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, 2003 and 2004, 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 ¥111.05 = US$1, the rate of exchange on September 30, 2004, 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 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, an 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 determined the effect of applying it on the Company's consolidated financial statements.

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 ($6,092 thousand), and borrowings from bank in the aggregate amount of ¥3 million ($29 thousand) at September 30, 2004.

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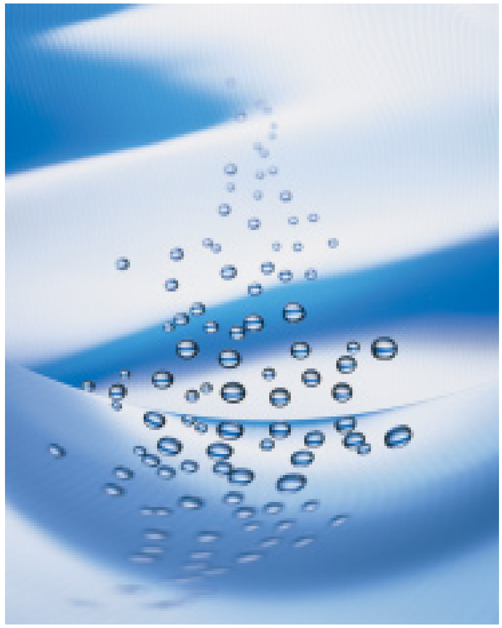
SEMIANNUAL REPORT 2004

For the Six-Month Period Ended September 30, 2004



NOHMI BOSAI LTD.

A MESSAGE FROM THE PRESIDENT

Operating Results and Business Report

The business environment for the fire protection industry remained harsh throughout the first half of fiscal 2005, ended September 30, 2004 due to the effects of slack investment from the construction industry and the continued decrease in capital spending by the public sector. On the other hand, the demands of the market are expanding due to advances in technology, growth in the renovation market and revisions to the Fire Service Law. Meeting these new demands has become a pressing issue for us.

In response to these circumstances, the Nohmi Bosai Group is developing and expanding sales of its compact fire control panels and *Advanced PII Less-zone Fire Control Panel* for the small multi-occupants building market. In addition to developing new sales channels we have also completed the timely launch of residential fire alarms for detached homes. We implemented a nationwide sales proposal program targeting fire protection in industrial units that makes full use of our outstanding technological research and development capabilities, including *Sqall*, and we are responding to revisions in the Fire Service Law which include performance-based codes. We are promoting sales of products that set us apart from our competitors, launching the *Advanced PII*, a fire control panel fitted with an automatic testing function, for the renovation market, and *Comfe* for the apartment complex market, a hands-free home security intercom controller with a color monitor.

While the value of orders received as of September 30, 2004 amounted to ¥36,567 million, down 3.9% compared with the same period last year, net sales increased 0.1%, reaching a total of ¥30,008 million.

A breakdown of sales by segment shows that fire alarm equipment accounted for ¥10,653 million, an increase of 2.8% over the same period last year, fire extinguishing equipment for ¥8,193 million, an increase of 1.6%, and maintenance services for ¥8,736 million, an increase of 7.3%. However other areas experienced a 28.8% year-on-year decline with net sales reaching ¥2,425 million.

Since the group's sales are concentrated in the second half of the fiscal year, in particular the fourth quarter, the operating loss of ¥774 million meant a net loss of ¥561 million in the first half of fiscal 2005.

Our financial position in this period compared to the previous one shows a ¥693 million reduction in total assets. A further breakdown of our assets indicates that cash on hand and in banks decreased by ¥1,413 million, total property, plant and equipment by ¥455 million, and long and short term deferred tax assets by ¥776 million and in our liabilities, short-term bank loans decreased by ¥3,544 million. I believe this is the result of efficient procurement of working capital.

Regarding cash flow, by the end of period we had cash and cash equivalents of ¥7,790 million. There are no major investments planned for the second half of the fiscal year and we can adequately meet our capital requirements with the funds in hand.

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

Management Policies and Strategies

In line with our mission as pioneers in the fire protection industry, our basic management policy is to provide the most suitable, up-to-date, high quality fire protection systems and services to protect life and property, while emphasizing conservation of the environment, energy and resources.

For our medium and long term operations we have drawn up a medium-term business plan beginning from the fiscal year ending March 2005 designed to enhance our operations through objective and quality management, strengthen our human resources training in line with being an organization of fire protection professionals, achieve high value-added business management, and switch to a market-orientated company structure. We are therefore concentrating our efforts in the following areas:

1. Strengthening our sales in renovations and maintenance to improve our response capability in the market for existing facilities.
2. Continuing to improve our competitiveness in deliveries, cost, and quality for fire protection equipment, and achieving a high value-added business by further enhancing our sales proposal and customer services capabilities.
3. Implementing thorough objective and quality management by providing education, guidance, and coordinated support for improving work efficiency and quality at on-site locations, the frontline of our business.
4. Enhancing our operating ability by sharing valuable know-how and expertise in fire protection accumulated in our company. This will enable us to develop human resources suiting our professional fire protection team.

In order to fulfill our responsibilities to society and develop the kind of management that will sustain our growth, we will focus on: implementing organic work operations, supplying innovative products, developing new sales channels, enriching our project base (opening up markets periphery to fire protection and overseas markets), strengthening sales in existing fields, creating an organizational climate that seeks to solve problems and gain customer satisfaction, and reforming our business administrative structure.

To enhance our corporate governance, we will also endeavor to disclose information when and where appropriate to our shareholders and investors who are key stakeholders in the company and be held sufficiently accountable.

We believe that as well as returning profits to shareholders, it is important to retain some in order to strengthen the corporate structure for the development of future projects. Accordingly, we will maintain a dividend policy that takes into account our dividend payout ratio and other aspects of our financial situation.

Future Outlook

Dark clouds remain on the horizon for the fire protection industry due to intense competition and the prediction that investment in construction will drop 3.6% compared to the previous year.

We are taking the first step towards achieving our medium-term business plan through an overhaul of the organization's structure that will enable us to thrive under the current harsh economic conditions. We will endeavor to reduce costs and secure sales and profits by working on the following areas:

1. Developing new projects through collaboration with other types of industries.
2. Establishing a unified follow-up system and exploring the demand for renovations.
3. Establishing new fire-extinguishing technologies for industrial units and expanding distinctive products.
4. Putting new products on the market in China and enhancing our sales organization to target facilities related to the 2008 Olympics in Beijing.
5. Implementing management training to improve our on-site work capabilities.

Through the implementation of these initiatives we predict net sales of ¥74,000 million, and net income for the period to be ¥850 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 2005

Tadashi Tanoue

Tadashi Tanoue
President

CONSOLIDATED BALANCE SHEETS

Nohmi Bosai Ltd. and Its Consolidated Subsidiaries
As of September 30, 2003 and 2004

ASSETS	Millions of Yen 2003	Millions of Yen 2004	Thousands of U.S. Dollars (Note 1) 2004
Current Assets:			
Cash on hand and in banks	¥ 9,415	¥ 8,001	$ 72,050
Short-term investments	10	—	—
Trade receivables:			
Notes	5,225	4,803	43,257
Accounts	11,519	12,173	109,617
Unconsolidated subsidiaries and affiliates	84	148	1,333
Other	456	350	3,153
	17,824	17,475	157,362
Less: allowance for bad debts	(325)	(325)	(2,932)
	16,958	17,149	154,429
Inventories	12,926	14,353	129,250
Deferred tax assets	1,715	1,032	9,298
Prepaid expenses and other current assets	358	341	3,071
Total current assets	41,382	40,877	368,099
Investments and Advances:			
Investments in securities	1,332	1,667	15,019
Investments in and advances to unconsolidated subsidiaries and affiliates	2,374	2,273	20,468
Loans to employees	242	189	1,707
Deferred tax assets	3,005	2,911	26,214
Other investments and advances	3,314	2,564	23,094
	8,934	7,938	71,484
Less: allowance for bad debts	(449)	(411)	(3,701)
	8,486	7,527	67,782
Total investments and advances	9,818	9,195	82,802
Property, Plant and Equipment:			
Buildings and structures	8,327	8,287	74,632
Machinery and equipment	2,157	2,143	19,299
Tools and furniture	5,436	5,454	49,121
	15,920	15,886	143,053
Less: accumulated depreciation	(9,454)	(9,863)	(88,820)
	6,466	6,022	54,233
Construction in progress	40	27	250
Land	3,473	3,473	31,276
Total property, plant and equipment	9,979	9,523	85,759
Deferred Charges and Intangibles	734	903	8,132
Total assets	¥61,193	¥60,499	$544,793

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen 2003	Millions of Yen 2004	Thousands of U.S. Dollars (Note 1) 2004
Current Liabilities:			
Short-term bank loans	¥ 3,949	¥ 404	$ 3,640
Trade payables:			
Notes	1,929	1,757	15,824
Accounts	4,048	4,561	41,073
Unconsolidated subsidiaries and affiliates	1,086	1,465	13,198
	7,063	7,784	70,096
Non-trade accounts payable	2,807	3,229	29,078
Advances received on uncompleted construction contracts	3,677	4,801	43,235
Accrued bonuses to employees	1,426	1,375	12,389
Accrued warranty costs	46	33	303
Income taxes payable	88	162	1,462
Other current liabilities	865	836	7,536
Total current liabilities	19,922	18,627	167,742
Long-Term Liabilities:			
Long-term debt	6,332	6,336	57,063
Accrued retirement benefits	7,766	7,582	68,280
Other long-term liabilities	29	29	263
Difference between investment costs and equity in net assets acquired	7	20	180
Total long-term liabilities	14,134	13,968	125,788
Minority Interests in Consolidated Subsidiaries	160	162	1,464
Contingent Liabilities (Note 3)	—	—	—
Stockholders' Equity:			
Common stock, per value ¥ per share; Authorized: 160,000,000 shares at September 30, 2003 and 2004 Issued: 42,332,771 shares at September 30, 2003 and 2004	6,272	6,272	56,481
Additional paid-in capital	5,713	5,713	51,448
Retained earnings	14,886	15,685	141,249
Revaluation of investments in marketable securities	165	215	1,936
Foreign currency translation adjustments	113	27	248
	27,150	27,914	251,364
Less: treasury stock, at cost— 870 and 862 thousand shares at September 30, 2003 and 2004	(173)	(173)	(1,566)
Total liabilities and stockholders' equity	¥61,193	¥60,499	$544,793

Notes: (1) U.S. dollar amounts are translated at the rate of ¥111.05=US$1, for convenience only.
(2) The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Nohmi Bosai Ltd. and Its Consolidated Subsidiaries
For the Six-Month Periods Ended September 30, 2003 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Net Sales	¥29,977	¥30,008	$270,225
Cost of Sales	22,699	22,401	201,725
Gross profit	7,278	7,606	68,499
Selling, General and Administrative Expenses	8,426	8,380	75,470
Operating loss	(1,148)	(774)	(6,970)
Other Income (Expenses):			
Interest income	5	5	46
Interest expense	(54)	(43)	(391)
Dividend on insurance policies	57	13	122
Rental revenue	43	42	384
Loss on sale/disposal of property and equipment	(22)	(14)	(134)
Amortization of difference between investment costs and equity in net assets acquired	7	1	17
Equity in earnings of affiliates	51	(12)	(113)
Other, net	(97)	44	399
	(10)	36	330
Loss before income taxes	(1,158)	(737)	(6,639)
Income Taxes:			
Current	84	116	1,052
Deferred	(517)	(288)	(2,594)
	(434)	(171)	(1,541)
Minority Interests in Consolidated Subsidiaries	(23)	(4)	(44)
Net loss	(701)	(561)	(5,053)
Retained Earnings:			
Balance at beginning of year	15,850	16,474	148,347
Decreases:			
Cash dividends	(211)	(210)	(1,894)
Directors' bonuses	(51)	(16)	(150)
Balance at end of year	¥14,886	¥15,685	$141,249

	Yen		U.S. Dollars (Note 1)
Per Share:			
Net loss—primary	¥(16.66)	¥(13.38)	$(0.12)
fully diluted	—	—	—
Cash dividends	5.00	5.00	0.05
Weighted Average Number of Shares Issued (in thousands)	42,059	41,943	

Notes: (1) U.S. dollar amounts are translated at the rate of ¥111.05=US$1, for convenience only.
(2) The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nohmi Bosai Ltd. and Its Consolidated Subsidiaries
For the Six-Month Periods Ended September 30, 2003 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Cash Flows from Operating Activities:			
Loss before income taxes	¥(1,158)	¥(737)	$(6,639)
Adjustments for:			
Depreciation and amortization	520	482	4,347
Amortization of difference between investment costs and equity in net assets acquired	(7)	(1)	(17)
Increase (decrease) in allowance for bad debts	18	(6)	(57)
Increase (decrease) in accrued retirement benefits	53	(68)	(614)
(Increase) decrease in accrued bonuses	(12)	6	55
Decrease in accrued warranty costs	(11)	(18)	(166)
Interest and dividend income	(21)	(21)	(194)
Interest expenses	54	43	391
Equity in earnings (losses) of affiliates	(51)	12	113
Loss on sales/retirement of property, plant and equipment	22	14	134
Decrease in receivables	9,047	7,494	67,485
Increase in inventories	(1,736)	(3,494)	(31,467)
Decrease in payables	(3,718)	(2,132)	(19,199)
Increase in advances received on uncompleted construction contracts	1,605	2,013	18,135
Directors' bonuses paid	(52)	(18)	(165)
Other, net	55	(490)	(4,412)
Subtotal	4,611	3,079	27,728
Interest and dividend income received	25	20	186
Interest expenses paid	(55)	(45)	(406)
Income taxes paid	(146)	(140)	(1,267)
Net cash provided by operating activities	4,434	2,914	26,241
Cash Flows from Investing Activities:			
Refund of (increase in) time deposits	(11)	(45)	(405)
Payments for purchase of property, plant and equipment	(371)	(333)	(3,001)
Peoceeds from sales of property, plant and equipment	13	21	189
Payments for purchase of investments in securities	(3)	(328)	(2,955)
Proceeds from sales of investments in securities	20	129	1,163
Increase of loans receivable	(54)	(5)	(51)
Decrease of loans receivable	89	79	718
Other, net	32	(115)	(1,040)
Net cash used in investing activities	(285)	(597)	(5,383)
Cash Flows from Financing Activities:			
Decrease in short-term bank loans	(88)	(3,430)	(30,891)
Repayment of long-term debt	(20)	—	—
Proceeds from sales of treasury stock	(78)	(3)	(33)
Cash dividends paid	(211)	(210)	(1,894)
Cash dividends paid to minority shareholders	(2)	(2)	(19)
Net cash used in financing activities	(399)	(3,646)	(32,839)
Effect of exchange rate changes on cash and cash equivalents	—	—	—
Net increase (decrease) in cash and cash equivalents	3,750	(1,330)	(11,981)
Cash and cash equivalents at beginning of year	5,514	9,121	82,134
Cash and cash equivalents of newly consolidated subsidiaries	—	—	—
Cash and cash equivalents at end of six-month period and year	¥ 9,264	¥ 7,790	$ 70,152

Notes: (1) U.S. dollar amounts are translated at the rate of ¥111.05=US$1, for convenience only.
(2) The accompanying notes are an integral part of the financial statements.