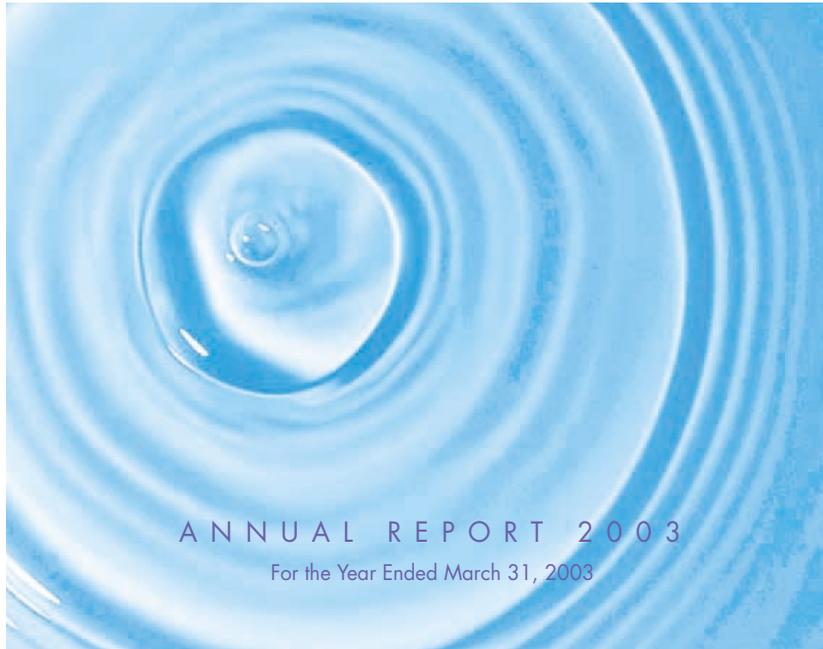


NOHMI BOSAI LTD.



NOHMI

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 2003, ended March 31, 2003, the Company realized consolidated net sales of ¥74.5 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.

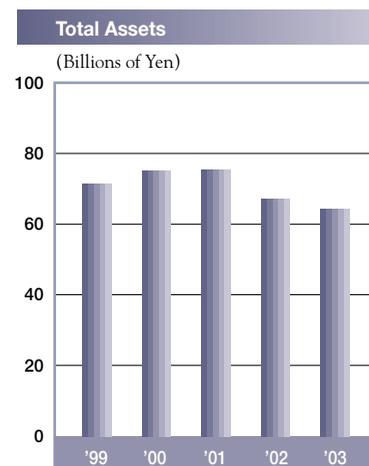
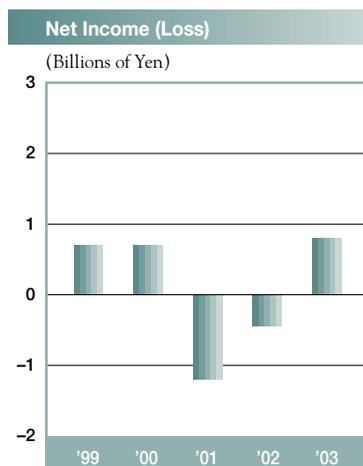
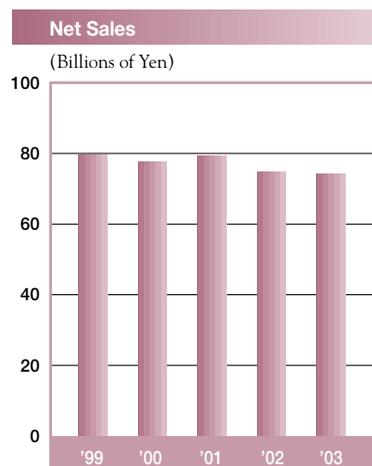
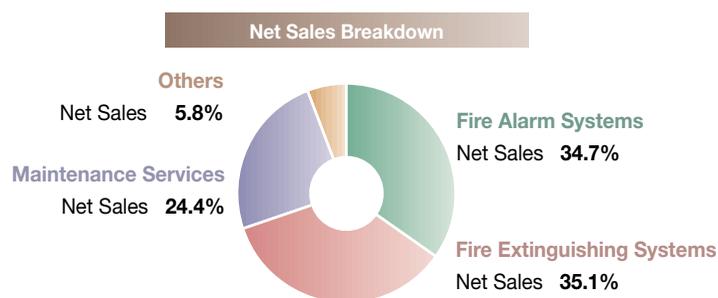
Consolidated Financial Highlights

Nohmi Bosai Ltd. and its Subsidiaries

For the years ended March 31, 2001, 2002 and 2003

	Millions of Yen			Percentage Change	Thousands of U.S. Dollars
	2001	2002	2003	2002/2003	2003
For the year:					
New orders	¥75,080	¥76,106	¥69,920	-8.1%	\$581,697
Net sales	79,494	74,910	74,519	-0.5	619,962
Cost of sales	60,394	56,140	55,591	-1.0	462,489
Operating income	1,879	1,872	1,971	5.3	16,397
Net income (loss)	(1,213)	(434)	811	—	6,746
At year-end:					
Total assets	¥75,569	¥67,331	¥64,375	-4.4%	\$535,566
Total stockholders' equity	28,371	27,468	27,883	1.5	231,971
Backlog of orders	31,273	32,469	27,948	-13.9	232,512
Number of employees	2,011	1,964	1,967	—	—
Per share (in yen and U.S. dollars):					
Net income (loss)—primary	¥(28.65)	¥(10.26)	¥ 17.96	—%	\$ 0.15
Cash dividends	10.00	10.00	10.00	—	0.08

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 translation of yen, for convenience only, at the rate of ¥120.20=US\$1, the approximate effective rate of exchange prevailing on March 31, 2003.
 3. All amounts are in millions of yen or thousands of U.S. dollars, except number of employees and per share amounts.



A Message from the President

Business Environment and Results

In fiscal 2003, ended March 31, 2003, there were no signs of a recovery in domestic demand owing to persistent deflation and depressed capital investment and consumer spending. Moreover, concerns grew that the increasingly unclear outlook for exports—particularly those to the United States—might depress the business environment further.

In response to these conditions, the Nohmi Bosai Group reformed its organization with the aim of reinforcing its marketing capabilities and increasing customer satisfaction in existing fire protection markets. At the same time, we have expanded sales of such products as *Advanced P*, a competitive upgraded version of the conventional *P-Type* fire-alarm system with automatic testing functions, aimed at the renovation market; *LISA Integrated Home Security Panel*, an automatic fire alarm system with an interphone system that is intended to increase our share of the condominium market; and *Sqall α*, a new extinguishing system that replaces conventional foam extinguishing systems in indoor parking lots. We also strove to improve income by reducing costs and bringing greater efficiency to Companywide operations.

In fiscal 2003, consolidated new orders fell 8.1%, to ¥69,920 million, while consolidated net sales edged down 0.5%, to ¥74,519 million. Net sales of fire alarm systems dropped 3.2%, to ¥25,829 million. In contrast, net sales of fire extinguishing systems climbed 12.7%, to ¥26,130 million, and net sales of maintenance services rose 4.3%, to ¥18,232 million. Net sales of others amounted to ¥4,327 million, down 42.7%. Operating income totaled ¥1,970 million, up 5.2%, while we recorded net income of ¥810 million. Given our results for the period and the current economic climate, we have set year-end cash dividends at ¥5.00 per share—the same level as in fiscal 2002.

Operating Highlights

In the period under review, we installed a sprinkler system in Himeji Castle, in Hyogo Prefecture. The system has been specially designed for the architecture of wooden castles.

Himeji Castle was the first site in Japan to be registered on UNESCO's World Heritage List, in 1993, and represents the best of Japanese castle architecture. Our sprinkler system, which was developed taking into account the need to preserve historical buildings, won the fiscal 2002 Outstanding Fire Protection System Award chosen by the Fire and Disaster Management Agency.

During the renovation of the Marunouchi Building, the Marunouchi district's world-class international business center in Tokyo, we installed the latest fire protection systems, including an addressable *R-Type* fire alarm system, cathode ray tube (CRT) display equipment, a sprinkler system, our *SR 100* discharge nozzle system and our *NN100* nitrogen gas extinguishing system. We will continue to ensure the safety and security of building occupants through these fire protection systems, which employ the very latest technology.

Management Policies and Strategies

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

To fulfill our responsibilities as a corporate citizen and maintain sustainable growth, we are promoting reforms to our management structure and creating a corporate climate that can respond flexibly to sudden changes in the business environment. We are also prioritizing key management issues, such as expanding our operating base by cultivating fire protection peripheral and overseas markets; reinforcing our marketing capabilities in existing fire protection markets; and fostering new sales channels. We also aim to develop new systems that accurately meet the market's needs and encourage Companywide, profit-oriented activities. At the same time, we will implement well-organized operations and develop human resources that will help us achieve these goals. These measures will facilitate expansion even in periods of low growth.

We have appointed three directors and three corporate auditors from outside the Company to increase transparency of corporate management and enable quicker decision making. The standing corporate auditor attends Board of Directors' meetings and other important meetings to monitor the Board's operational management. External directors and corporate auditors have no business interests in or special relationships with Nohmi Bosai.

We place a high priority on returning profits to shareholders. We also recognize the need to supplement internal reserves to improve our financial condition and prepare for future growth. Accordingly, we will implement a dividend policy that takes into account our dividend payout ratio and other aspects of our financial situation.

Outlook

Although the Japanese government is expected to promote economic revitalization initiatives in fiscal 2004, the outlook for the economy remains increasingly unclear as stock prices remain depressed. Public-sector investment is predicted to fall again and consumer spending shows no signs of picking up. As a consequence, we anticipate distinctly sluggish business conditions for the foreseeable future.

We also forecast a continuation of harsh conditions in the fire protection industry, owing to declining investment in construction of new buildings and falling prices for construction projects. In response to such challenges, we will make concerted efforts to improve our corporate condition by further reducing costs and ensuring efficient and organized operations. We will also implement measures to capitalize on recent amendments to the Fire Service Law, which will include performance-based codes.

In the maintenance and repair business, we will focus on enhancing our customer service support system to increase levels of satisfaction. Moreover, we will make every effort to achieve our goals in fiscal 2004. These objectives include extending marketing activities, which center on our distinctive products, throughout Japan, cooperating



with SECOM Co., Ltd., to launch sales of combined fire protection and security systems, and introducing new products in China that are tailored to customers' needs, to increase our share of this key market.

On behalf of the Board of Directors of Nohmi Bosai, I thank our stakeholders for their continued understanding and support.

July 2003

A handwritten signature in black ink that reads "Tadashi Tanoue". The signature is written in a cursive, flowing style.

Tadashi Tanoue
President

Fire Alarm Systems



Fire Monitoring Panels in Control Center



Analog Heat Detector

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

The Nohmi Bosai Group provides a broad range of fire alarm systems and equipment, including automatic fire alarm systems, environmental monitoring systems, fire doors and smoke control systems, for homes as well as large commercial and industrial facilities. These products are highly evaluated in the marketplace for their cutting-edge technological functions and outstanding practicality and safety 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 Systems segment in fiscal 2003 amounted to ¥25,829 million, down 3.2%, or ¥862 million, and represented 34.7% of consolidated net sales. New orders declined 9.2%, or ¥2,520 million, to ¥24,975 million. These results are largely attributable to persistently harsh competition and demands from customers for lower prices.

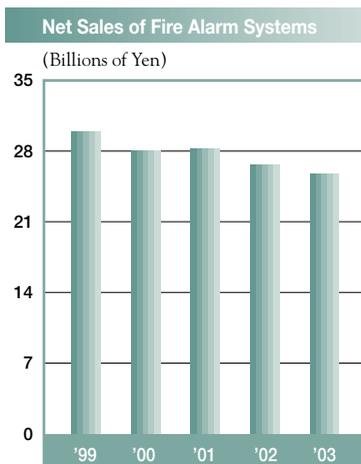
New products launched in the period included *Advanced P*, an upgraded *P-Type* fire alarm system and the first of its kind in Japan to incorporate a conventional fire alarm panel—the dominant model in the renovation market—with automatic testing functions. Conventional *P-Type* systems can be easily upgraded to *Advanced P* without replacing any wiring. The automatic testing function enables the system to constantly self-check the detectors and monitor the wiring, ensuring optimum reliability. Also, *Advanced P* is exempt from certain parts of regular fire alarm inspections under Japan’s Fire Service Law. This has further lowered running costs. Moreover, the system is particularly suitable for installing in unsafe or difficult-to-access locations, owing to its automatic testing functions.

We also commenced sales of *LISA Integrated Home Security Panel*, an automatic fire alarm system with an interphone system that responds to needs for greater safety and more compact systems for condominiums. This product features detectors with a remote monitoring function that automatically conducts weekly checks. It also reduces the number of dedicated cables for residential sprinkler systems. In addition, the fire control panel for each residential unit, the intercom and the video monitor controllers are integrated into one cabinet in a maintenance room, thereby saving space.

Another highlight of the period was the launch of integrated fire protection and security systems in cooperation with SECOM, Japan’s leading provider of comprehensive security services. These systems facilitate remote monitoring and immediate response in the event of a fire or unlawful intrusion. Integration of control panels significantly reduces space requirements, further boosting their appeal.

Outlook

In response to persistent customer demands for lower prices, we will continue to take steps to reduce costs and strengthen marketing at home and abroad to reinforce our market shares, particularly in China and Southeast Asia.



Fire Extinguishing Systems



High-Expansion Foam Extinguishing System



Foam Extinguishing Test

The Nohmi Bosai Group offers a variety of sprinklers, foam extinguishing equipment and fire protection equipment for large-scale buildings and structures, including office buildings, leisure complexes, factories, plants and tunnels. We have earned an excellent reputation for sophisticated design and installation technologies for fire extinguishing systems for waste incineration facilities, chemical plants and other special facilities. We are maximizing our proprietary technologies to develop distinctive products that will help us cultivate new markets engendered by Japan's aging society.

The Year in Review

Net sales of the Fire Extinguishing Systems segment rose 12.7%, or ¥2,936 million, to ¥26,130 million, and accounted for 35.1% of consolidated net sales. New orders declined 5.9%, or ¥1,399 million, to ¥22,427 million.

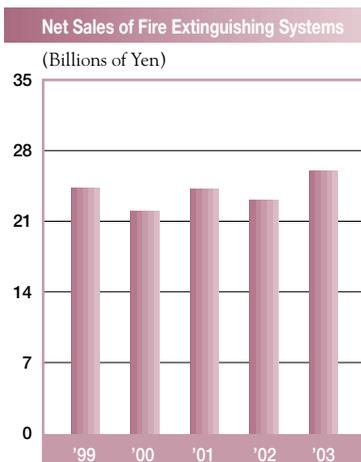
Fiscal 2003 brought the development of a number of exciting new products. Of particular note was *Sqall α*, an environment-friendly extinguishing system for indoor parking lots. Unlike conventional foam extinguishing systems, *Sqall α* only discharges foam from the spray head above the fire source, thereby reducing the use of foam solution that is potentially damaging to the environment. In addition, this system also saves solution by eliminating the need to discharge foam during tests.

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
- Flame Detectors

Outlook

We will continue to promote independent development of low-cost, environment-friendly fire extinguishing systems. We are confident such efforts will enable us to extend an increasingly broad range of products that distinguish us from our competitors.



Maintenance Services



Maintenance Services

Major Services

- Maintenance Services
- Inspection Services

In addition to conducting research and development aimed at ensuring the best fire alarm and fire extinguishing systems, we recognize the need to preserve the quality and proper functioning of these systems. The Nohmi Bosai Group guarantees the safety of all of its products by offering a wide variety of maintenance services, including round-the-clock online monitoring and telephone support services, repairs and fire protection equipment leasing. We also offer fire protection consulting services for building owners.

The Year in Review

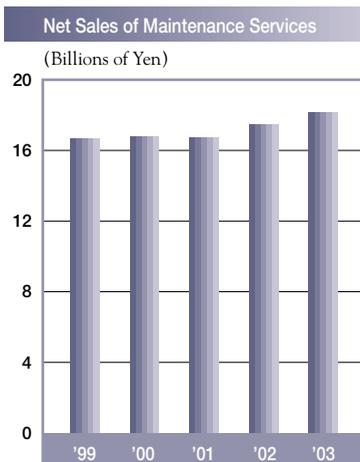
Net sales of the Maintenance Services segment advanced 4.3%, or ¥753 million, to ¥18,232 million, equivalent to 24.5% of consolidated net sales. New orders increased 6.6%, or ¥1,121 million, to ¥18,221 million.

On March 21, 2003, we reorganized our operations in this segment and established the Customer Safety and Renewal (“CR”) Sales Division with the aim of reinforcing customer satisfaction as a cornerstone of our sales activities and strengthening our sales to the renovation market. Customer satisfaction and the renovation market have long been a key focus of strategic efforts in this segment, and we are confident that this reorganization will clarify accountability and facilitate the more selective allocation of human resources. We expect the new CR Sales Division will allow us to tailor services to customer needs and create innovative proposals. Accordingly, the division will function as the core of our marketing efforts.

Outlook

Japan’s Fire Service Law stipulates that all fire alarms and fire extinguishing equipment be inspected on a regular basis. Accordingly, the market for these services continues to exhibit stable growth. Because we conduct design, development and installation of our fire protection equipment in-house, we are positioned to offer comprehensive maintenance services. We are adapting to advances in building construction technology by taking steps to enhance the technical skills and expertise of our maintenance staff.

We are also strengthening our proposal-based sales capabilities for customers in the renovation market, as well as our ability to market maintenance services to customers placing orders for new installations.



Others



Printed Circuit Board Assembly

Major Products and Services

- Printed Circuit Board Assembly Operations
- Parking Lot Maintenance Services

This segment encompasses the assembly of printed circuit boards (PCBs) and the installation and maintenance of parking lot control systems. PCBs are an essential part of high-tech fire protection equipment, and assembly requires advanced technical skills and state-of-the-art equipment. Owing to such a high level of technological expertise, we also accept PCB orders from customers in other industries, including medical equipment, telecommunications and electronics manufacturers. Our parking lot control systems make driving in parking lots safer and improve the efficiency of lot use and operation. We offer a full range of these systems to accommodate parking lots of all sizes.

The Year in Review

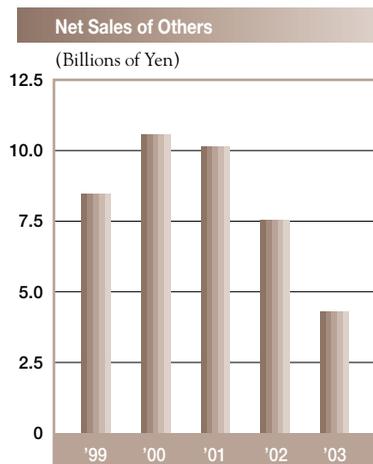
Net sales in this segment fell 42.6%, or ¥3,217 million, to ¥4,328 million, equivalent to 5.8% of consolidated net sales. New orders were down 44.1%, or ¥3,387 million, to ¥4,296 million. Declines in net sales and new orders were largely a consequence of a persistent slump in information technology (IT)-related industries.

PCB assembly accounts for 44.6% of net sales in this segment. Our principal customer in this category is the fire protection industry, but our sophisticated technical skills and superb product reliability are also attracting orders from other industries. To counter intense pricing competition, we are incorporating a greater awareness of profit margins into our sales activities.

Parking lot control systems, which account for 51.9% of net sales in this segment, include a variety of systems 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 the functionality and profitability by adding fee collection systems. By contributing to more efficient parking lot operation, we help customers improve services to users and achieve management goals, as well as play a key role in ensuring the smooth functioning of urban centers.

Outlook

The forecast for IT-related demand remains uncertain, while the growth of competitors based in China promises to intensify competition further. In this environment, 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.

Risk Analysis

The first step in providing fire protection is to understand the customer's specific requirements. Nohmi Bosai conducts detailed analyses of the customer's premises to evaluate important environmental factors and potential fire hazards.



Consultation and System Design

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

Manufacturing and Quality Assurance

All of Nohmi Bosai's products are manufactured under a strict quality control system. Evincing our commitment to quality is the certification of our Menuma factory under ISO 9002—an internationally recognized standard for quality systems.



Installation

After designing an appropriate fire protection system, our specialists install the new system. Nohmi Bosai's abundant experience in installing fire protection systems ensures that work proceeds quickly and smoothly.

Commissioning

The commissioning stage is vital. At project completion, our specialists conduct a thorough inspection of the newly installed fire protection system to ensure that all fire alarm and extinguishing systems are working properly. The results of this inspection are then explained to the customer.



Maintenance

Nohmi Bosai's maintenance services give customers extra safety assurance. We ensure that existing systems work properly. Also, we check the appropriateness of existing systems in the event of a change in the occupancy or installation conditions of a building.

Management's Discussion and Analysis

Overview

Nohmi Bosai continued to operate in a harsh environment in fiscal 2003, as persistently sluggish private-sector capital investment and steadily declining public works spending contributed to competition intensifying among companies providing products and services to the construction market.

Results of Operations

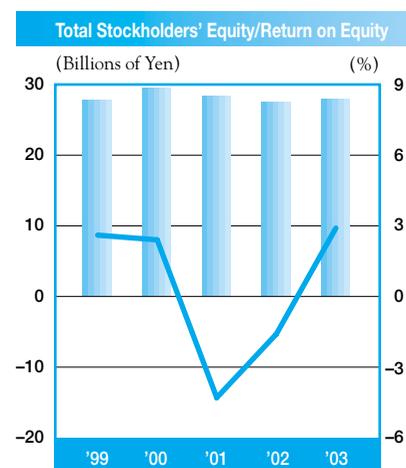
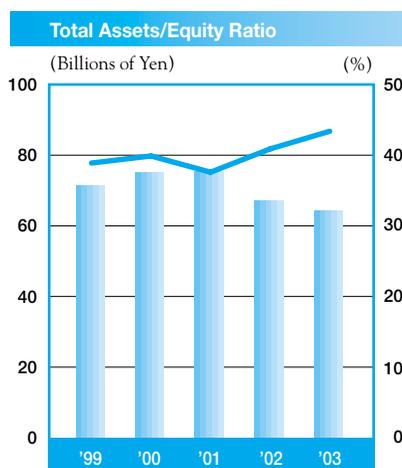
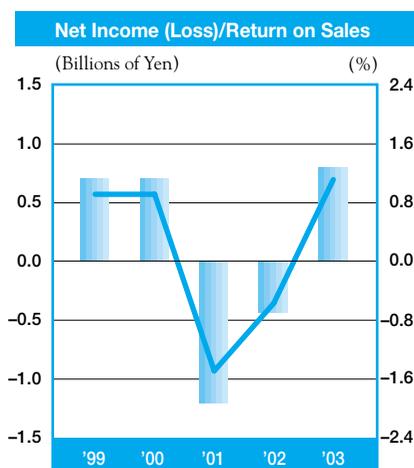
Consolidated net sales of Nohmi Bosai edged down 0.5%, or ¥391 million, to ¥74,519 million. Efforts to lower costs contributed to a decline of 1.0%, or ¥549 million, in cost of sales, to ¥55,591 million. The cost of sales ratio improved 0.3 percentage point, to 74.6%. Gross profit rose 0.8%, or ¥158 million, to ¥18,928 million, and the gross profit margin improved 0.3 percentage point, to 25.4%.

Selling, general and administrative (SGA) expenses increased 0.3%, or ¥59 million, to ¥16,957 million. SGA represented 22.8% of net sales, up from 22.6% in fiscal 2002.

Operating income totaled ¥1,971 million, up 5.3%, or ¥99 million, reflecting such factors as the aforementioned 0.3 percentage point improvement in the cost of sales ratio. A review of regulations pertaining to retirement benefits resulted in amortization of unrecognized prior service cost of ¥391 million, which combined with a ¥525 million loss from revaluation of investments in securities to push up other expenses. Despite this increase, we recorded net income of ¥811 million, compared with a net loss of ¥434 million in fiscal 2002. Net income, primary, per share was ¥17.96.

Assets, Liabilities and Stockholders' Equity

Total assets of Nohmi Bosai at the end of fiscal 2003 amounted to ¥64,375 million, down 4.4%, or ¥2,956 million. Total current assets slipped 1.1%, or ¥495 million, to ¥44,576 million. Property, plant and equipment declined 3.6%, or ¥381 million, to ¥10,145 million, owing primarily to a decrease in construction in progress for companies under bankruptcy protection.



Total liabilities at fiscal 2003 year-end were ¥36,305 million, down 8.7%, or ¥3,464 million, reflecting decreases in, among others, advances received on uncompleted construction contracts and income taxes payable.

As a consequence of these decreases, interest-bearing debt fell 5.1%, or ¥541 million, to ¥10,058 million. Total stockholders' equity increased 1.5%, or ¥415 million, to ¥27,883 million, while stockholders' equity per share was ¥659.64, up from ¥648.97.*

Cash Flows

Net cash provided by operating activities was ¥247 million in fiscal 2003, compared with net cash used in these activities of ¥1,220 million in fiscal 2002. This improvement primarily reflected income before income taxes of ¥1,950 million, compared with a loss before income taxes of ¥816 million in the previous period, as well as a decrease in inventories of ¥1,169 million and a decrease in advances received on uncompleted construction contracts of ¥2,146 million.

Net cash used in investing activities amounted to ¥605 million, compared with net cash provided by these activities of ¥2,009 million in the previous period. Primary factors contributing to this term's result included payments for purchase of property, plant and equipment of ¥795 million.

Net cash used in financing activities totaled ¥735 million, compared to ¥3,899 million used in these activities in fiscal 2002. Cash dividends paid remained unchanged from last year, at ¥423 million.

Nohmi Bosai's operating, investing and financing activities in fiscal 2003 led to a net decrease in cash and cash equivalents of ¥1,093 million, compared with a net decrease of ¥3,109 million in the previous period. As a consequence, cash and cash equivalents at end of year amounted to ¥5,514 million, down from ¥6,520 million a year earlier.

Outlook

We expect conditions in the fire protection industry to remain harsh in fiscal 2004, owing to declining investment in construction of new buildings and falling prices for construction projects. Accordingly, we forecast consolidated net sales of ¥73,500 million and net income of ¥900 million.

* The Company has not included treasury stock in calculations of stockholders' equity per share. The number of shares of common stock issued, excluding treasury stock, was 42,270,062 in fiscal 2003 and 42,325,447 in fiscal 2002.

Consolidated Statements of Income and Retained Earnings

Nohmi Bosai Ltd. and its Subsidiaries

For the years ended March 31, 2001, 2002 and 2003

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2001	2002	2003	2003
Net Sales	¥79,494	¥74,910	¥74,519	\$619,962
Cost of Sales	60,394	56,140	55,591	462,489
Gross profit	19,100	18,770	18,928	157,473
Selling, General and Administrative Expenses	17,221	16,898	16,957	141,076
Operating income	1,879	1,872	1,971	16,397
Other Income (Expenses):				
Interest income	31	19	14	118
Interest expense	(268)	(254)	(116)	(970)
Dividend on insurance policies	30	68	42	350
Rental revenue	179	209	87	726
Loss on sale of short-term investments and investments in securities	(8)	(14)	—	—
Loss on disposal and write-down of inventories	(161)	(91)	(11)	(88)
Loss on sale/disposal of property and equipment	(67)	(31)	(77)	(644)
Loss from revaluation of investments in securities	(82)	(68)	(525)	(4,371)
Amortization of bond issue expense	—	(100)	—	—
Amortization of difference between investment costs and equity in net assets acquired	25	24	14	120
Equity in earnings (losses) of affiliates	109	132	(13)	(108)
Amortization of transition obligation (Note 7)	(3,124)	—	—	—
Provision for allowance for bad debts	(135)	(3,502)	(34)	(282)
Loss on write-off of memberships	(133)	(4)	(8)	(63)
Gain on sale of real estate for investments	—	809	—	—
Amortization of unrecognized prior service cost	—	—	391	3,257
Other, net	129	116	214	1,778
	(3,475)	(2,688)	(21)	(177)
Income (loss) before income taxes	(1,596)	(816)	1,950	16,220
Income Taxes:				
Current (Note 9)	1,111	1,444	236	1,964
Deferred (Note 9)	(1,490)	(1,831)	882	7,335
	(379)	(387)	1,118	9,299
Minority Interests in Consolidated Subsidiaries	4	(5)	(21)	(175)
Net income (loss)	(1,213)	(434)	811	6,746
Retained Earnings:				
Balance at beginning of year	17,986	16,287	15,367	127,849
Increase:				
Increase due to additions of consolidated subsidiaries and affiliates	—	—	104	862
Decrease:				
Cash dividends	(423)	(423)	(423)	(3,522)
Directors' bonuses	(63)	(62)	(9)	(76)
Balance at end of year	¥16,287	¥15,367	¥15,850	\$131,859
		Yen		U.S. Dollars (Note 1)
Per Share (Note 2):				
Net income (loss)—primary	¥(28.65)	¥(10.26)	¥ 17.96	\$ 0.15
—fully diluted	—	—	—	—
Cash dividends	10.00	10.00	10.00	0.08
Weighted Average Number of Shares Issued (in thousands)	42,333	42,333	42,297	

The accompanying notes are an integral part of the statements.

Consolidated Balance Sheets

Nohmi Bosai Ltd. and its Subsidiaries
As of March 31, 2002 and 2003

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2003	2003
Current Assets:			
Cash on hand and in banks (Note 3)	¥ 6,658	¥ 5,655	\$ 47,044
Short-term investments (Notes 3 and 4)	10	10	83
Trade receivables:			
Notes	6,545	7,441	61,906
Accounts	18,083	18,415	153,203
Unconsolidated subsidiaries and affiliates	268	201	1,671
Other	567	558	4,645
	25,463	26,615	221,425
Less: Allowance for bad debts	(332)	(375)	(3,120)
	25,131	26,240	218,305
Inventories (Note 5)	12,274	11,190	93,099
Deferred tax assets (Note 9)	822	1,285	10,694
Prepaid expenses and other current assets	176	195	1,623
Total current assets	45,071	44,576	370,847
Investments and Advances:			
Investments in securities (Note 4)	1,500	1,065	8,860
Investments in and advances to unconsolidated subsidiaries and affiliates	2,557	2,342	19,486
Loans to employees	307	265	2,203
Long-term receivables	3,547	78	645
Deferred tax assets (Note 9)	4,445	3,054	25,412
Other investments and advances	2,643	2,483	20,657
	15,000	9,287	77,263
Less: Allowance for bad debts	(3,987)	(382)	(3,174)
	11,013	8,905	74,089
Property, Plant and Equipment:			
Buildings and structures	8,305	8,308	69,115
Machinery and equipment	2,503	2,263	18,828
Tools and furniture	5,201	5,352	44,527
	16,009	15,923	132,470
Less: Accumulated depreciation	(8,925)	(9,296)	(77,339)
	7,084	6,627	55,131
Construction in progress	77	45	374
Land	3,365	3,473	28,895
	10,526	10,145	84,400
Deferred Charges and Intangibles	721	749	6,230
Total assets	¥67,331	¥64,375	\$535,566

The accompanying notes are an integral part of the statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2003	2003
Current Liabilities:			
Short-term debt (Note 6)	¥ 4,215	¥ 4,045	\$ 33,653
Trade payables:			
Notes	4,508	4,747	39,494
Accounts	1,930	2,818	23,441
Unconsolidated subsidiaries and affiliates	1,955	1,892	15,739
	8,392	9,457	78,674
Non-trade accounts payable	4,212	4,132	34,378
Advances received on uncompleted construction contracts	4,182	2,072	17,240
Accrued bonuses to employees	1,470	1,438	11,961
Accrued warranty costs	59	57	473
Income taxes payable (Note 9)	1,471	150	1,252
Other current liabilities	1,019	854	7,104
Total current liabilities	25,021	22,205	184,735
Long-term Liabilities:			
Long-term debt (Note 6)	6,384	6,343	52,772
Accrued retirement benefits (Note 7)	8,307	7,714	64,172
Other long-term liabilities	28	29	244
Difference between investment costs and equity in net assets acquired	29	14	118
Total long-term liabilities	14,748	14,100	117,306
Minority Interests in Consolidated Subsidiaries	94	187	1,554
Contingent Liabilities (Note 10)			
Stockholders' Equity:			
Common stock;			
Authorized: 160,000,000 shares at March 31, 2002 and 2003			
Issued: 42,332,771 shares at March 31, 2002 and 2003	6,272	6,272	52,182
Additional paid-in capital	5,713	5,713	47,533
Retained earnings (Note 11)	15,367	15,850	131,859
Net unrealized loss on securities	(98)	(39)	(327)
Foreign currency translation adjustments	216	116	968
	27,472	27,912	232,216
Less: Treasury stock, at cost—			
73 thousand shares at March 31, 2003	(4)	(29)	(244)
Total liabilities and stockholders' equity	¥67,331	¥64,375	\$535,566

Consolidated Statements of Cash Flows

Nohmi Bosai Ltd. and its Subsidiaries

For the years ended March 31, 2001, 2002 and 2003

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2001	2002	2003	2003
Cash Flows from Operating Activities:				
Income (loss) before income taxes	¥(1,596)	¥ (816)	¥ 1,950	\$ 16,220
Adjustments for:				
Depreciation and amortization	1,195	1,152	1,081	8,997
Amortization of difference between investment costs and equity in net assets acquired	(25)	(24)	(14)	(120)
Increase (decrease) in allowance for bad debts	(139)	3,517	(3,563)	(29,646)
Amortization of bond issue costs	—	100	—	—
Increase (decrease) in accrued retirement benefits	2,819	115	(640)	(5,326)
Increase (decrease) in accrued bonuses	33	(102)	(51)	(428)
Increase (decrease) in accrued warranty costs	3	(4)	(2)	(18)
Interest and dividend income	(73)	(52)	(32)	(266)
Interest expenses	268	254	117	970
Equity in earnings (losses) of affiliates	(109)	(132)	13	108
Gain on sale of real estate for investments	—	(809)	—	—
Loss on write-off of memberships	133	4	8	63
Loss on sales/retirement of property, plant and equipment	67	31	77	644
Loss from revaluation of investments in securities	82	68	525	4,371
Loss on sales of investments in securities	9	14	—	—
Decrease in receivables	1,083	825	2,775	23,089
Decrease in inventories	305	423	1,169	9,722
Increase (decrease) in payables	46	(4,932)	825	6,864
Increase (decrease) in advances received on uncompleted construction contracts	(813)	835	(2,146)	(17,851)
Decrease in notes discounted	(15)	(50)	—	—
Directors' bonuses paid	(64)	(63)	(11)	(94)
Other, net	288	(285)	(186)	(1,549)
Subtotal	3,497	70	1,893	15,750
Interest and dividend income received	75	55	35	288
Interest expenses paid	(265)	(244)	(115)	(953)
Income taxes paid	(514)	(1,101)	(1,566)	(13,031)
Net cash provided by (used in) operating activities	¥ 2,794	¥(1,220)	¥ 247	\$ 2,056

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2001	2002	2003	2003
Cash Flows from Investing Activities:				
Refund of time deposits	¥ 74	¥ 36	¥ 68	\$ 567
Proceeds from sales of short-term investments	171	200	—	—
Payments for purchase of property, plant and equipment	(796)	(872)	(795)	(6,616)
Proceeds from sales of property, plant and equipment	168	16	20	165
Payments for purchase of investments in securities	(34)	(186)	(13)	(106)
Proceeds from sales of investments in securities	13	20	41	343
Proceeds from sale of real estate for investments	—	2,500	—	—
Increase of loans receivable	(124)	(63)	(56)	(468)
Decrease of loans receivable	359	192	150	1,246
Other, net	320	167	(20)	(166)
Net cash provided by (used in) investing activities	150	2,009	(605)	(5,035)
Cash Flows from Financing Activities:				
Decrease in short-term debt	(871)	(75)	(163)	(1,352)
Repayment of long-term debt	(324)	(244)	(125)	(1,043)
Proceeds from issuance of bonds	—	5,901	—	—
Purchase of convertible bonds	—	(9,051)	—	—
Cash dividends paid	(423)	(423)	(423)	(3,521)
Cash dividends paid to minority stockholders	(1)	(1)	(2)	(20)
Proceeds from sales (purchase) of treasury stock	0	(4)	(21)	(176)
Net cash used in financing activities	(1,619)	(3,899)	(735)	(6,112)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—
Net increase (decrease) in cash and cash equivalents	1,324	(3,109)	(1,093)	(9,092)
Cash and cash equivalents at beginning of year	8,259	9,629	6,520	54,242
Cash and cash equivalents of newly consolidated subsidiaries	46	—	87	727
Cash and cash equivalents at end of year	¥ 9,629	¥ 6,520	¥ 5,514	\$ 45,876

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, 2001, 2002 and 2003

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by Nohmi Bosai Ltd. (the "Company") and its subsidiaries (the "Companies") in accordance with the provisions set forth in the Japanese Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

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.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows 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 ¥120.20=US\$1, the rate of exchange on March 31, 2003, 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 25 subsidiaries at March 31, 2003 (25 at March 31, 2002). The consolidated financial statements include the accounts of the Company and 21 subsidiaries (in which the Company has the ability to control and exercise significant influence over operating and financial policies) at March 31, 2003 (19 at March 31, 2002).

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.	88.5%
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.	41.3%

The accounts of the remaining 4 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 profit 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, 2003, the Company had 5 affiliates (6 for 2002). Investments in unconsolidated subsidiaries and affiliates are generally accounted for by the equity method by which such investments are carried at cost adjusted for equity in unconsolidated earnings (deficit) and the Company's net income includes its equity in 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 4 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 4 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 on 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 a minor risk of fluctuations in value.

(5) Inventories

Inventories are stated at cost determined by the following methods according to each class of inventory items:

- Products and raw materials Average-cost method
- Work in process and cost of construction contracts in progress Individually identified cost method

(6) Financial Instruments

Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese Accounting Standard for Financial Instruments, which is effective for periods beginning on or after April 1, 2000.

Securities

Securities held by the Company and its subsidiaries are, under the new standard, 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 have intended to hold to maturity, are stated at cost after accounting for premium or discount on acquisition, which are 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.

Net unrealized loss on securities is reported as a separate item in the stockholders’ equity at a net-of-tax amount. However, marketable securities included in other securities had not been measured at fair value (mark-to-market accounting of such securities was allowed to be implemented effective from the year ended March 31, 2002). With respect to marketable securities included in other securities, the carrying value, fair value, unrealized gain, net of tax to be recorded and the corresponding deferred income taxes at March 31, 2001, would be as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2001	2001
Carrying value	¥1,654	\$13,353
Fair value	1,836	14,820
Unrealized gain, net of tax	105	854
Deferred income taxes	75	613

Effective from the year ended March 31, 2002, the Company and its subsidiaries adopted mark-to-market accounting of the securities at fair value. As a result of such statement, investments in securities have decreased by 168 million yen; net unrealized loss on securities has newly accounted by 98 million yen (debit) and deferred tax assets have increased by 70 million yen.

Other securities for which market quotations are unavailable are stated at cost.

Under the new standard, trading securities and debt securities due within one year are presented as “current” and all the other securities are presented as “non-current.” The securities held by the Company and its subsidiaries have been reclassified as of April 1, 2000 (the beginning of the fiscal year). As a result of such reclassification, the securities in the current portfolio had decreased by 172 million yen and the securities in the non-current portfolio had increased by the same amount.

(7) Property, Plant and Equipment

Property, plant and equipment are stated at cost.

Depreciation is computed on the straight-line method, over the estimated useful lives as designated in the Japanese corporate income tax laws.

(8) Amortization

As to intangible fixed assets, amortization of software is computed under a straight-line method over expected useful life (five years).

Amortization of intangible fixed assets and deferred charges other than software is computed under a straight-line method from 2 to 20 years based on Japanese income tax laws.

(9) Allowance for Bad Debts

Under the Japanese Accounting Standards for Financial Instruments, which have been effective for the fiscal year, beginning on or after April 1, 2000, future credit losses on receivables are estimated by the following classification of receivables.

Receivables from debtors who are not seriously in trouble with their financial status are called “normal receivables.” The allowance for doubtful accounts against normal receivables is estimated by applying the historical credit loss rates or another appropriate basis or on a disaggregated basis by category of similar receivables.

Receivables from debtors who have not failed, but who are or would probably be seriously in trouble 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 by considering the debtor’s financial condition and operating results for the remaining amount.

Receivables from debtors who have either failed or substantially failed 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 cost of warranty on completed construction contracts estimated to be incurred subsequent to year-end dates. In estimating the accrued costs of warranty, the formula prescribed by the Japanese corporate income tax laws is applied which is 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 and practices generally accepted in Japan.

(12) Income Taxes

In accordance with accounting standards for deferred taxes effective from the fiscal year ended March 31, 2000, 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

Under the Japanese Accounting Standards for Accrued Retirement Benefits, which have been effective from fiscal beginning on or after April 1, 2000, accrued retirement benefits as of March 31, 2001, represents the estimated present value of projected benefit obligations in excess of fair value of the plan assets.

The transition obligation of 3,124 million yen at April 1, 2000 (the beginning year), is fully recognized in fiscal year ended March 31, 2001, and 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 of 391 million yen at March 31, 2003, is fully recognized in fiscal year ended March 31, 2003.

(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 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 previously reported have been made to conform with current classifications.

3. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2001	2002	2003	2003
Cash and bank deposits	¥ 3,868	¥6,658	¥5,655	\$47,044
Short-term investments	6,162	10	10	83
Total	10,030	6,668	5,665	47,127
Time deposits with deposit term over three months	(201)	(148)	(151)	(1,251)
Corporate shares, bond investment trusts and convertible bonds	(200)	—	—	—
Cash and cash equivalents	¥ 9,629	¥6,520	¥5,514	\$45,876

4. Securities

Summary of other securities sold in the years ended March 31, 2002 and 2003, is shown below:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Total amount of sales	¥16	¥41	\$342
Total amount of gains on sales	2	9	82
Total amount of losses on sales	20	1	10

The carrying amounts of other securities which have maturities at March 31, 2002 and 2003, by contractual maturity, are shown below:

	Millions of Yen			
	2002		2003	
	Due in one year or less	Due after one year to five years	Due in one year or less	Due after one year to five years
Government bonds	¥—	¥—	¥—	¥—
Corporate bonds	—	3	—	3
Other	—	—	—	—
Total	¥—	¥ 3	¥—	¥ 3

	Thousands of U.S. Dollars	
	2003	2003
	Due in one year or less	Due after one year to five years
Government bonds	\$—	\$—
Corporate bonds	—	25
Other	—	—
Total	\$—	\$25

5. Inventories

Inventories consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Products	¥ 1,659	¥ 1,623	\$13,508
Raw materials	2,511	2,638	21,950
Work in process	711	867	7,218
Cost of construction contracts in progress	7,392	6,060	50,423
Total	¥12,274	¥11,190	\$93,099

6. Short-term Debt and Long-term Debt

Short-term debt at March 31, 2003, bore interest at annual rates ranging from 0.49% to 2.13% and was represented generally by bank overdrafts and short-term notes maturing at various dates within one year.

It is normal business custom in Japan for short-term borrowings to be rolled over each year.

Long-term debt at March 31, 2003, comprised the following:

	Millions of Yen	Thousands of U.S. Dollars
	2003	2003
Unsecured loans, principally from banks and insurance companies due from 2003 to 2006 with interest rates ranging from 2.05% to 3.50%	¥ 57	\$ 472
Unsecured 1.4% domestic standard bonds due in 2007	3,500	29,118
Unsecured 0.88% domestic standard bonds due in 2007	2,500	20,799
Guarantee deposits received	330	2,745
	6,387	53,136
Less—portion due within one year	(44)	(366)
Total long-term debt	¥6,343	\$52,770

Aggregate annual maturities of long-term debt, excluding guarantee deposits received, subsequent to March 31, 2003, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2004	¥44	\$366
2005	13	106
2006	—	—
2007	—	—
2008 and thereafter	—	—
	<u>¥57</u>	<u>\$472</u>

7. Accrued Retirement Benefits and Pension Plan

The composition of amounts recognized in the consolidated balance sheets at March 31, 2002 and 2003, excluding directors' retirement benefits, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Benefit obligation at end of year	¥(11,070)	¥(10,965)	\$(91,223)
Fair value of plan assets at end of year	2,827	2,555	21,260
Funded status	(8,243)	(8,410)	(69,962)
Unrecognized actuarial loss	367	1,129	9,396
Unrecognized prior service cost	—	—	—
Net amount recognized	(7,876)	(7,280)	(60,565)
Prepaid pension expense ...	9	4	30
Accrued retirement benefits	¥ (7,885)	¥ (7,284)	\$(60,596)

The components of net pension and employees' severance costs for the year ended March 31, 2002 and 2003, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Service cost	¥647	¥538	\$4,476
Interest cost	305	303	2,523
Expected return on plan assets ...	(68)	(68)	(565)
Amortization of transition obligation	—	—	—
Recognized actuarial loss	34	40	333
Amortization of unrecognized prior service cost	—	(402)	(3,345)
Extra severance cost	7	39	324
Net periodic benefit cost	¥924	¥450	\$3,744

Notes: 1. Actuarial loss is recognized using straight-line method over 10 years from next fiscal year.

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

3. Full amount of prior service cost was recognized in the fiscal year ended March 31, 2003.

Assumptions used as of March 31, 2002 and 2003, were as follows:

	2002	2003
Discount rate	3.0%	2.5%
Expected rate of return on plan assets	3.0%	3.0%

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, 2002 and 2003, were as follows:

As a lessee:

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets, which included the portion of interest thereon, were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Machinery and equipment	¥ 809	¥ 586	\$4,876
Tools and furniture	483	388	3,233
Others	221	87	724
	1,513	1,061	8,833
Less—Accumulated depreciation	(1,208)	(891)	(7,414)
Net book value	¥ 306	¥ 170	\$1,419
Depreciation	¥ 236	¥ 157	\$1,309

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, 2002 and 2003, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Due within one year	¥163	¥103	\$ 851
Due over one year	142	68	568
	¥306	¥171	\$1,419
Lease rental expenses for the year	¥236	¥157	\$1,309

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
As a lessor:			
Leased tools and furniture:			
Purchase cost	¥395	¥357	\$2,974
Accumulated depreciation	(294)	(289)	(2,403)
Net book value	<u>¥101</u>	<u>¥ 68</u>	<u>\$ 571</u>

The scheduled maturities of future lease rental income on such lease contracts as of March 31, 2002 and 2003, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Due within one year	¥141	¥109	\$ 909
Due over one year	313	241	2,006
	<u>¥454</u>	<u>¥350</u>	<u>\$2,915</u>
Lease rental expenses for the year	¥157	¥134	\$1,116
Depreciation for the year	<u>¥ 32</u>	<u>¥ 28</u>	<u>\$ 236</u>

9. Income Taxes

At March 31, 2002 and 2003, significant components of deferred tax assets and liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Deferred tax assets:			
Accrued employees retirement benefits	¥2,666	¥2,558	\$21,282
Allowance for bad debts	1,647	208	1,724
Accrued bonuses	404	501	4,170
Tax loss carry forwards	220	940	7,822
Directors' retirement allowance	176	174	1,449
Loss on write-off of property and equipment ...	92	267	2,222
Unrealized earnings	45	—	—
Accrued enterprise taxes ...	125	2	19
Accrued warranty costs	25	24	198
Other	293	101	841
Subtotal	5,691	4,775	39,727
Valuation allowance	(316)	(337)	(2,809)
Total	<u>¥5,375</u>	<u>¥4,438</u>	<u>\$36,918</u>
Deferred tax liabilities:			
Depreciation	¥ (108)	(98)	(813)
Net deferred tax assets ...	<u>¥5,267</u>	<u>¥4,340</u>	<u>\$36,105</u>

The disclosure of reconciliation of the statutory tax rate to the effective income tax rate of March 31, 2003, was as follows:

	2003
Statutory tax rate	41.8%
Adjustments:	
Entertainment expenses and other non-deductible expenses	8.7
Dividend income not taxable	(0.8)
Per capital levy of local resident income taxes	4.3
Effect of change in the statutory tax rate	4.8
Other factors	(1.5)
Effective tax rate	<u>57.3%</u>

The disclosure of reconciliation of the statutory tax rate to the effective income tax rate was not required in the case of loss before income taxes. Accordingly reconciliation for the year ended March 31, 2002, was not required to be disclosed.

On March 31, 2003, the Japanese National Diet approved various changes to the calculation of the statutory local enterprise tax for companies with capital in excess of 100 million yen, effective April 1, 2004. Under the amended legislation, the enterprise tax will be the sum of three tax components: a) an income-based component, b) a value-added component and c) a capital-based component, although there was only an "income tax-based component" before the amendment. Concurrently, the basic tax rate for the "income-based component" has resulted in a reduction from 9.6% to 7.2%. As a result of this amendment, the tax rate to be applied to deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities, which are expected to reverse in the year beginning April 1, 2004 or later, decreased from 41.8% to 40.5% as at March 31, 2003. For temporary differences that are expected to reverse in the year ending March 31, 2004, a tax rate of 41.8% has continued to be used at that date. This resulted in a reduction in deferred tax assets at March 31, 2003, by 93 million yen, compared with the asset that would have been recognized if a tax rate of 41.8% had been fully applied to all temporary differences. Net income for the year ended March 31, 2003, also reduced by 93 million yen as a result of these changes in statutory local enterprise tax regulations.

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 of 620 million yen (5,159 thousand dollars) at March 31, 2003.

11. Appropriations of Retained Earnings

The Japanese Commercial Code requires all the 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 reserves equal 25% of stated capital. Earned reserve may be transferred to unappropriated retained earnings to the extent that the legal reserves do not fall below 25% of stated capital.

Legal reserves may be transferred to stated capital through suitable directors' actions or offset against deficit through suitable stockholders' actions.

The following appropriations were approved at the stockholders' meeting of the Company held on June 27, 2003.

	Millions of Yen	Thousands of U.S. Dollars
Appropriations for:		
Cash dividends (¥5.00 per share)	¥211	\$1,759
Directors' bonuses	40	333

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	assembly of printed cir- cuit boards, construc- tion 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 insignificant effect.

	Millions of Yen			Thousands of U.S. Dollars
	2001	2002	2003	2003
Net sales:				
Fire alarm systems	¥28,282	¥26,691	¥25,829	\$214,884
Fire extinguishing systems	24,289	23,194	26,130	217,392
Maintenance services	16,764	17,479	18,232	151,682
Others	10,159	7,545	4,328	36,004
	<u>79,494</u>	<u>74,910</u>	<u>74,519</u>	<u>619,962</u>
Operating expenses:				
Fire alarm systems	26,266	25,529	24,949	207,564
Fire extinguishing systems	23,162	22,035	25,084	208,684
Maintenance services	13,315	13,716	14,111	117,395
Others	10,199	7,583	4,285	35,649
	<u>72,942</u>	<u>68,863</u>	<u>68,429</u>	<u>569,292</u>
Operating income before unallocatable costs	6,553	6,046	6,090	50,669
Less:				
Unallocatable operating expenses	(4,674)	(4,174)	(4,119)	(34,272)
Operating income ...	<u>¥ 1,879</u>	<u>¥ 1,872</u>	<u>¥ 1,971</u>	<u>\$ 16,397</u>
Total assets:				
Fire alarm systems	¥28,737	¥26,173	¥25,267	\$210,212
Fire extinguishing systems	17,321	17,785	17,900	148,916
Maintenance services	8,448	7,529	8,108	67,450
Others	3,618	1,312	1,611	13,405
	<u>58,124</u>	<u>52,799</u>	<u>52,886</u>	<u>439,983</u>
Unallocatable or headquarters.....	17,445	14,532	11,489	95,583
	<u>¥75,569</u>	<u>¥67,331</u>	<u>¥64,375</u>	<u>\$535,566</u>

	Millions of Yen			Thousands of
	2001	2002	2003	U.S. Dollars
Depreciation:				
Fire alarm systems	¥ 520	¥ 533	¥ 515	\$ 4,288
Fire extinguishing systems	139	140	141	1,168
Maintenance services	114	102	104	864
Others	27	26	25	211
	800	800	785	6,531
Unallocatable or headquarters.....	379	340	284	2,359
	¥ 1,179	¥ 1,141	¥ 1,069	\$ 8,890

Capital expenditure:				
Fire alarm systems	¥ 423	¥ 444	¥ 493	\$ 4,100
Fire extinguishing systems	80	90	111	924
Maintenance services	50	51	71	586
Others	20	15	14	113
	573	600	688	5,723
Unallocatable or headquarters.....	200	118	214	1,778
	¥ 773	¥ 718	¥ 902	\$ 7,501

13. Related Party Information

Material transactions of the Company with its 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, 2003, were as follows:

Name of related company	As of March 31, 2003			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 years ended March 31			Resulting account balances as at March 31	
					2001	2002	2003	2002	2003
SECOM Incorporated	¥66,369 million	Security service	— ^(*)	Sales of products	¥1,576	¥2,085	¥1,699 (\$14,138)	Trade receivables ¥ 417	Trade receivables ¥ 215 (\$ 1,792)
KOATSU Co., Ltd.	¥ 60 million	Fire extinguishing systems	20.83%	Purchase of raw materials	¥4,615	¥4,862	¥4,374 (\$36,388)	Trade payables ¥1,983	Trade payables ¥1,890 (\$15,722)

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

The terms and conditions on the above transactions are the same as those of the 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, 2002 and 2003, and the related consolidated statements of income, 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, 2002 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

As described in Note 2, Nohmi Bosai Ltd. and its consolidated subsidiaries have adopted the new Japanese Accounting Standard for Financial Instruments for other securities for which market quotations are available, effective from the year ended March 31, 2002.

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 Audit Corporation
Tokyo, Japan
June 27, 2003

Board of Directors and Corporate Auditors

(As of June 27, 2003)

Chairman

Shoichi Kimura*

President

Tadashi Tanoue*

Senior Managing Director

Kazuaki Yasuhara

Managing Directors

Toshio Ueno

Kiyoshi Urushiyama

Yohzaburo Ushiroyama

Directors

Haruo Takeda†

Toshitaka Sugimachi†

Teruo Ogino†

Takeshi Hashizume

Yuushi Tayama

Yasuo Nakahara

Michio Takeda

Mitsuo Komatsu

Yukimasa Tachibana

Kazuo Kajita

Toshiyuki Mori

Jun Uchiyama

Standing Corporate Auditors

Shojiro Nohmi

Katsuo Chiba

Corporate Auditors

Tetsunosuke Ishibashi

Takashi Yamashita

*Representative Director

† External

Investor Information

(As of March 31, 2003)

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....	61	11,041	26.33
Japanese securities companies.....	23	258	0.62
Other Japanese corporations.....	232	16,825	40.16
Japanese individuals and others	3,161	13,115	31.29
Foreign institutions and individuals.....	13	616	1.47
Treasury stocks	1	55	0.13
Total	<u>3,491</u>	<u>41,910</u>	<u>100.00</u>



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