of consolidated net sales. New orders increased 4.5%, or ¥1,010 million, to ¥23,223 million. The main factor behind the decrease in net sales was a significant drop in sales of road fire protection equipment despite the increase in sales of fire extinguishing equipment for general properties such as office buildings and special properties such as plants and factories.

The hot topic in this market segment is "*Nago-Mist* (Dry Mist)". Jointly developed by five private sector companies including our own and three laboratories based at Nagoya University, it is designed to conserve energy, ease the heat island effect and eliminate discomfort during the summer season. This device utilizes the fundamental principle that water draws heat from its surroundings to lower the temperature when it turns from a liquid to gas (vapor). We succeeded in lowering temperatures two to three degrees, by using only one twentieth of the energy that would be normally consumed by a conventional air-conditioning system. The *Nago-Mist* was installed outdoors at EXPO 2005 AICHI JAPAN held for 185 days from March to September 2005, where it kept visitors to the EXPO nice and cool during the hot summer.

Outlook

We will boost our marketing proposals by leveraging our outstanding technical capabilities to develop products suited to fires of dangerous materials and in industrial plants and those resulting from new 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.

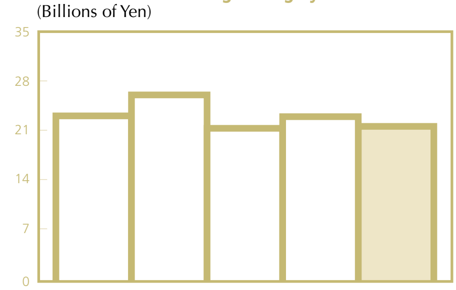
Major Products and Services

- 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 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 2006 amounted to ¥19,795 million, up 2.9%, or ¥563 million, from the previous fiscal year and represent 26.3% of consolidated net sales. New orders increased 3.9%, or ¥728 million, to ¥19,493 million. We achieved a gain in revenue from repair installation services, which is an important part of our medium-term business plan, but saw a slight decrease in maintenance services sales, which is also an important part of our medium-term business plan.

Outlook

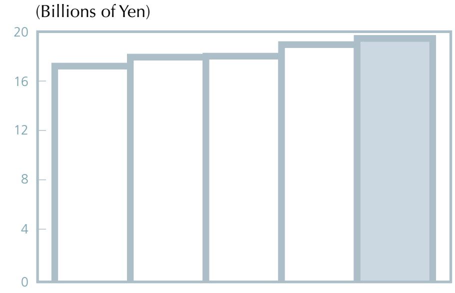
Japan's Fire Service Law stipulates the regular inspection of all fire alarms and fire extinguishing equipment. Accordingly, the market for these services continues to show steady growth. Because we conduct in-house design, development and installation of our fire protection equipment, we are in an excellent 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 improving 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 Maintenance Services
(Billions of Yen)



Others

This segment includes the assembly of printed circuit boards (PCB's) and the installation and management service of parking lot control systems. PCB's 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 utilized the driving lane control system to make driving in parking lots safer and improve the efficiency of guide and operation of parking lot. 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 2006 amounted to ¥5,824 million, a 13.6%, or ¥696 million gain representing 7.8% of consolidated net sales. New orders decreased 19.2%, or ¥964 million to ¥5,980 million year-on-year.

PCB assembly accounts for 55.4% of net sales in this division. We manufacture them mainly for the fire protection industry, but orders from other industries are increasing because of our advanced skills and excellent product reliability. To counter intense price competition, we are working to increase awareness of profit margins in our sales activities.

We offer a wide variety of different parking lot control systems. They account for 41.4% of net sales in this division, reflecting our wealth of experience in this field. We plan to automate the operations such as inventory controls, "vacancy/full" controls, alarm signals, parking guidance controls and parking-lot surveillance. We have also enhanced functionality and profitability by combining these systems with fee-collection systems. The efficient operation of parking lots contributes to improving the services the operator provides to the lot's users, and also plays a key role in ensuring that urban centers function smoothly.

Outlook

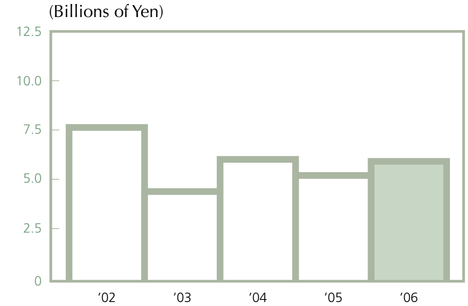
There are signs of a recovery in demand for IT-related products in the global market, and under the current circumstances, we will continue to implement measures aimed at reducing cost and increasing competitiveness.

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.

For fire alarm systems, in an effort to make the best out of the bleak situation facing the construction market where both new construction projects and market prices are shrinking, we have shifted our focus to the renovation market. We sold more marketing residential fire alarms and security devices for private residences. This strategy has paid off by increasing net sales to ¥28,192 million, a 6.3% year-on-year jump.

While sales of fire extinguishing systems for office buildings and special facilities such as plants and factories have increased, net sales of fire protection equipment for road tunnels have dipped significantly causing net sales to drop by 7.6% to ¥21,335 million.

While sales of maintenance services declined due to the termination of existing maintenance service contracts and competitive price cuts, net sales of repair services drove net sales up 2.9% year-on-year to reach a total ¥19,795 million.

In other areas, net sales of parking lot control systems fell off slightly, net sales of PCB assemblies shot up. As a result, net sales increased 13.6% year-on-year, to ¥5,824 million.

Consequently, net sales increased 1.6% or ¥1,191 million over last year's total, to reach ¥75,147 million.

Continuous efforts during the fiscal year to lower cost and cost of sales resulted in improvements in the cost to sales ratio, which has improved over five consecutive periods from fiscal March 2001 when it was 76.0%, to its current 73.9%.

Gross profit increased 2.0% year-on-year, to ¥19,615 million, and the gross profit margin reached 26.1%, 0.1 point year-on-year rise.

Although sales, general, and administrative expenses (SGA) increased ¥88 million due to the increase in net sales, efforts across the Group to reduce costs brought the SGA to net sales ration down 0.2 point from last year's figure to 22.8%.

Operating income increased 13.7% year-on-year, to ¥2,515 million. The net income for the fiscal year also increased 15.1%, to ¥1,354 million year-on-year, and the net income per share was ¥30.59.

Assets, Liabilities and Stockholders' Equity

Total assets at the end of fiscal 2006 amounted to ¥64,432 million, up 1.1%, or ¥713 million year-on-year.

Total current assets at the end of fiscal 2006 increased 0.3%, or ¥134 million, to ¥44,219 million comparing to the previous year.

Investments and Advances increased by 9.4%, or ¥876 million, to ¥10,219 million. The main factors leading to the increase were the increase in investments in securities by ¥762 million.

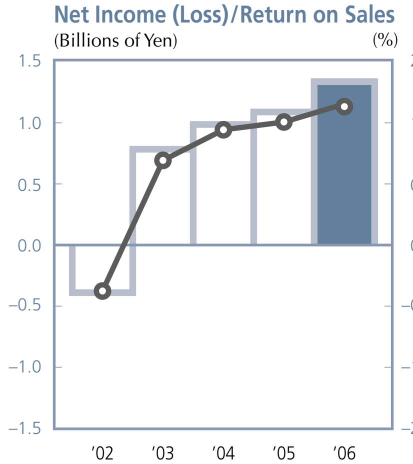
Property, Plant and Equipment decreased by 4.3%, or ¥403 million, to ¥8,933 million.

Total liabilities fell year-on-year by 2.0%, or ¥696 million, to ¥33,351 million.

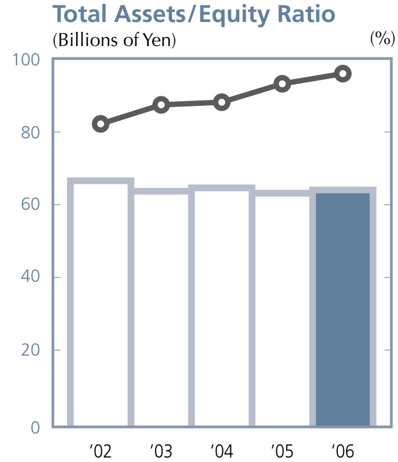
Interest-bearing debt dropped to ¥6,280 million, due to the decrease in short-term debt by 45.1%, or ¥230 million, from the previous year.

Total shareholders' equity increased 4.9% year-on-year, or ¥1,449 million to ¥30,938 million. The ratio increased 1.7 point from 46.3% for the previous year to 48.0%, and the price per share was ¥736.49, up from ¥702.17 in fiscal 2005.

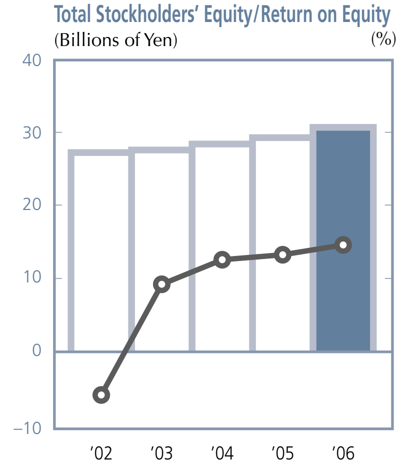
Net Income (Loss)/Return on Sales



Total Assets/Equity Ratio



Total Stockholders' Equity/Return on Equity



Cash Flow

Net cash provided by operating activities decreased by ¥2,632 million from the previous fiscal year to ¥1,177 million. This decrease was primarily attributable to the increase in cash outflow due to an increase in receivables and a decrease in payables, despite increased cash inflow from the decrease in inventories and the posting impairment losses.

Net cash used in investment activities amounted to ¥640 million, up ¥171 million year-on-year, owing primarily to the increase in payments for purchase of investments in securities.

Net cash used in financing activities decreased ¥3,087 million year-on-year to ¥671 million. This was largely due to the decrease in short-term debt.

Consequently, cash and cash equivalents showed a net increase of ¥627 million, ¥137 million less compared with the previous year. As a result, cash and cash equivalents at the end of the current fiscal year amounted to ¥8,224 million.

There are no large investment plans scheduled for the fiscal year ending March 2007, we believe that we can adequately deal with capital demands for the foreseeable future with our current financial resources.

Outlook

The outlook for the domestic economy is promising with capital expenditure and consumer spending up along with corporate earnings. However, for the meantime, we expect business conditions in the fire protection industry to remain harsh since the industry is so closely tied to the construction industry which is lagging behind other industries during this period of economic recovery. Next term net sales are expected to reach ¥78,500 million with net income totaling ¥1,500 million.

We are forecasting 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, 2004, 2005 and 2006

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2004	2005	2006	2006
Net Sales	¥72,144	¥73,956	¥75,147	$639,720
Cost of Sales	53,603	54,731	55,532	472,736
Gross profit	18,542	19,224	19,615	166,984
Selling, General and Administrative Expenses	16,880	17,012	17,100	145,570
Operating income	1,662	2,212	2,515	21,413
Other Income (Expenses):				
Interest income	11	10	17	147
Interest expense	(106)	(85)	(80)	(685)
Dividend on insurance policies	88	20	0	6
Rental revenue	85	79	80	685
Loss on sale of short-term investments and investments in securities	(1)	—	(1)	—
Loss on disposal and write-down of inventories	—	—	—	—
Loss on sale/disposal of property and equipment	(40)	(31)	(46)	(394)
Loss from revaluation of investments in securities	(24)	—	—	—
Amortization of difference between investment costs and equity in net assets acquired	14	4	4	37
Equity in earnings (losses) of affiliates	67	6	35	298
Provision for allowance for bad debts	(7)	—	(6)	(53)
Loss on write-off of memberships	(2)	(1)	(1)	(11)
Amortization of unrecognized prior service cost	163	—	—	—
Impairment loss on fixed assets (Notes 3 and 6)	—	—	(146)	(1,245)
Other, net	(42)	102	152	1,295
	206	104	7	63
Income before income taxes	1,867	2,317	2,522	21,477
Income Taxes:				
Current (Note 11)	249	1,250	1,405	11,966
Deferred (Note 11)	512	(125)	(254)	(2,168)
	760	1,124	1,151	9,798
Minority Interests in Consolidated Subsidiaries	(9)	(15)	(17)	(148)
Net income	1,098	1,177	1,354	11,530
Retained Earnings:				
Balance at beginning of year	15,850	16,474	17,213	146,538
Decrease:				
Cash dividends	(422)	(420)	(420)	3,579
Directors' bonuses	(51)	(16)	(78)	671
Loss on sale/disposal of treasury stock	(1)	—	—	—
Balance at end of year	¥16,474	¥17,213	¥18,068	$153,817

	Yen			U.S. Dollars (Note 1)
Per Share (Note 2):				
Net income—primary	¥25.73	¥26.14	¥26.14	$0.22
—fully diluted	—	—	—	—
Cash dividends	10.00	10.00	10.00	0.09
Weighted Average Number of Shares Issued (in thousands)	42,006	41,937	41,937	—

The accompanying notes are an integral part of the statements.

Consolidated Balance Sheets

Nohmi Bosai Ltd. and its Subsidiaries
As of March 31, 2005 and 2006

ASSETS	Millions of Yen 2005	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2006
Current Assets:			
Cash in hand and in banks (Note 4)	¥ 8,564	¥8,434	$71,803
Trade receivables:			
Notes	5,695	5,050	42,990
Accounts	17,002	18,694	159,146
Unconsolidated subsidiaries and affiliates	125	142	1,210
Other	517	417	3,552
	23,339	24,304	206,900
Less: Allowance for bad debts	(359)	(370)	(3,155)
	22,980	23,933	203,744
Inventories (Note 7)	11,508	10,751	91,525
Deferred tax assets (Note 11)	834	908	7,734
Prepaid expenses and other current assets	196	190	1,621
Total current assets	44,084	44,219	376,429
Investments and Advances:			
Investments in securities (Note 5)	2,064	2,826	24,061
Investments in and advances to unconsolidated subsidiaries and affiliates	2,199	2,386	20,313
Loans to employees	183	162	1,386
Long-term receivables	63	78	671
Deferred tax assets (Note 11)	2,764	2,645	22,521
Other investments and advances	2,430	2,374	20,217
	9,705	10,475	89,171
Less: Allowance for bad debts	(361)	(255)	(2,178)
	9,343	10,219	86,993
Property, Plant and Equipment:			
Buildings and structures	8,294	8,319	70,818
Machinery and equipment	2,141	2,082	17,731
Tools and furniture	5,415	5,457	46,462
	15,850	15,859	135,012
Less: Accumulated depreciation	(10,031)	(10,396)	(88,506)
	5,819	5,462	46,505
Construction in progress	43	36	313
Land	3,473	3,433	29,229
	9,336	8,933	76,048
Deferred Charges and Intangibles	954	1,061	9,034
Total assets	¥63,719	¥64,432	$548,505

The accompanying notes are an integral part of the statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen 2005	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2006
Current Liabilities:			
Short-term debt (Note 8)	¥ 510	¥6,280	$53,460
Trade payables:			
Notes	1,970	1,950	16,607
Accounts	4,967	4,356	37,087
Unconsolidated subsidiaries and affiliates	1,780	2,042	17,391
	8,718	8,350	71,086
Non-trade accounts payable	4,370	4,417	37,601
Advances received on uncompleted construction contracts	2,493	2,267	19,300
Accrued bonuses to employees	1,539	1,572	13,385
Accrued warranty costs	50	57	490
Income taxes payable (Note 11)	1,261	1,326	11,295
Other current liabilities	1,140	1,202	10,239
Total current liabilities	20,084	25,474	216,860
Long-term Liabilities:			
Long-term debt (Note 8)	6,339	345	2,942
Accrued retirement benefits (Note 9)	7,575	7,456	63,474
Other long-term liabilities	29	28	239
Difference between investment costs and equity in net assets acquired	17	46	393
Total long-term liabilities	13,962	7,876	67,050
Minority Interests in Consolidated Subsidiaries	182	143	1,222
Stockholders' Equity:			
Common stock;			
Authorized: 160,000,000 shares at March 31, 2005 and 2006			
Issued: 42,332,771 shares at March 31, 2005 and 2006	6,272	6,272	53,394
Additional paid-in capital	5,713	5,713	48,641
Retained earnings (Note 13)	17,213	18,068	153,817
Net unrealized gain on securities	481	936	7,969
Foreign currency translation adjustments	(10)	140	1,199
	29,670	31,132	265,023
Less: Treasury stock, at cost— 406,931 shares and 423,235 shares at March 31, 2005 and 2006	(181)	(193)	(1,651)
Contingent Liabilities (Note 12)			
Total liabilities and stockholders' equity	¥63,719	¥64,432	$548,505

Consolidated Statements of Cash Flows

Nohmi Bosai Ltd. and its Subsidiaries
For the years ended March 31, 2004, 2005 and 2006

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2004	2005	**2006**	**2006**
Cash Flows from Operating Activities:				
Income before income taxes	¥ 1,867	¥ 2,317	**¥ 2,522**	**$ 21,477**
Adjustments for:				
Depreciation and amortization	1,016	951	**888**	**7,564**
Impairment loss	—	—	**146**	**1,245**
Amortization of difference between investment costs and equity in net assets acquired	(14)	(4)	**(4)**	**(37)**
Decrease in allowance for bad debts	(13)	(22)	**(93)**	**(798)**
Decrease in accrued retirement benefits	(63)	(74)	**(119)**	**(1,017)**
Increase (decrease) accrued bonuses	(68)	169	**33**	**281**
Decrease in accrued warranty costs	(5)	(1)	**7**	**59**
Interest and dividend income	(32)	(33)	**(44)**	**(379)**
Interest expenses	106	85	**80**	**685**
Equity in earnings (losses) of affiliates	(67)	(6)	**(35)**	**(298)**
Loss on write-off of memberships	2	1	**—**	**—**
Loss on sales/retirement of property, plant and equipment	40	31	**46**	**394**
Loss from revaluation of investments in securities	24	—	**—**	**—**
Loss (gain) on sales of investments in securities	1	—	**(107)**	**(917)**
Decrease in receivables	1,326	1,817	**(1,018)**	**(8,669)**
Decrease (increase) in inventories	332	(650)	**757**	**6,447**
Increase (decrease) in payables	(562)	(29)	**(400)**	**(3,407)**
Increase (decrease) in advance received on uncompleted construction contracts	715	(294)	**(225)**	**(1,922)**
Directors' bonuses paid	(52)	(18)	**(80)**	**(688)**
Other, net	543	(201)	**194**	**1,652**
Subtotal	5,097	4,037	**2,545**	**21,669**
Interest and dividend income received	30	34	**52**	**444**
Interest expenses paid	(108)	(87)	**(80)**	**(684)**
Income taxes paid	(213)	(175)	**(1,340)**	**(11,407)**
Net cash provided by operating activities	¥ 4,806	¥ 3,809	**¥ 1,177**	**$ 10,022**

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2004	2005	2006	2006
Cash Flows from Investing Activities:				
Refund of time deposits	¥ (15)	¥ (39)	¥ (5)	$ (42)
Payments for purchase of property, plant and equipment	(603)	(679)	(678)	(5,776)
Proceeds from sales of property, plant and equipment	11	35	52	447
Payments for purchase of investments in securities	(6)	(330)	(56)	(485)
Proceeds from sales of investments in securities	56	249	134	1,147
Increase of loans receivable	(103)	(40)	(57)	(491)
Decrease of loans receivable	162	147	129	1,106
Other, net	21	(154)	(159)	(1,356)
Net cash used in investing activities	(477)	(812)	(640)	(5,452)
Cash Flows from Financing Activities:				
Decrease in short-term debt	(223)	(3,324)	(230)	(1,957)
Cash dividends paid	(422)	(420)	(420)	(3,579)
Cash dividends paid to minority stockholders	(2)	(2)	(8)	(76)
Proceeds from purchase of treasury stock	(76)	(11)	(12)	(102)
Net cash used in financing activities	(723)	(3,758)	(671)	(5,716)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—
Net increase (decrease) in cash and cash equivalents	3,607	(762)	(134)	(1,146)
Cash and cash equivalents at beginning of year	5,514	9,121	8,359	71,158
Cash and cash equivalents of newly consolidated subsidiaries	—	—	—	—
Cash and cash equivalents at end of year	¥ 9,121	¥ 8,359	¥ 8,224	$70,012

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") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

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

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥117.47 = US$1, the rate of exchange on March 31, 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. Summary of Significant Accounting Policies

(1) Scope of Consolidation and Elimination

The Company had 26 subsidiaries at March 31, 2006 (26 at March 31, 2005). The consolidated financial statements include the accounts of the Company and 21 subsidiaries at March 31, 2006 (21 at March 31, 2005).

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.	71.5%

The accounts of the remaining 5 unconsolidated subsidiaries had insignificant amounts of total assets, net sales, net income and surplus, 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, 2006, the Company had 5 affiliates (5 for 2005). 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

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) 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.

(15) 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 ($1,245 thousand) for the period ended March 31, 2006. Accumulated impairment losses on fixed assets are included in 'accumulated depreciation' on the consolidated balance sheets.

4. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	2006	2006
Cash and bank deposits	¥9,277	¥8,564	¥8,434	$71,803
Short-term investments	10	—	—	—
Total	9,287	8,564	8,434	71,803
Time deposits with deposit terms of over three months	(166)	(205)	(210)	(1,790)
Cash and cash equivalents	¥9,121	¥8,359	¥8,224	$70,012

5. Securities

A summary of other securities sold in the years ended March 31, 2005 and 2006 is shown below:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Total amount of sales	¥69	¥134	$1,144
Total amount of gain on sales	59	107	917
Total amount of losses on sales	—	—	—

6. Impairment loss on fixed assets

The Company and its consolidated subsidiaries have recognized impairment loss of ¥146 million ($1,245 thousand), 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 ($1,245 thousand), which comprises of land ¥39 million ($337 thousand), buildings and structures ¥70 million ($602 thousand), and others ¥ 35 million ($306 thousand).

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%.

7. Inventories

Inventories consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Products	¥ 1,834	¥ 1,938	$ 16,505
Raw materials	2,525	2,539	21,618
Work in progress	841	690	5,874
Cost of construction contracts in progress	6,307	5,582	47,526
	¥11,508	¥10,751	$91,525

8. Short-term Debt and Long-term Debt

Short-term debts at March 31, 2006, bore interest at annual rates ranging from 0.95% to 2.125% 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 comprised the following:

	2006	
	Millions of Yen	Thousands of U.S. Dollars
Unsecured 1.40% domestic standard bonds due in 2007	¥3,500	$29,794
Unsecured 0.88% domestic standard bonds due in 2007	2,500	21,282
Guarantee deposits received	345	2,942
	6,345	54,018
Less–portion due within one year	6,000	51,076
Total long-term debt	¥ 345	$ 2,942

Aggregate annual maturities of long-term debt, excluding guarantee deposits received, subsequent to March 31, 2006, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥6,000	$51,076
2008		
2009	—	—
2010	—	—
2011 and thereafter	—	—
	¥6,000	$51,076

9. Accrued Retirement Benefits and Pension Plan

The composition of amounts recognized in the consolidated balance sheets at March 31, 2005 and 2006, excluding directors' retirement benefits, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Benefit obligations at end of year	¥(10,765)	¥(10,989)	$(93,547)
Fair value of plan assets at end of year	2,894	3,817	32,498
Funded status	(7,871)	(7,171)	(61,048)
Unrecognized actuarial losses	751	291	2,479
Unrecognized prior service costs	—	—	—
Net amount recognized	(7,120)	(6,880)	(58,569)
Prepaid pension expenses	—	—	—
Accrued retirement benefits	¥ (7,120)	¥(6,880)	$(58,569)

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

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Service costs	¥520	¥510	$4,347
Interest costs	253	252	2,153
Expected return on plan assets	(60)	(63)	(542)
Amortization of transition obligation	—	—	—
Recognized actuarial loss	103	104	892
Amortization of unrecognized prior service costs	—	—	—
Extra severance costs	14	10	87
Net periodic benefit costs	¥831	¥815	$6,939

Notes: 1. The actuarial loss is recognized using the straight-line method over ten years from the next fiscal year.

2. The full amount of transition obligation was recognized in the fiscal year ended March 31, 2001.

3. The full amount of prior service costs was recognized in the fiscal year ended March 31, 2004.

Assumptions used as of March 31, 2005 and 2006, were as follows:

	2005	2006
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, 2005 and 2006 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
	2005	2006	2006
Machinery and equipment	¥ 79	¥ 12	$ 109
Tools and furniture	185	153	1,309
Others	27	26	221
	292	192	1,641
Less: Accumulated depreciation	(218)	(113)	(967)
Net book value	¥ 73	¥ 79	$ 673
Depreciation	¥ 43	¥ 32	$ 280

Depreciation is based on the straight-line method over the lease term of the leased assets.

The scheduled maturities of future lease rental payments on such lease contracts as of March 31, 2005 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Due within one year	¥ 30	¥ 25	$220
Due over one year	43	53	452
	¥ 73	¥ 79	$673
Lease rental expenses for the year	¥ 43	¥ 32	$280

As lessor:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Leased tools and furniture:			
Purchase cost	¥186	¥185	$1,580
Accumulated depreciation	(162)	(159)	(1,359)
Net book value	¥ 23	¥ 25	$ 220

The scheduled maturities of future lease rental income on such lease contracts as of March 31, 2005 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Due within one year	¥ 52	¥ 43	$ 367
Due over one year	196	156	1,332
	¥249	¥199	$1,699
Lease rental expenses for the year	¥ 83	¥ 53	$ 456
Depreciation for the year	¥ 12	¥ 6	$ 58

11. Income Taxes

At March 31, 2005 and 2006 significant components of deferred tax and liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Deferred tax assets:			
Accrued employees retirement benefits	¥2,771	¥2,787	$23,730
Accrued bonuses	625	640	5,456
Directors' retirement allowance	184	235	2,002
Loss on write-off of property and equipment	197	211	1,800
Accrued enterprise taxes	89	130	1,108
Accrued legal welfare expense	—	90	771
Tax loss carry forwards	—	81	695
Allowance for bad debts	53	—	—
Unrealized gain/loss	46	—	—
Other	126	215	1,832
Subtotal	4,093	4,393	37,398
Valuation allowance	(80)	(132)	(1,126)
Total	¥4,013	¥4,260	$36,272
Deferred tax liabilities:			
Depreciation	¥ (414)	¥ (706)	$ (6,016)
Net deferred tax assets	¥3,598	¥3,554	$30,256

The disclosure of reconciliation of the statutory tax rate to the effective income tax rate of March 31, 2005 and 2006 were as follows:

	2005	2006
Statutory tax rate	40.7%	40.7%
Adjustments:		
Entertainment expenses and other non-deductible expenses	6.2	5.7
Dividend income non-taxable	(0.8)	(1.9)
Per capital levy of local resident income taxes	3.6	3.2
Other factors	(1.2)	(2.1)
Effective tax rate	48.5%	45.6%

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 682 million yen (5,812 thousand U.S. dollars) at March 31, 2006.

13. Appropriations of Retained Earnings

The Japanese Commercial Code requires all Companies to appropriate as an earned reserve an amount equivalent to at least 10% of cash payments for appropriation of retained earnings until the legal reserve equals 25% of the stated capital. Earned reserve may be transferred to unappropriated retained earnings to the extent that the legal reserves do not fall below 25% of the stated capital.

Legal reserves may be transferred to stated capital through appropriate action by directors or offset against deficit through appropriate action by stockholders.

The following appropriations were approved at the stockholders' meeting of the Company held on June 29, 2006.

	Millions of Yen	Thousands of U.S. Dollars
Appropriations for:		
Cash dividends (5.00 per share)	¥210	$1,789
Directors' bonuses	60	510

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
	2004	2005	2006	2006
Net sales:				
Fire alarm systems	¥26,674	¥26,512	¥28,192	$239,995
Fire extinguishing systems	21,108	23,083	21,335	181,624
Maintenance services	18,381	19,232	19,795	168,518
Others	5,981	5,127	5,824	49,581
	72,144	73,956	75,147	639,720
Operating expenses:				
Fire alarm systems	25,446	25,147	25,787	219,525
Fire extinguishing systems	20,530	21,783	20,994	178,725
Maintenance services	14,827	15,693	16,011	136,303
Others	5,937	5,034	5,706	48,575
	66,739	67,658	68,500	583,129
Operating income before unallocatable costs	5,405	6,297	6,647	56,590
Less:				
Unallocatable operating expenses	¥(3,743)	¥ (4,085)	¥(4,132)	$(35,177)
Operating income	¥ 1,662	¥ 2,212	¥72,632	$618,307
Total assets:				
Fire alarm systems	¥25,691	¥24,636	¥24,127	$205,393
Fire extinguishing systems	16,801	14,881	16,241	138,262
Maintenance services	7,510	7,775	7,416	63,134
Others	1,549	1,665	1,622	13,813
	51,551	48,959	49,408	420,604
Unallocatable or headquarters	13,856	14,759	15,024	127,901
	¥65,406	¥63,719	¥64,432	$548,505

	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	2006	2006
Depreciation:				
Fire alarm systems	¥ 468	¥ 419	¥ 392	$3,337
Fire extinguishing systems	120	114	106	904
Maintenance services	91	87	82	703
Others	24	21	18	159
	703	642	599	5,106
Unallocatable or headquarters	300	308	288	2,458
	¥ 1,003	¥ 951	888	7,564

	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	2006	2006
Capital expenditure:				
Fire alarm systems	¥ 328	¥ 371	¥ 410	$ 3,493
Fire extinguishing systems	72	87	85	731
Maintenance services	92	45	90	768
Others	13	11	23	200
	505	514	610	5,194
Unallocatable or headquarters	129	289	258	2,198
	¥ 634	¥ 804	¥ 868	$ 7,392

	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	2006	2006
Impairment loss:				
Fire alarm systems	—	—	¥ 58	$ 494
Fire extinguishing systems	—	—	20	171
Maintenance services	—	—	35	299
Others	—	—	—	—
	—	—	113	965
Unallocatable or headquarters	—	—	32	279
	—	—	¥ 146	$ 1,245

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, 2006, were as follows:

	As of March 31, 2006			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	2004	2005	2006	2005	2006
SECOM Incorporated	¥ million	Security service	—(*)	Sale of products	¥2,321	¥2,053	¥2,313 ($19,694)	Trade receivables ¥ 148	Trade receivables ¥ 295 ($2,511)
KOATSU Co., Ltd.	¥ million	Fire extinguishing systems	20.83%	Purchase of raw materials	¥3,814	¥3,854	¥3,850 ($32,778)	Trade payables ¥1,726	Trade payables ¥ 2,001 ($17,039)

(*) The Company is an affiliate of SECOM Incorporated.

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

Report of the Independent Auditors

To the Board of Directors of Nohmi Bosai Ltd.

We have audited the accompanying consolidated balance sheets of Nohmi Bosai Ltd. and its consolidated subsidiaries as of March 31, 2005 and 2006, and the related consolidated statements of income and retained earnings, stockholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 its consolidated subsidiaries as of March 31, 2005 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 3, effective for the year ended March 31, 2006, Nohmi Bosai Ltd. and its subsidiaries changed their accounting policy for Adoption of Accounting Standard for Impairment of Fixed Assets.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers
Tokyo, Japan
June 29, 2006

Board of Directors and Corporate Auditors
(As of June 29, 2006)

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
Shojiro Nohmi
Katsuo Chiba

Corporate Auditors
Tetsunosuke Ishibashi
Takashi Yamashita
Tojiro Ishii

*Representative Director
†External

Investor Information
(As of March 31, 2006)

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
¥6,272,282,161

Number of Shares Issued
42,332,771

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	47	8,864	21.13
Japanese securities companies	28	242	0.58
Other Japanese corporations	209	16,886	40.24
Japanese individuals and others	3,249	13,639	32.51
Foreign institutions and individuals	38	2,026	4.83
Treasury stocks	1	299	0.71
Total	3,572	41,956	100.00

NOHMI

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Printed in Japan