

A N N U A L R E P O R T 2 0 0 5
For the Year Ended March 31, 2005



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 2005, ended March 31, 2005, the Company realized consolidated net sales of ¥73.9 billion. Nohmi Bosai is responsible for the development, marketing, installation and maintenance of a wide variety of state-of-the-art fire protection systems. In addition to our strong domestic presence, we are also active in China, other parts of Asia and the United States.

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Cautionary Statement with Respect to Forward-Looking Statements

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

Consolidated Financial Highlights

Nohmi Bosai Ltd. and its Subsidiaries

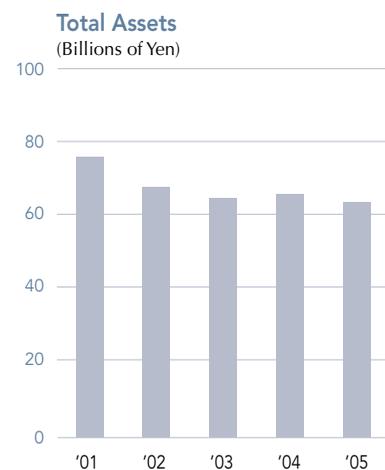
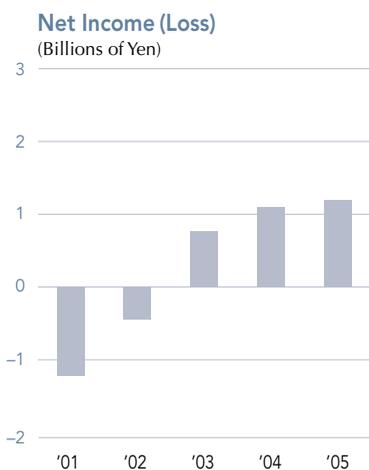
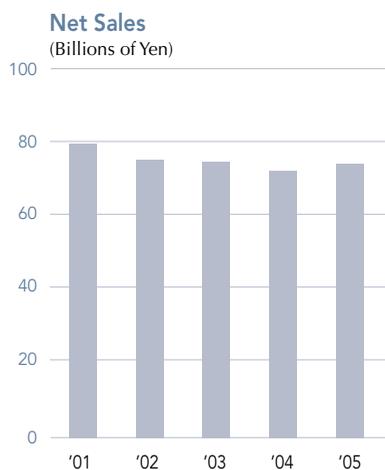
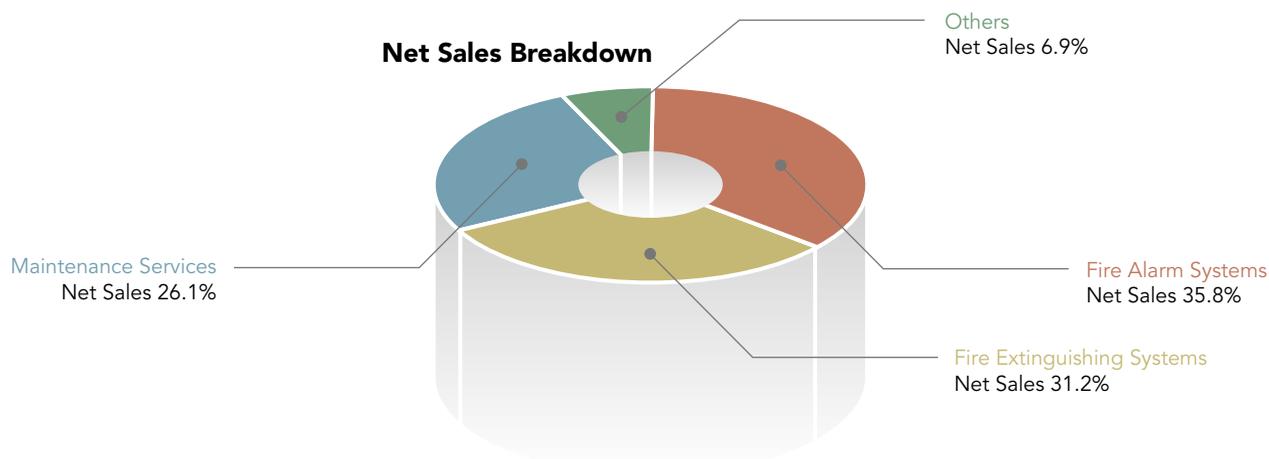
For the years ended March 31, 2003, 2004 and 2005

	Millions of Yen			Percentage Change	Thousands of U.S. Dollars
	2003	2004	2005	2005/2004	2005
For the year:					
New orders	¥69,920	¥72,501	¥72,030	(0.6)%	\$670,732
Net sales	74,519	72,144	73,956	2.5	688,667
Cost of sales	¥55,591	53,603	54,731	2.1	509,647
Operating income	1,971	1,662	2,212	33.1	20,597
Net income	811	1,098	1,177	7.2	10,960
At year-end:					
Total assets	¥64,375	¥65,406	¥63,719	(2.6)%	\$593,342
Total stockholders' equity	27,883	28,625	29,489	3.0	274,597
Backlog of orders	27,948	28,304	26,378	(6.8)	245,628
Number of employees	1,967	1,906	1,883	—	—
Per share (in yen and U.S. dollars):					
Net income—primary	¥ 17.96	¥ 25.73	¥ 26.14	—%	\$ 0.24
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 ¥107.39 = US\$1, the approximate effective rate of exchange prevailing on March 31, 2005.

3. All amounts are in millions of yen or thousands of U.S. dollars, except number of employees and per share amounts.





Tadashi Tanoue
President

Business Environment and Results

At the end of fiscal year 2005 on March 31, the domestic fire protection industry continued to persevere in the face of a harsh business environment burdened by weak market prices as a result of a downward spiral in new construction projects and diminishing capital investment by the public sector. But favorable trends, spurred on by the public's increasing awareness towards disaster prevention, technological innovations, growth in the renovation market and revisions to the Fire Service Law, are beginning to take hold and expand market needs.

The Nohmi Bosai Group has developed a medium-term business plan that will guide us through this harsh business environment as well as enable us to meet the expanding demands of the market. During this fiscal year we focused on the following areas: 1) establishing a unified follow-up system and exploring the demand for renovations; 2) establishing new fire-extinguishing technologies for industrial units and expanding distinctive products in the existing market; 3) putting new products on the market in China and enhancing our sales organization to target facilities related to the 2008 Olympics in Beijing; and 4) implementing management training to improve our on-site work capabilities.

We developed and expanded sales of our compact fire control panels and the *Advanced PII Less-zone Fire Control Panel* for the small multi-occupants building market, for

which new needs arose as a result of amendments made to the Fire Service Law. In addition to developing new sales channels, we also launched *Mamorukun 10*, a fire alarm for general residential buildings in time for the Tokyo Metropolitan Government's new ordinance for mandatory installation of fire alarms in newly constructed homes, which took effect in October 2004.

We implemented a program of sales proposals targeting fire protection in industrial units that makes full use of our outstanding technological research and development capabilities, such as *MIDEX II*, a fire suppression system. In response to revisions in the Fire Service Law that introduce performance-based codes, we provided customized services go beyond the requirements of the Law in order to meet the diverse range of customer demands.

We have also promoted sales of products that set us apart from our competitors, as launching the *C12 Display System*, a product developed in order to meet customer needs in the new construction market, the *Advanced PII*, a fire control panel fitted with an automatic testing function, for the renovations market, and *Comfe*, a hands-free home security intercom controller with a color monitor, for the apartment complex market.

Consequently, while the value of orders received as of March 31, 2005 amounted to ¥72,030 million, down 0.6% compared with the same period last year, net sales increased 2.5%, reaching a total of ¥73,956 million.

Thanks to our group-wide cost reduction effort, operating income increased 33.1%, to top off at ¥2,212 million and net income increased 7.2% over the previous fiscal year to reach ¥1,177 million.

Given our results for the period, we have set year-end cash dividends at ¥5.00 per share. Total cash dividends at year-end fiscal 2005 will amount to ¥10.00, combined with interim dividends of ¥5.00 per share which were distributed in December 2004.

Operating Highlights

Kururu, a commercial complex, and the Grand Tower Fuchu La Avenue, a high-rise residential building, both built under a redevelopment project administered by Fuchu City, Tokyo, have a total combined floor area of 63,000 m². The commercial complex offers direct access from Chofu station on the Keio Line via escalators and elevated walkways. With its park-like environment, the complex serves as an urban oasis in a bustling area. Several Nohmi Products are being used in Kururu, including the *R-22LX* system, the *C11* system, an emergency telephone system, a gas leak alarm system, and the *Sqall* fire extinguishing system, securing both safety and peace of mind for those who visit the facility.

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

We employ an auditing system and 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. The standing Corporate Auditors attend all important meetings including the those held by the Board of Directors and Board of Managing Directors. They investigate all the companies in the Group, monitor the independence of accounting auditors, and communicate with the accounting auditors. And then, they hold auditors' meetings on a regular basis to report and discuss about these results.

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

Outlook

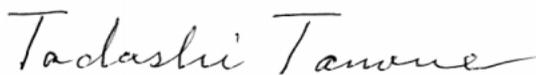
We expect business conditions in the fire protection industry to remain harsh in fiscal 2006 as the construction industry still shows no sign of recovery despite increasing prospects of a general economic recovery due to an upturn corporate profits and downturn in surplus employment.

In response to such challenges, in this the second year after the implementation of our medium-term business plan, we will strive to achieve our goals set out in the plan through collaborative efforts across the whole group. We will focus on developing unified group-wide sales activities, reducing overall costs to meet our targeted goals, and strengthening our customer service capabilities. We will make the utmost effort to ensure earnings and achieve our profit target for the fiscal year ending March 2006 by concentrating on the following areas:

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

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

July 2005



Tadashi Tanoue
President

Fire Alarm Systems

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

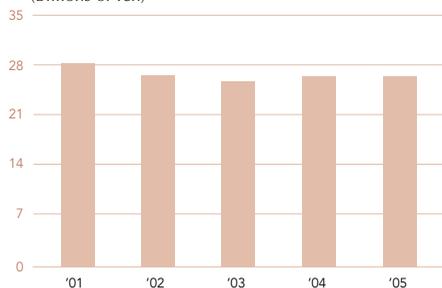


Fire Monitoring Panels in Control Center



Analog Heat Detector

Net Sales of Fire Alarm Systems
(Billions of Yen)



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 reliable products that meet the diverse requirements of buildings, focusing on analog addressable systems that satisfy overseas as well as domestic standards.

The Year in Review

Net sales in the Fire Alarm System segment in fiscal 2005 amounted to ¥26,512 million, down 0.6% from the last year, or ¥161 million, and represented 35.8% of consolidated net sales. New orders increased 2.0%, or ¥507 million, to ¥26,036 million. Flat growth in construction-related sales due to the declining number of new construction projects led to a drop in net sales despite an increase in renovations to fire alarm systems. Another factor for the decrease was the lagging sales of OEM products to our joint-venture project partner, SECOM Co., Ltd., as well as a drop in exports to overseas destinations, despite an increase in domestic sales of fire alarm systems.

New products developed and launched during the period included the *Mamorukun 10*, a fire alarm for newly constructed residential buildings. Installation of fire alarms in new homes was mandatory in Tokyo in October 2004, and will be nationwide in June 2006.

Mamorukun 10 offers features such as easy installation without any wiring, self-diagnosis, and a battery life of 10 years. We will use this product to make our full-scale entry into the new home market, in which one million homes are expected to be built each year, and increase our share of the market.

During this fiscal year we also developed and launched the *C12 Display System*, an integrated control panel for medium to large-size buildings. With a more compact body and easy monitoring and operation, it enables the user to assess fire conditions easier than any other existing products, and we expect it to be a success as a strategic product specifically designed to meet customer needs.

Outlook

In response to persistent customer demands for even lower prices, we will focus marketing efforts on targeting small multi-occupants buildings. At the same time we will strengthen overseas marketing to reinforce our market share abroad, particularly in China, which is continuing to rebuild its infrastructure.

Fire Extinguishing Systems

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

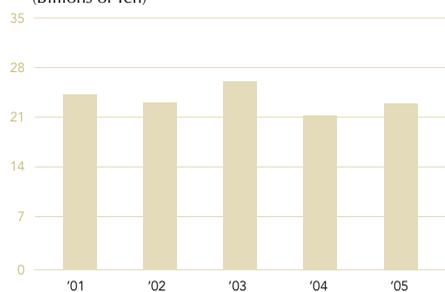


High-Expansion Foam Extinguishing System



Foam Extinguishing Test

Net Sales of Fire Extinguishing Systems (Billions of Yen)



The Nohmi Bosai Group offers a variety of sprinklers, foam extinguishing equipment, and fire protection equipment for large-scale buildings and constructions, including office buildings, leisure complexes, factories, plants, and tunnels. We have earned an excellent reputation for sophisticated design and installation technology in our fire extinguishing systems for waste incineration facilities, chemical plants and other specialized facilities. We are maximizing our proprietary technologies to develop distinctive new products.

The Year in Review

Net sales in the Fire Extinguishing Systems segment in fiscal 2005 amounted to ¥23,083 million, up 9.4% or ¥1,975 million from last year, and represented 31.2% of consolidated net sales. New orders increased 1.9%, or ¥416 million, to ¥22,212 million. These results are largely attributable to a significant increase in demand for fire protection equipment for tunnels, in addition to a slight increase in sales of fire extinguishing equipment for office buildings.

New products developed in the period included *MIDEX II*, a foam fire extinguishing system for fires in industrial plants. It is a cost reduced version of *MIDEX* and still retains the superior fire extinguishing capability and operability of the original and can be easily operated by one person to extinguish a fire. With the development of this new product, we can further strengthen our proposal-based sales capabilities to meet rising demand spurred on by a spate of industrial fires that have occurred in recent years.

We also developed *Sqall II*, foam fire extinguishing equipment for indoor parking lots. Use of environmentally-friendly foam fire extinguishing agent allows for easy cleaning after extinguishing fire and makes this product more environmentally-friendly compared with existing products. Since its use is limited to extinguishing fires in parking areas, it has more pared down specifications and is also lower in cost.

Outlook

We will strengthen our proposal-based sales by capitalizing on our outstanding technical capabilities to develop products suited to fires in industrial plants and those resulting from new hazardous materials, and we will respond to the new demands arising from the specific safety guidelines which were incorporated into the amendments to the Fire Service Law.

Maintenance Services

Major Services

- Maintenance Services
- Inspection Services



Maintenance Services

In addition to conducting research and development aimed at ensuring the finest fire alarm and fire extinguishing systems, we recognize the need to guarantee the quality and correct functioning of these systems.

The Nohmi Bosai Group guarantees the safety of all of its products by offering a wide variety of different 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

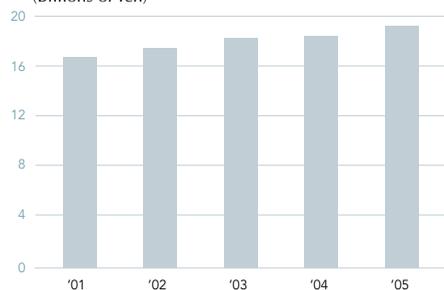
Net sales for the Maintenance Services segment in fiscal 2005 amounted to ¥19,232 million, up 4.6%, or ¥851 million, from the previous fiscal year and represented 26.1% of consolidated net sales. New orders decreased 0.9%, or ¥170 million, to ¥18,764 million. We achieved increases in sales in both the maintenance and repair services by focusing on key measures set forth in our medium-term business plan.

Our goal for this period was to conduct coordinated sales activities targeting the maintenance and renovations market, which is one of the key measures specified in the medium-term business plan. We continued our proposal-based sales efforts tailored for the renovations market by strengthening our coordination with sales teams in the new construction market. In an effort to increase customer satisfaction, we also strove to expand sales of the *CS Remote Monitoring Service*, which allows us to monitor our customers' automatic fire alarm systems for any failure or problem from the CS service center 24 hours a day via a wireless network.

Outlook

Japan's Fire Service Law stipulates 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 a 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 capability to market maintenance services to customers who place orders for new installations.

Net Sales of Maintenance Services
(Billions of Yen)



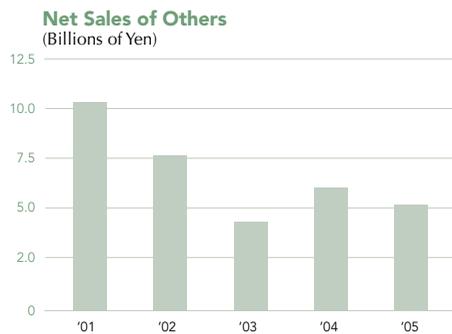
Others

Major Products and Services

- Printed Circuit Board Assembly Operations
- Parking Lot Maintenance Services



Printed Circuit Board Assembly



This segment covers the assembly of printed circuit boards (PCBs) and the installation and maintenance of parking lot control systems. PCBs are an essential part of high-technology fire protection 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 expanding rapidly.

Our parking lot control systems make driving in parking lots safer and improve their efficiency and operation. 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 2005 amounted to ¥5,127 million, down 14.3% or ¥853 million, and represented 6.9% of consolidated net sales. New orders decreased 19.6% or ¥1,224 million to ¥5,015 million. While we saw an increase in revenue from parking lot control systems, we experienced a significant loss in the PCB assembly business.

PCB assembly accounts for 49.1% of net sales in this division. Orders from other industries are increasing because of our advanced skills and excellent product reliability. To counter intense competition in pricing, we are working to increase awareness of profit margins in our sales activities.

We offer a wide variety of different parking lot control systems, which account for 47.6% of net sales in this division, that reflect our wealth of experience in this field. These include systems with automatic “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 it also plays a key role in ensuring that urban centers function smoothly.

Outlook

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

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.

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.



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.

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.



Consultation and System Design



Information obtained from simulation experiments and client consultation is important for both designing and developing customized fire protection systems.

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.



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.

Management's Discussion and Analysis

Performance Analysis

The Nohmi Bosai Group's consolidated financial statements, based on generally accepted accounting standards in Japan, presents our financial condition and operating results.

The Nohmi Bosai Group continued to operate in a difficult business environment owing to declining demand in the construction market. The Group's results by each segment are given below.

In order to meet the two-fold challenge of a decline in large-scale construction projects and sluggish market prices in the new construction market, we launched a number of new fire alarms on to the market. These products include the *C12 Display System*, developed specifically to meet customer needs in the new construction market, and *Comfe*, a hands-free home security intercom controller. We also launched the *Advanced PII* in order to give us an advantage over our competitors and cultivate sales in the renovation market. We expanded sales of our compact fire control panels and *Advanced PII Less-zone Fire Control Panel* for the small multi-occupants building market. Despite these efforts, we failed to defy the plunge in the market overall. As a result, net sales dropped 0.6% from the previous fiscal year to ¥26,512 million.

With our fire extinguishing equipment, we focused on strengthening efforts to reach our order target and a coordinated drive directed at sales for large-scale construction projects in order to survive the slump in market prices. We also worked on increasing our added value by promoting such distinctive products as *New Sqall*. We also implemented measures to accept orders in the special construction market, including factories and plants. Thanks to these efforts, net sales in this division increased 9.4%, to ¥23,083 million.

With our maintenance services, we focused on increasing the number of maintenance contracts in building where our fire alarm/extinguishing systems have been installed by enhancing cooperation between the sales teams for maintenance services and for new installations, offering customized proposals for renovations, boosting sales of the *Remote Monitoring Service* aimed at improving customer satisfaction, and by increasing sales personnel for maintenance service. These efforts contributed to an increase of 4.6% to ¥19,232 million in net sales for the division.

In other areas, net sales of parking lot control systems and the assembly of PCBs decreased. This was a consequence of a decline in the number of large-scale projects in the former, as well as a change in business by large-scale customers in the latter, and as a result, net sales dropped 14.3%, to ¥5,127 million.

Efforts to lower costs and a change in our sales composition contributed to a decline in the cost of sales ratio by 0.4%. This ratio has improved over four consecutive periods from fiscal 2001, dropping from 76.0% to 74.0%.

Sales, general, and administrative expenses dropped 0.4% to 23.0%. However, despite our cost reduction efforts, we saw an increase in these expenses of ¥132 million due to the introduction of a pro forma standard taxation system.

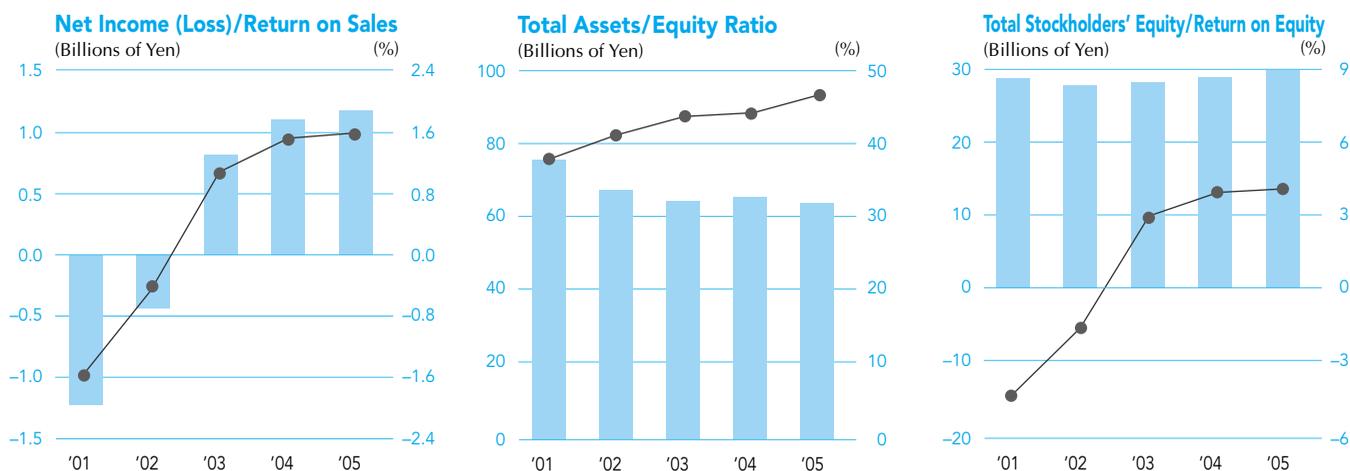
Consequently, overall the operating income ratio was at 3.0%, up 0.7%, due to the increase in sales and change in the sales composition.

Assets, Liabilities and Stockholders' Equity

Total assets at the end of fiscal 2005 amounted to ¥63,719 million, down 2.6%, or ¥1,687 million.

Total current assets decreased 3.9%, or ¥1,768 million, to ¥44,084 million, reflecting an increase in inventories of ¥650 million and decreases in cash on hand and in banks of ¥712 million, and notes and accounts receivable of ¥1,801 million.

Investments and advances increased 3.4%, or ¥303 million, to ¥9,343 million, owing primarily to an increase in investments in securities of ¥479 million.



The value of our property, plant and equipment decreased 4.0%, or ¥386 million, to ¥9,336 million, owing primarily to an increase in accumulated depreciation of ¥10,031 million.

Total liabilities for the year-end of fiscal 2005 were ¥34,047 million, down 6.9%, or ¥2,535 million.

Interest-bearing debt dropped to ¥6,510 million, due to a decrease in short-term loans by ¥3,324 million, or 86.7%; this was largely because of the repayment of short-term loan from cash on hand owing to the agreement concerning our loan commitment line. Additionally, it was contributed by both few large scale capital investments and the efficiency of our asset management.

Total stockholders' equity increased 3.0%, or ¥864 million, to ¥29,489 million. Its ratio increased 2.5 percentage points from 43.8% to 46.3% and its per share was ¥702.17, up from ¥682.43 in fiscal 2004.

Cash Flow

Net cash provided by operating activities decreased by ¥997 million from the previous fiscal year to ¥3,809 million. This decrease was primarily attributable to the increase in cash outflow due to an increase in inventories and a decrease in advances received on uncompleted construction contracts, despite increased cash inflow from the decrease in receivables and an increase in payables.

Net cash used in investment activities amounted to ¥812 million, ¥335 million more compared with the previous period, owing primarily to an increase in investment activities included payments for purchase of investments in securities.

Net cash used in financing activities totaled ¥3,758 million, up by ¥3,035 million from the previous year. This was largely due to an increase in the repayment of short-term debt as a result of the introduction of a commitment line.

Thus, the Nohmi Bosai Group's operating, investment and financing activities in fiscal 2005 led to a net increase in cash and cash equivalents of ¥762 million, ¥4,368 million less compared with the previous period. Consequently, cash and cash equivalents at end-of-year amounted to ¥8,359 million.

Since there are no large investment plans scheduled for the fiscal year ending March 2006, we believe that we can adequately deal with capital demands for the foreseeable future with our current financial resources.

Outlook

With corporate profits rising and the employment surplus falling, the economic outlook remains favorable. However, we expect conditions in the fire protection industry to remain difficult in fiscal 2006 as the construction market shows no sign of recovery. Accordingly, we forecast consolidated net sales of ¥72,500 million and a net income of ¥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 at ¥5.00.

Consolidated Statements of Income and Retained Earnings

Nohmi Bosai Ltd. and its Subsidiaries

For the years ended March 31, 2003, 2004 and 2005

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2003	2004	2005	2005
Net Sales	¥74,519	¥72,144	¥73,956	\$688,667
Cost of Sales	55,591	53,603	54,731	509,650
Gross profit	18,928	18,542	19,224	179,016
Selling, General and Administrative Expenses	16,957	16,880	17,012	158,414
Operating income	1,971	1,662	2,212	20,602
Other Income (Expenses):				
Interest income	14	11	10	100
Interest expense	(116)	(106)	(85)	(792)
Dividend on insurance policies	42	88	20	187
Rental revenue	87	85	79	740
Loss on sale of short-term investments and investments in securities	—	(1)	—	—
Loss on disposal and write-down of inventories	(11)	—	—	—
Loss on sale/disposal of property and equipment	(77)	(40)	(31)	(297)
Loss from revaluation of investments in securities	(525)	(24)	—	—
Amortization of difference between investment costs and equity in net assets acquired	14	14	4	38
Equity in earnings (losses) of affiliates	(13)	67	6	56
Provision for allowance for bad debts	(34)	(7)	—	—
Loss on write-off of memberships	(8)	(2)	(1)	(12)
Amortization of unrecognized prior service cost	391	163	—	—
Other, net	214	(42)	102	953
	(21)	206	104	976
Income before income taxes	1,950	1,867	2,317	21,578
Income Taxes:				
Current (Note 9)	236	249	1,250	11,646
Deferred (Note 9)	882	512	(125)	(1,173)
	1,118	760	1,124	10,473
Minority Interests in Consolidated Subsidiaries	(21)	(9)	(15)	(142)
Net income	811	1,098	1,177	10,961
Retained Earnings:				
Balance at beginning of year	15,367	15,850	16,474	153,403
Increase:				
Increase due to additions of consolidated subsidiaries and affiliates	104	—	—	—
Decrease:				
Cash dividends	(423)	(422)	(420)	(3,917)
Directors' bonuses	(9)	(51)	(16)	(155)
Loss on sale/disposal of treasury stock	—	(1)	—	—
Balance at end of year	¥15,850	¥16,474	¥17,213	\$160,292
		Yen		U.S. Dollars (Note 1)
Per Share (Note 2):				
Net income—primary	¥17.96	¥25.73	¥26.14	\$0.24
—fully diluted	—	—	—	—
Cash dividends	10.00	10.00	10.00	0.09
Weighted Average Number of Shares Issued (in thousands)	42,297	42,006	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, 2004 and 2005

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2005	2005
Current Assets:			
Cash in hand and in banks (Note 3)	¥ 9,277	¥ 8,564	\$ 79,750
Short-term investments (Notes 3 and 4)	10	—	—
Trade receivables:			
Notes	6,293	5,695	53,031
Accounts	18,223	17,002	158,320
Unconsolidated subsidiaries and affiliates	157	125	1,165
Other	438	517	4,820
	25,111	23,339	217,337
Less: Allowance for bad debts	(334)	(359)	(3,345)
	24,777	22,980	213,991
Inventories (Note 5)	10,859	11,508	107,169
Deferred tax assets (Note 9)	741	834	7,769
Prepaid expenses and other current assets	189	196	1,828
Total current assets	45,853	44,084	410,510
Investments and Advances:			
Investments in securities (Note 4)	1,585	2,064	19,226
Investments in and advances to unconsolidated subsidiaries and affiliates	2,279	2,199	20,481
Loans to employees	219	183	1,705
Long-term receivables	105	63	588
Deferred tax assets (Note 9)	2,843	2,764	25,741
Other investments and advances	2,419	2,430	22,628
	9,449	9,705	90,372
Less: Allowance for bad debts	(409)	(361)	(3,363)
	9,040	9,343	87,009
Property, Plant and Equipment:			
Buildings and structures	8,286	8,294	77,233
Machinery and equipment	2,143	2,141	19,938
Tools and furniture	5,412	5,415	50,428
	15,842	15,850	147,600
Less: Accumulated depreciation	(9,635)	(10,031)	(93,410)
	6,207	5,819	54,189
Construction in progress	42	43	407
Land	3,473	3,473	32,342
	9,722	9,336	86,939
Deferred Charges and Intangibles	792	954	8,885
Total assets	¥65,406	¥63,719	\$593,343

The accompanying notes are an integral part of the statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2005	2005
Current Liabilities:			
Short-term debt (Note 6)	¥ 3,835	¥ 510	\$ 4,749
Trade payables:			
Notes	1,660	1,970	18,347
Accounts	5,163	4,967	46,258
Unconsolidated subsidiaries and affiliates	1,959	1,780	16,581
	8,781	8,718	81,187
Non-trade accounts payable	4,329	4,370	40,700
Advances received on uncompleted construction contracts	2,787	2,493	23,215
Accrued bonuses to employees	1,370	1,539	14,334
Accrued warranty costs	52	50	471
Income taxes payable (Note 9)	186	1,261	11,744
Other current liabilities	1,227	1,140	10,624
Total current liabilities	22,567	20,084	187,027
Long-term Liabilities:			
Long-term debt (Note 6)	6,336	6,339	59,029
Accrued retirement benefits (Note 7)	7,651	7,575	70,546
Other long-term liabilities	29	29	272
Difference between investment costs and equity in net assets acquired	—	17	165
Total long-term liabilities	14,016	13,962	130,013
Minority Interests in Consolidated Subsidiaries	199	182	1,702
Stockholders' Equity:			
Common stock;			
Authorized: 160,000,000 shares at March 31, 2004 and 2005			
Issued: 42,332,771 shares at March 31, 2004 and 2005	6,272	6,272	58,406
Additional paid-in capital	5,713	5,713	53,203
Retained earnings (Note 11)	16,474	17,213	160,292
Net unrealized gain on securities	319	481	4,486
Foreign currency translation adjustments	16	(10)	(99)
	28,795	29,670	276,290
Less: Treasury stock, at cost—			
386,602 shares and 406,931 shares at March 31, 2004 and 2005	(170)	(181)	(1,690)
Contingent Liabilities (Note 10)			
Total liabilities and stockholders' equity	¥65,406	¥63,719	\$593,343

Consolidated Statements of Cash Flows

Nohmi Bosai Ltd. and its Subsidiaries
For the years ended March 31, 2003, 2004 and 2005

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2003	2004	2005	2005
Cash Flows from Operating Activities:				
Income before income taxes	¥ 1,950	¥ 1,867	¥ 2,317	\$21,578
Adjustments for:				
Depreciation and amortization	1,081	1,016	951	8,858
Amortization of difference between investment costs and equity in net assets acquired	(14)	(14)	(4)	(38)
Decrease in allowance for bad debts	(3,563)	(13)	(22)	(212)
Decrease in accrued retirement benefits	(640)	(63)	(74)	(696)
Increase (decrease) accrued bonuses	(51)	(68)	169	1,580
Decrease in accrued warranty costs	(2)	(5)	(1)	(14)
Interest and dividend income	(32)	(32)	(33)	(311)
Interest expenses	117	106	85	792
Equity in earnings (losses) of affiliates	13	(67)	(6)	(56)
Loss on write-off of memberships	8	2	1	12
Loss on sales/retirement of property, plant and equipment	77	40	31	297
Loss from revaluation of investments in securities	525	24	—	—
Loss on sales of investments in securities	—	1	—	—
Decrease in receivables	2,775	1,326	1,817	16,919
Decrease (increase) in inventories	1,169	332	(650)	(6,053)
Increase (decrease) in payables	825	(562)	(29)	(277)
Increase (decrease) in advance received on uncompleted construction contracts	(2,146)	715	(294)	(2,740)
Directors' bonuses paid	(11)	(52)	(18)	(171)
Other, net	(186)	543	(201)	(1,872)
Subtotal	1,893	5,097	4,037	37,594
Interest and dividend income received	35	30	34	325
Interest expenses paid	(115)	(108)	(87)	(811)
Income taxes paid	(1,566)	(213)	(175)	(1,636)
Net cash provided by operating activities	¥ 247	¥ 4,806	¥ 3,809	\$35,471

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2003	2004	2005	2005
Cash Flows from Investing Activities:				
Refund of time deposits	¥ 68	¥ (15)	¥ (39)	\$ (369)
Payments for purchase of property, plant and equipment	(795)	(603)	(679)	(6,328)
Proceeds from sales of property, plant and equipment	20	11	35	334
Payments for purchase of investments in securities	(13)	(6)	(330)	(3,076)
Proceeds from sales of investments in securities	41	56	249	2,322
Increase of loans receivable	(56)	(103)	(40)	(378)
Decrease of loans receivable	150	162	147	1,368
Other, net	(20)	21	(154)	(1,438)
Net cash used in investing activities	(605)	(477)	(812)	(7,565)
Cash Flows from Financing Activities:				
Decrease in short-term debt	(163)	(223)	(3,324)	(30,959)
Repayment of long-term debt	(125)	—	—	—
Cash dividends paid	(423)	(422)	(420)	(3,917)
Cash dividends paid to minority stockholders	(2)	(2)	(2)	(20)
Proceeds from purchase of treasury stock	(21)	(76)	(11)	(104)
Net cash used in financing activities	(735)	(723)	(3,758)	(35,002)
Effect of exchange rate changes on cash and cash equivalents ..	—	—	—	—
Net increase (decrease) in cash and cash equivalents	(1,093)	3,607	(762)	(7,095)
Cash and cash equivalents at beginning of year	6,520	5,514	9,121	84,933
Cash and cash equivalents of newly consolidated subsidiaries ..	87	—	—	—
Cash and cash equivalents at end of year	¥ 5,514	¥ 9,121	¥ 8,359	\$77,838

The accompanying notes are an integral part of the statements.

Notes to the Consolidated Financial Statements

Nohmi Bosai Ltd. and its Subsidiaries
For the years ended March 31, 2003, 2004 and 2005

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 ¥107.39 = US\$1, the rate of exchange on March 31, 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. Summary of Significant Accounting Policies

(1) Scope of Consolidation and Elimination

The Company had 26 subsidiaries at March 31, 2005 (25 at March 31, 2004). The consolidated financial statements include the accounts of the Company and 21 subsidiaries at March 31, 2005 (21 at March 31, 2004).

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%
NISSIN BOHSAI Co., Ltd. (Chiba)	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.	50.3%

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, 2005, the Company had 5 affiliates (5 for 2004). 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 each of inventory items:

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.

(16) Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price or value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005.

The Company has not yet applied this new standard nor has it determined the effect of applying it on the Company's consolidated financial statements.

3. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2003	2004	2005	2005
Cash and bank deposits	¥5,655	¥9,277	¥8,564	\$79,750
Short-term investments	10	10	—	—
Total	5,665	9,287	8,564	79,750
Time deposits with deposit terms of over three months	(151)	(166)	(205)	(1,912)
Cash and cash equivalents	¥5,514	¥9,121	¥8,359	\$77,838

4. Securities

A summary of other securities sold in the years ended March 31, 2004 and 2005 is shown below:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Total amount of sales	¥33	¥69	\$644
Total amount of gain on sales	27	59	557
Total amount of losses on sales	1	—	—

5. Inventories

Inventories consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Products	¥ 1,410	¥ 1,834	\$ 17,080
Raw materials	2,234	2,525	23,514
Work in progress	724	841	7,835
Cost of construction contracts in progress	6,491	6,307	58,739
	¥10,859	¥11,508	\$107,169

6. Short-term Debt and Long-term Debt

Short-term debts at March 31, 2005, 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, 2005, comprised the following:

	2005	
	Millions of Yen	Thousands of U.S. Dollars
Unsecured 1.40% domestic standard bonds due in 2007	¥3,500	\$32,591
Unsecured 0.88% domestic standard bonds due in 2007	2,500	23,279
Guarantee deposits received	344	3,205
	6,344	59,076
Less—portion due within one year	—	—
Total long-term debt	¥6,344	\$59,076

Aggregate annual maturities of long-term debt, excluding guarantee deposits received, subsequent to March 31, 2005, were as follows:

Year ending March 31	Millions	Thousands of
	of Yen	U.S. Dollars
2006	¥ —	\$ —
2007	6,000	55,871
2008	—	—
2009	—	—
2010 and thereafter	—	—
	<u>¥6,000</u>	<u>\$55,871</u>

7. Accrued Retirement Benefits and Pension Plan

The composition of amounts recognized in the consolidated balance sheets at March 31, 2004 and 2005, excluding directors' retirement benefits, were as follows:

	Millions of Yen		Thousands of
	2004	2005	U.S. Dollars
Benefit obligations at end of year	¥(10,777)	¥(10,765)	\$(100,251)
Fair value of plan assets at end of year	2,751	2,894	26,950
Funded status	(8,026)	(7,871)	(73,300)
Unrecognized actuarial losses	836	751	6,993
Unrecognized prior service costs	—	—	—
Net amount recognized ...	(7,190)	(7,120)	(66,307)
Prepaid pension expenses ..	—	—	—
Accrued retirement benefits	¥ (7,190)	¥ (7,120)	\$ (66,307)

The components of net pension and employees' severance costs for the years ended March 31, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of
	2004	2005	U.S. Dollars
Service costs	¥541	¥520	\$4,850
Interest costs	250	253	2,360
Expected return on plan assets ...	(51)	(60)	(562)
Amortization of transition obligation	—	—	—
Recognized actuarial loss	121	103	959
Amortization of unrecognized prior service costs	(163)	—	—
Extra severance costs	28	14	130
Net periodic benefit costs	¥726	¥831	\$7,739

- Notes: 1. The actuarial loss is recognized using the straight-line method over ten years from 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, 2004 and 2005, were as follows:

	2004	2005
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%

8. 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, 2004 and 2005 is 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, is summarized as follows:

	Millions of Yen		Thousands of
	2004	2005	U.S. Dollars
Machinery and equipment ...	¥ 428	¥ 79	\$ 738
Tools and furniture	306	185	1,727
Others	71	27	258
	805	292	2,724
Less: Accumulated depreciation	(735)	(218)	(2,038)
Net book value	¥ 70	¥ 73	\$ 686
Depreciation	¥ 100	¥ 43	\$ 404

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

The scheduled maturities of future lease rental payments on such lease contracts as of March 31, 2004 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Due within one year	¥ 39	¥ 30	\$281
Due over one year	31	43	404
	¥ 70	¥ 73	\$686
Lease rental expenses for the year	¥100	¥ 43	\$402

As lessor:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Leased tools and furniture:			
Purchase cost	¥290	¥186	\$1,735
Accumulated depreciation	(245)	(162)	(1,513)
Net book value	¥ 45	¥ 23	\$ 221

The scheduled maturities of future lease rental income on such lease contracts as of March 31, 2004 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Due within one year	¥ 83	¥ 52	\$ 491
Due over one year	215	196	1,830
	¥298	¥249	\$2,321
Lease rental expenses for the year	¥111	¥ 83	\$ 775
Depreciation for the year	¥ 22	¥ 12	\$ 117

9. Income Taxes

At March 31, 2004 and 2005 significant components of deferred tax and liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Deferred tax assets:			
Accrued employees retirement benefits	¥2,766	¥2,771	\$25,805
Accrued bonuses	559	625	5,822
Loss on write-off of property and equipment	253	197	1,839
Tax loss carry forwards	197	—	—
Directors' retirement allowance	188	184	1,714
Accrued enterprise taxes	—	89	834
Allowance for bad debts	69	53	493
Unrealized gain/loss	—	46	433
Accrued warranty costs	21	—	—
Other	103	126	1,177
Subtotal	4,156	4,093	38,120
Valuation allowance	(262)	(80)	(747)
Total	¥3,894	¥4,013	\$37,373
Deferred tax liabilities:			
Depreciation	¥ (310)	¥ (414)	\$ (3,862)
Net deferred tax assets	¥3,584	¥3,598	\$33,510

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

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

The disclosure of reconciliation of the statutory tax rate to the effective income tax rate was not required in the case of reconciliations less than 5%. Accordingly reconciliation for the year ended March 31, 2004 is not required to be disclosed.

10. 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 717 million yen (6,676 thousand U.S. dollars) at March 31, 2005.

11. 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, 2005.

	Millions of Yen	Thousands of U.S. Dollars
Appropriations for:		
Cash dividends (5.00 per share)	¥210	\$1,957
Directors' bonuses	50	465

12. 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
	2003	2004	2005	2005
Net sales:				
Fire alarm systems	¥25,829	¥26,674	¥26,512	\$246,882
Fire extinguishing systems	26,130	21,108	23,083	214,949
Maintenance services	18,232	18,381	19,232	179,089
Others	4,328	5,981	5,127	47,745
	<u>74,519</u>	<u>72,144</u>	<u>73,956</u>	<u>688,667</u>
Operating expenses:				
Fire alarm systems	24,949	25,446	25,147	234,166
Fire extinguishing systems	25,084	20,530	21,783	202,841
Maintenance services	14,111	14,827	15,693	146,137
Others	4,285	5,937	5,034	46,879
	<u>68,429</u>	<u>66,739</u>	<u>67,658</u>	<u>630,024</u>
Operating income before unallocatable costs	6,090	5,405	6,297	58,643
Less:				
Unallocatable operating expenses	<u>¥(4,119)</u>	<u>¥(3,743)</u>	<u>¥(4,085)</u>	<u>\$(38,041)</u>
Operating income ...	<u>¥ 1,971</u>	<u>¥ 1,662</u>	<u>¥ 2,212</u>	<u>\$ 20,602</u>
Total assets:				
Fire alarm systems	¥25,267	¥25,691	¥24,636	\$229,413
Fire extinguishing systems	17,900	16,801	14,881	138,575
Maintenance services	8,108	7,510	7,775	72,400
Others	1,611	1,549	1,665	15,511
	<u>52,886</u>	<u>51,551</u>	<u>48,959</u>	<u>455,900</u>
Unallocatable or headquarters	<u>11,489</u>	<u>13,856</u>	<u>14,759</u>	<u>137,442</u>
	<u>¥64,375</u>	<u>¥65,406</u>	<u>¥63,719</u>	<u>\$593,343</u>

	Millions of Yen			Thousands of U.S. Dollars
	2003	2004	2005	2005
Depreciation:				
Fire alarm systems	¥ 515	¥ 468	¥ 419	\$3,907
Fire extinguishing systems	141	120	114	1,066
Maintenance services	104	91	87	814
Others	25	24	21	195
	785	703	642	5,984
Unallocatable or headquarters	284	300	308	2,873
	¥ 1,069	¥ 1,003	¥ 951	\$8,858

	Millions of Yen			Thousands of U.S. Dollars
	2003	2004	2005	2005
Capital expenditure:				
Fire alarm systems	¥ 493	¥ 328	¥ 371	\$3,455
Fire extinguishing systems	111	72	87	810
Maintenance services	71	92	45	420
Others	14	13	11	107
	688	505	514	4,793
Unallocatable or headquarters	214	129	289	2,694
	¥ 902	¥ 634	¥ 804	\$7,487

13. 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, 2005, were as follows:

Name of related company	As of March 31, 2005			Description of the Company's transactions	Millions of Yen/Thousands of U.S. Dollars				
	Paid in capital	Principal business	Equity ownership percentage by the Company		Volume of transactions made in the year ended March 31			Resulting account balances as at March 31	
					2003	2004	2005	2004	2005
SECOM Incorporated	¥ million	Security service	— ^(*)	Sale of products	¥1,699	¥2,321	¥2,053 (\$19,123)	Trade receivables ¥ 317	Trade receivables ¥ 148 (\$1,383)
KOATSU Co., Ltd.	¥ million	Fire extinguishing systems	20.83%	Purchase of raw materials	¥4,374	¥3,814	¥3,854 (\$35,889)	Trade payables ¥1,953	Trade payables ¥1,726 (\$16,072)

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

The terms and conditions of the above transactions are 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, 2004 and 2005, 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, 2004 and 2005, 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.

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, 2005

Board of Directors and Corporate Auditors

(As of June 29, 2005)

Chairman

Shoichi Kimura*

President

Tadashi Tanoue*

Senior Managing Directors

Kazuaki Yasuhara

Kiyoshi Urushiyama

Yohzaburo Ushiroyama

Managing Directors

Takeshi Hashizume

Yuushi Tayama

Yasuo Nakahara

Directors

Haruo Takeda†

Toshitaka Sugimachi†

Teruo Ogino†

Michio Takeda

Mitsuo Komatsu

Yukimasa Tachibana

Kazuo Kajita

Toshiyuki Mori

Jun Uchiyama

Makoto Sawano

Hajime Arai

Kiyotaka Fujii

Standing Corporate Auditors

Shojiro Nohmi

Katsuo Chiba

Corporate Auditors

Tetsunosuke Ishibashi

Takashi Yamashita

*Representative Director

†External

Investor Information

(As of March 31, 2005)

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	50	10,178	24.27
Japanese securities companies	22	164	0.39
Other Japanese corporations	222	17,041	40.63
Japanese individuals and others	3,012	13,364	31.87
Foreign institutions and individuals	23	909	2.17
Treasury stocks	1	283	0.67
Total	<u>3,330</u>	<u>41,939</u>	<u>100.00</u>



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- URL: <http://www.nohmi.co.jp>