

SEMIANNUAL REPORT 2005

For the Six-Month Period Ended September 30, 2005



A MESSAGE FROM THE PRESIDENT

Operating Results and Business Report

Despite the harsh business climate, seeds of change are beginning to take root within the fire protection industry as it adopts new management strategies that hold potential for future growth.

Although the deadline for complying with the revised Fire Service Law expired, the Nohmi Bosai Group is exploring further potential orders within the small multi-occupancies building market in the wake of the demand spawned by the new regulation. We are also focusing our efforts on developing sales channels in the general residential houses market in response to the mandatory installation of fire alarms in newly constructed homes nationwide which will take effect beginning June 2006. We are also implementing a fire protection marketing program targeting industrial units. This program includes fire protection diagnosis for our clients' industrial units and verification tests performed in our test facilities.

Furthermore, we are promoting sales of products that truly meet the customer's needs including; the *C12 Display System* for the new construction market, the *Advanced P11*, a fire control panel with an automatic testing function, for the renovation market, *Comfe*, a hands-free home security intercom controller with a color monitor, for the apartment complex market and the Remote Monitoring Service for the maintenance market.

Orders received this period amounted to ¥39,807 million, an 8.9% year-on-year increase, while net sales increased 7.6%, reaching a total of ¥32,284 million.

A breakdown of net sales by segment shows that fire alarm equipment accounted for ¥12,121 million, a 13.8% year-on-year increase, fire extinguishing equipment for ¥8,163 million, down 0.4%, maintenance services inspections for ¥8,816 million, up 0.9%, while other segments experienced a 31.3% year-on-year increase with sales totaling ¥3,182 million.

Despite our group-wide cost reduction effort, the net loss totaled ¥241 million, including an operating loss of ¥306 million, gain on sales of investment securities of ¥107 million and impairment loss of ¥146 million due to the adoption of the Accounting Standard for Impairment of Fixed Assets.

Our financial position in this period compared to the previous one shows a ¥1,254 million reduction in total assets. A further breakdown of our assets indicates that inventories decreased by ¥1,907 million and property, plant and equipment by ¥441 million. In our liabilities, trade payables declined by ¥1,753 million.

Regarding cash flow, net cash provided by operating activities was ¥859 million, down ¥2,054 million from the same period last year. Net cash used in investing activities was ¥376 million, down ¥221 million from the same period last year. Net cash used in financing activities ¥328 million, down ¥3,318 million from the same period last year. Consequently, cash and cash equivalents at the end of period amounted to 8,513 million.

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

Management Policies and Strategies

The Nohmi Bosai Group's motto is "to fulfill our mission as pioneers in the fire protection industry and create a safer world." We provide the most suitable, up-to-date, high quality fire protection systems and services to protect life and property covering research and development right through to construction and maintenance. As a member of society, we make social contributions. Moreover, we make it our policy to act in consideration of the earth with regard to environment conservation, energy savings and resource conservation.

Our medium and long term outlook is based on a medium-term plan starting in March 2005 designed to foster strategic unified group-wide sales activities, promote creative, speedy product and reinforce human

resources development 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 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 innovative 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 the kind of management that will sustain our growth, we must look beyond the traditional maturing fire protection markets and move into the residential houses market opened up by the new regulations. Most significantly, we have set our sights on making inroads into neighboring and overseas fire protection 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 who comply with our corporate ethics 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 structure upon which we can build for the future. The dividend we distribute is based on a long term financial outlook.

Future Outlook

Although dark clouds remain on the horizon for an industry burdened by falling market prices, our group's business condition began to change as a result of the public's growing awareness of the need for fire protection and revisions to the Fire Service Law. This in turn 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. Active 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 unit fire protection market and the environmental monitoring system market in order to respond to declining market prices in the existing fire protection markets.
4. Promoting organized progress management for construction projects.

Through the implementation of these initiatives we predict net sales of ¥72,500 million and net income for the period to be ¥1,000 million.

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

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

February 2006



Tadashi Tanoue
President

CONSOLIDATED BALANCE SHEETS

Nohmi Bosai Ltd. and Its Consolidated Subsidiaries
As of September 30, 2004 and 2005

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2005	2005
Current Assets:			
Cash on hand and in banks	¥ 8,001	¥ 8,729	\$ 77,122
Trade receivables:			
Notes	4,803	4,437	39,200
Accounts	12,173	12,298	108,652
Unconsolidated subsidiaries and affiliates	148	129	1,141
Other	350	540	4,777
	17,475	17,405	153,771
Less: allowance for bad debts	(325)	(355)	(3,137)
	17,149	17,050	150,634
Inventories	14,353	12,445	109,956
Deferred tax assets	1,032	931	8,231
Prepaid expenses and other current assets	341	342	3,022
Total current assets	40,877	39,499	348,967
Investments and Advances:			
Investments in securities	1,667	2,190	19,350
Investments in and advances to unconsolidated subsidiaries and affiliates	2,273	2,288	20,213
Loans to employees	189	173	1,531
Deferred tax assets	2,911	2,864	25,304
Other investments and advances	2,564	2,436	21,529
	7,938	7,762	68,578
Less: allowance for bad debts	(411)	(293)	(2,595)
	7,527	7,468	65,983
Total investments and advances	9,195	9,659	85,334
Property, Plant and Equipment:			
Buildings and structures	8,287	8,298	73,316
Machinery and equipment	2,143	2,122	18,748
Tools and furniture	5,454	5,443	48,092
	15,886	15,864	140,156
Less: accumulated depreciation	(9,863)	(10,244)	(90,509)
	6,022	5,619	49,647
Construction in progress	27	29	259
Land	3,473	3,433	30,334
Total property, plant and equipment	9,523	9,082	80,241
Deferred Charges and Intangibles	903	1,003	8,867
Total assets	¥60,499	¥ 59,244	\$523,410

Notes: (1) U.S. dollar amounts are translated at the rate of ¥113.19=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)
	2004	2005	2005
Current Liabilities:			
Short-term bank loans	¥ 404	¥ 405	\$ 3,578
Trade payables:			
Notes	1,757	1,674	14,793
Accounts	4,561	3,217	28,422
Unconsolidated subsidiaries and affiliates	1,465	1,139	10,064
	7,784	6,030	53,280
Non-trade accounts payable	3,229	2,972	26,265
Advances received on uncompleted construction contracts	4,801	3,904	34,495
Accrued bonuses to employees	1,375	1,369	12,100
Accrued warranty costs	33	17	151
Income taxes payable	162	266	2,350
Other current liabilities	836	1,022	9,033
Total current liabilities	18,627	15,988	141,255
Long-Term Liabilities:			
Long-term debt	6,336	6,347	56,082
Accrued retirement benefits	7,582	7,589	67,054
Other long-term liabilities	29	34	302
Difference between investment costs and equity in net assets acquired	20	15	137
Total long-term liabilities	13,968	13,987	123,576
Minority Interests in Consolidated Subsidiaries	162	172	1,520
Contingent Liabilities (Note 3)	—	—	—
Stockholders' Equity:			
Common stock;			
Authorized: 160,000,000 shares at September 30, 2004 and 2005			
Issued: 42,332,771 shares at September 30, 2004 and 2005	6,272	6,272	55,413
Additional paid-in capital	5,713	5,713	50,478
Retained earnings	15,685	16,683	147,389
Revaluation of investments in marketable securities	215	554	4,894
Foreign currency translation adjustments	27	58	520
	27,914	29,281	258,696
Less: treasury stock, at cost— 862 and 828 thousand shares at September 30, 2004 and 2005	(173)	(185)	(1,638)
Total liabilities and stockholders' equity	¥60,499	¥59,244	\$523,410

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Nohmi Bosai Ltd. and Its Consolidated Subsidiaries

For the Six-Month Periods Ended September 30, 2004 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2005	2005
Net Sales	¥30,008	¥32,284	\$285,223
Cost of Sales	22,401	24,245	214,198
Gross profit	7,606	8,039	71,024
Selling, General and Administrative Expenses	8,380	8,346	73,736
Operating loss	(774)	(306)	(2,711)
Other Income (Expenses):			
Interest income	5	8	75
Interest expense	(43)	(40)	(358)
Dividend on insurance policies	13	0	4
Rental revenue	42	40	357
Gain on sale of short-term investments and investments in securities	59	107	952
Loss on sale/disposal of property and equipment	(14)	(24)	(213)
Impairment loss on fixed assets	—	(146)	(1,293)
Amortization of difference between investment costs and equity in net assets acquired	1	2	19
Equity in earnings of affiliates	(12)	16	148
Other, net	(15)	17	152
	36	(17)	(154)
Loss before income taxes	(737)	(324)	(2,865)
Income Taxes:			
Current	116	155	1,373
Deferred	(288)	(238)	(2,105)
	(171)	(82)	(731)
Minority Interests in Consolidated Subsidiaries	(4)	0	2
Net loss	(561)	(241)	(2,135)
Retained Earnings:			
Balance at beginning of year	16,474	17,213	152,079
Decreases:			
Cash dividends	(210)	(210)	(1,857)
Directors' bonuses	(16)	(78)	(696)
Balance at end of year	¥15,685	¥16,683	\$147,389
	Yen		U.S. Dollars (Note 1)
Per Share:			
Net loss—primary	¥(13.38)	¥(5.77)	\$(0.05)
fully diluted	—	—	—
Cash dividends	5.00	5.00	0.04
Weighted Average Number of Shares Issued (in thousands)	41,943	41,923	

Notes: (1) U.S. dollar amounts are translated at the rate of ¥113.19=US\$1, for convenience only.
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CONSOLIDATED STATEMENTS OF CASH FLOWS

Nohmi Bosai Ltd. and Its Consolidated Subsidiaries

For the Six-Month Periods Ended September 30, 2004 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2005	2005
Cash Flows from Operating Activities:			
Loss before income taxes	¥ (737)	¥ (324)	\$ (2,865)
Adjustments for:			
Depreciation and amortization	482	447	3,955
Impairment loss on fixed assets	—	146	1,293
Amortization of difference between investment costs and equity in net assets acquired	(1)	(2)	(19)
Decrease in allowance for bad debts	(6)	(71)	(632)
Increase (decrease) in accrued retirement benefits	(68)	13	123
Increase (decrease) in accrued bonuses	6	(169)	(1,499)
Decrease in accrued warranty costs	(18)	(33)	(295)
Interest and dividend income	(21)	(28)	(251)
Interest expenses	43	40	358
Equity in earnings (losses) of affiliates	12	(16)	(148)
Loss on sales/retirement of property, plant and equipment	14	24	220
Gain (loss) on sale of short-term investments and investments in securities	59	(107)	(952)
Decrease in receivables	7,494	6,022	53,207
Increase in inventories	(3,494)	(937)	(8,278)
Decrease in payables	(2,132)	(4,051)	(35,797)
Increase in advances received on uncompleted construction contracts	2,013	1,411	12,469
Directors' bonuses paid	(18)	(80)	(714)
Other, net	(549)	(266)	(2,354)
Subtotal	3,079	2,016	17,817
Interest and dividend income received	20	33	297
Interest expenses paid	(45)	(40)	(358)
Income taxes paid	(140)	(1,150)	(10,165)
Net cash provided by operating activities	2,914	859	7,591
Cash Flows from Investing Activities:			
Increase in time deposits	(45)	(10)	(92)
Payments for purchase of property, plant and equipment	(333)	(414)	(3,661)
Proceeds from sales of property, plant and equipment	21	41	368
Payments for purchase of investments in securities	(328)	(54)	(482)
Proceeds from sales of investments in securities	129	134	1,190
Increase of loans receivable	(5)	(31)	(280)
Decrease of loans receivable	79	71	632
Other, net	(115)	(113)	(1,000)
Net cash used in investing activities	(597)	(376)	(3,326)
Cash Flows from Financing Activities:			
Decrease in short-term bank loans	(3,430)	(105)	(927)
Proceeds from sales of treasury stock	(3)	(3)	(33)
Cash dividends paid	(210)	(210)	(1,857)
Cash dividends paid to minority shareholders	(2)	(8)	(78)
Net cash used in financing activities	(3,646)	(328)	(2,898)
Effect of exchange rate changes on cash and cash equivalents	—	—	—
Net increase (decrease) in cash and cash equivalents	(1,330)	154	1,367
Cash and cash equivalents at beginning of year	9,121	8,359	73,849
Cash and cash equivalents at end of six-month period and year	¥ 7,790	¥ 8,513	\$ 75,216

Notes: (1) U.S. dollar amounts are translated at the rate of ¥113.19=US\$1, for convenience only.
(2) The accompanying notes are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED SEMIANNUAL 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, 2004 and 2005, 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 ¥113.19 = US\$1, the rate of exchange on September 30, 2005, 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 (\$1,293 thousand) for the six-month period ended September 30, 2005. Accumulated impairment losses on fixed assets are included in 'accumulated depreciation' on the consolidated balance sheets.

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 ¥676 million (\$5,974 thousand), and borrowings from bank in the aggregate amount of ¥1 million (\$11 thousand) at September 30, 2005.

NOHMI BOSAI LTD.

- Head Office: 7-3, Kudan-Minami 4-chome, Chiyoda-ku, Tokyo 102-8277, Japan
- Tel: +81-3-3265-0211
- Fax: +81-3-3263-4948
- URL: <http://www.nohmi.co.jp/>