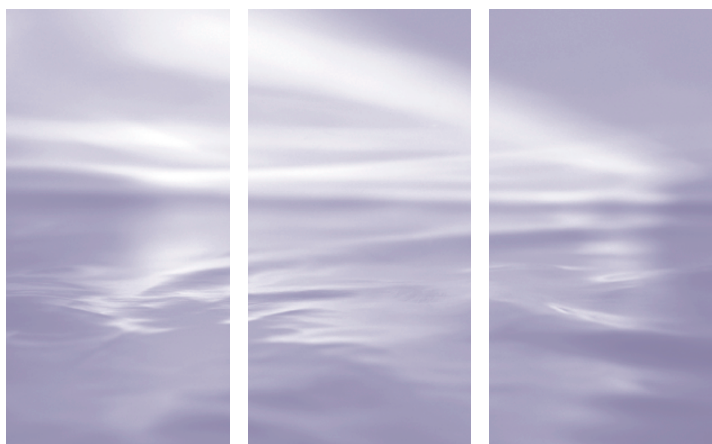


NOHMI BOSAI LTD.

SEMIANNUAL REPORT 2001



For the Six-Month Period Ended
September 30, 2001

NOHMI

A MESSAGE FROM THE PRESIDENT

Business Environment and Results

In the first half of fiscal 2002, ended September 30, 2001, the Japanese economy was influenced by the worldwide economic slowdown—concentrated in the United States—and worsening results in the manufacturing industry. There were no signs of recovery in the employment situation or consumer spending, prolonging the economic slump.

In this environment, conditions remained difficult for the fire protection industry, as private-sector capital investment decreased, public-sector investment moved into a decline and competition within the industry remained harsh.

Given these circumstances, the Nohmi Bosai Group: reformed its organizational system to strengthen sales and raise profitability; constructively conducted its renewal proposal business for existing fire protection systems to raise the Company's share of the fire protection market; entered the condominium fire protection market and the peripheral market; and cut administrative costs and lowered costs of sales. These measures were implemented to establish an organization and operation system capable of responding to the dramatic changes in the external environment.

As a result, the value of outstanding orders as of September 30, 2001, increased 8.3%, to ¥41.2 billion, compared with one year ago. Net sales rose 5.8%, to ¥32.0 billion. Sales of fire alarm systems were up 0.8%, to ¥10.8 billion, while sales of fire extinguishing systems dipped 0.1%, to ¥7.7 billion. Revenue from maintenance services climbed 5.6%, to ¥7.9 billion, and other sales jumped 28.8%, to ¥5.6 billion. We recorded a net loss of ¥2.7 billion for the period, the result of an extraordinary loss of ¥3.5 billion as provision for allowance for bad debts. Interim dividends were maintained at ¥5.0 per share.

First-Half Highlights and New Products

In January 2001, Nohmi Bosai established environmental principles and basic policies as part of its global environmental conservation activities, and in August, the Company achieved ISO 14001 certification at its Menuma and Mitaka factories. We believe our actions should be based on consideration of environmental conservation, and corporate management embraces this principle.

Overseas, we began marketing the "Integlex" system, developed to meet the needs of customers in Southeast Asia and as part of our plan to enter new markets through system sales in North America. This is the first analog addressable fire alarm system designed in compliance with the U.S. National Fire Protection Association (NFPA) and Underwriters Laboratories' standards. The system has many functions not featured in the current Japanese domestic model, including network functions that can be connected with a maximum of 64 panels for a total capacity of 33,000 points and can flexibly adapt from small projects to large projects such as high-rise buildings and international airports.

We also launched the "CS Best Plan," a fire protection equipment maintenance service that includes disaster compensation. Its special features include high-quality regular inspections, an around-the-clock support system and payment of disaster compensation if a fire does

occur. We also began offering the "Slim Plan" fire insurance policy as an agent of Secom General Insurance Co., Ltd. Insurance premiums are lower for customers buying both plans.

Management Policies and Strategies

In line with our role as a pioneer in the fire protection industry, our basic policy continues to be to provide 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. Furthermore, we are striving to create a corporate structure that enables us to respond flexibly to rapid changes in the operating environment, while shifting the Group's business portfolio from manufacturing to a combination of manufacturing and services. We will also strengthen our business by: cultivating the fire protection market and overseas markets; raising our share in existing fire protection markets; fostering new sales channels; encouraging activities that will improve Companywide revenues; offering innovative new products; and approaching organizational business operations as management issues. These measures will enable us to develop during this period of low economic growth.

We recognize the importance of returning profits to shareholders. We also acknowledge the need to prepare for future business opportunities by allocating profits to internal reserves to reinforce our financial health. Accordingly, we will endeavor to provide a stable dividend to our shareholders based on an overall reckoning of our financial standing, including the payout ratio.

Outlook

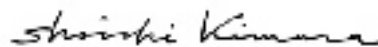
Forecasts predict that the U.S. economy—which underpins the global economy—will slow even more. With the economy continuing to stagnate owing to the stock slump and prolonged depression in the IT industry, it is difficult to predict the future.

In these conditions, the fire protection industry expects to move into the urban renewal business, but cuts in corporate capital investment will likely become even harsher. The negative influence from the struggling construction market is also expected to continue.

Nohmi Bosai established a business plan for the new century to overcome these situations. We will reform our sales system to strengthen our marketing, develop a new system to achieve lower costs across the board, create new products and strengthen sales strategies. Furthermore, we will promote the development and sale of new fire protection and security systems in cooperation with SECOM CO., LTD., including products for residences. We are also improving our corporate structure by cutting fixed costs.

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

February 2002



Shoichi Kimura
President

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Nohmi Bosai Ltd. and its Subsidiaries

For the six-month periods ended September 30, 2000 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	2001	2001
Net Sales	¥30,290	¥32,049	\$268,416
Cost of Sales	22,904	24,641	206,377
Gross profit	7,386	7,407	62,039
Selling, General and Administrative Expenses	8,463	8,367	70,079
Operating income (loss)	(1,077)	(960)	(8,040)
Other Income (Expenses):			
Interest income	14	9	79
Interest expense	(130)	(124)	(1,040)
Dividend on insurance policies	58	24	200
Rental revenue	61	115	965
Gain (loss) on sale of short-term investments and investments in securities	1	—	—
Loss on disposal and write-down of inventories	(72)	(22)	(184)
Loss on sale/disposal of property and equipment	(25)	(34)	(283)
Loss from revaluation of investments in securities	(27)	(3)	(24)
Amortization of difference between investment costs and equity in net assets acquired	12	12	102
Equity in earnings of affiliates	100	68	572
Amortization of transitional obligation	(1,552)	—	—
Provision for allowance for bad debts	(137)	(3,505)	(29,353)
Loss on write-off of membership rights	(147)	(3)	(28)
Other, net	58	63	526
	<u>(1,784)</u>	<u>(3,399)</u>	<u>(28,470)</u>
Income (loss) before income taxes	(2,861)	(4,359)	(36,509)
Income Taxes:			
Current	61	53	445
Deferred	(966)	(1,679)	(14,061)
	<u>(905)</u>	<u>(1,626)</u>	<u>(13,617)</u>
Minority Interests in Consolidated Subsidiaries	9	0	1
Net income (loss)	<u>(1,948)</u>	<u>(2,733)</u>	<u>(22,893)</u>
Retained Earnings:			
Balance at beginning of year	17,986	16,287	136,407
Increases:			
Cumulative effect of applying deferred tax accounting	—	—	—
Increase due to additions of consolidated subsidiaries and affiliates	—	—	—
Decreases:			
Cash dividends	(212)	(212)	(1,773)
Directors' bonuses	(62)	(62)	(516)
Balance at end of year	<u>¥15,765</u>	<u>¥13,280</u>	<u>\$111,223</u>
	Yen		U.S. Dollars (Note 1)
Per Share:			
Net income—primary	¥(46.01)	¥(64.57)	\$(0.54)
fully diluted	—	—	—
Cash dividends	5.00	5.00	0.04
Weighted Average Number of Shares Issued (in thousands)	42,333	42,333	

Note: U.S. dollar amounts are translated at the rate of ¥119.40=US\$1 for convenience only. The accompanying notes are an integral part of the statements.

CONSOLIDATED BALANCE SHEETS

Nohmi Bosai Ltd. and its Subsidiaries
As of September 30, 2000 and 2001

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	2001	2001
Current Assets:			
Cash on hand and in banks	¥ 3,338	¥ 2,955	\$ 24,748
Short-term investments	6,416	4,899	41,031
Trade receivables:			
Notes	8,602	6,671	55,871
Accounts	12,459	11,708	98,059
Unconsolidated subsidiaries and affiliates	279	196	1,641
Other	323	285	2,383
	<u>21,662</u>	<u>18,860</u>	<u>157,954</u>
Less: allowance for bad debts	(305)	(243)	(2,035)
	<u>21,357</u>	<u>18,617</u>	<u>155,920</u>
Inventories	16,027	15,785	132,203
Deferred tax assets	674	744	6,232
Prepaid expenses and other current assets	845	466	3,905
Total current assets	<u>48,658</u>	<u>43,466</u>	<u>364,040</u>
Investments and Advances:			
Investments in securities	1,849	1,569	13,142
Investments in and advances to unconsolidated subsidiaries and affiliates	2,312	2,469	20,682
Loans to employees	358	324	2,715
Deferred tax assets	2,167	4,298	35,996
Other investments and advances	4,202	4,045	33,877
	<u>10,888</u>	<u>12,706</u>	<u>106,411</u>
Property, Plant and Equipment:			
Buildings and structures	8,236	8,279	69,336
Machinery and equipment	2,418	2,463	20,627
Tools and furniture	5,469	5,200	43,554
	<u>16,124</u>	<u>15,942</u>	<u>133,516</u>
Less: accumulated depreciation	(8,531)	(8,672)	(72,632)
	<u>7,593</u>	<u>7,270</u>	<u>60,885</u>
Construction in progress	26	35	293
Land	3,367	3,365	28,184
	<u>10,986</u>	<u>10,670</u>	<u>89,362</u>
Deferred Charges and Intangibles	<u>850</u>	<u>751</u>	<u>6,286</u>
	<u>¥71,382</u>	<u>¥67,592</u>	<u>\$566,099</u>

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	2001	2001
Current Liabilities:			
Short-term bank loans	¥ 5,216	¥13,544	\$113,438
Trade payables:			
Notes	6,550	5,324	44,586
Accounts	2,425	1,736	14,543
Unconsolidated subsidiaries and affiliates	<u>1,397</u>	<u>1,692</u>	<u>14,169</u>
	<u>10,372</u>	<u>8,752</u>	<u>73,298</u>
Non-trade accounts payable	3,058	3,120	26,131
Advances received on uncompleted construction contracts	5,719	5,372	44,996
Accrued bonuses to employees	1,604	1,430	11,976
Accrued warranty costs	46	18	147
Income taxes payable	162	151	1,265
Other current liabilities	897	911	7,627
Total current liabilities	<u>27,074</u>	<u>33,298</u>	<u>278,877</u>
Long-term Liabilities:			
Long-term debt	9,684	443	3,713
Accrued retirement benefits	6,653	8,257	69,154
Other long-term liabilities	30	28	236
Difference between investment costs and equity in net assets acquired	<u>65</u>	<u>41</u>	<u>341</u>
	<u>16,431</u>	<u>8,769</u>	<u>73,444</u>
Minority Interests in Consolidated Subsidiaries	86	89	744
Contingent Liabilities (Note 2)	—	—	—
Stockholders' Equity:			
Common stock, par value ¥50 per share;			
Authorized:			
160,000,000 shares at September 30, 2000 and 2001			
Issued:			
42,332,771 shares at September 30, 2000 and 2001	6,272	6,272	52,532
Additional paid-in capital	5,713	5,713	47,851
Retained earnings	15,765	13,280	111,223
Revaluation of investments in marketable securities	—	3	25
Foreign currency translation adjustments	40	168	1,405
	<u>27,791</u>	<u>25,436</u>	<u>213,033</u>
	<u>¥71,382</u>	<u>¥67,592</u>	<u>\$566,099</u>

Note: U.S. dollar amounts are translated at the rate of ¥119.40=US\$1 for convenience only.
The accompanying notes are an integral part of the statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nohmi Bosai Ltd. and its Subsidiaries

For the six-month periods ended September 30, 2000 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	2001	2001
Cash Flows from Operating Activities:			
Income (loss) before income taxes	¥(2,861)	¥(4,359)	\$(36,509)
Adjustments for:			
Depreciation and amortization	602	577	4,829
Increase (decrease) in allowance for bad debts	(64)	3,420	28,641
Increase (decrease) in accrued retirement benefits	1,285	65	544
Decrease (increase) in receivables	8,591	7,163	59,991
Decrease (increase) in inventories	(3,084)	(3,088)	(25,865)
Increase (decrease) in payables	(3,928)	(5,664)	(47,433)
Increase in advances received on uncompleted construction contracts	1,613	2,026	16,967
Other, net	(114)	(629)	(5,266)
Subtotal	2,040	(490)	(4,101)
Interest and dividend income received	39	35	295
Interest expenses paid	(125)	(126)	(1,056)
Income taxes paid	(407)	(1,030)	(8,627)
Net cash provided by operating activities	<u>1,547</u>	<u>(1,610)</u>	<u>(13,488)</u>
Cash Flows from Investing Activities:			
Payments for purchase of property, plant and equipment	(371)	(452)	(3,788)
Decrease of loans receivable	153	115	964
Other, net	355	(34)	(283)
Net cash used in investing activities	<u>137</u>	<u>(371)</u>	<u>(3,107)</u>
Cash Flows from Financing Activities:			
Increase (decrease) in short-term bank loans	(120)	144	1,206
Repayment of long-term debt	(168)	(136)	(1,137)
Cash dividends paid	(212)	(212)	(1,773)
Other, net	(1)	(1)	(10)
Net cash used in financing activities	<u>(501)</u>	<u>(205)</u>	<u>(1,714)</u>
Effect of exchange rate changes on cash and cash equivalents	—	—	—
Net increase in cash and cash equivalents	1,183	(2,186)	(18,310)
Cash and cash equivalents at beginning of year	8,259	9,629	80,644
Cash and cash equivalents of newly consolidated subsidiaries	—	—	—
Cash and cash equivalents at end of six-month period	<u>¥ 9,442</u>	<u>¥ 7,443</u>	<u>\$ 62,334</u>

Note: U.S. dollar amounts are translated at the rate of ¥119.40=US\$1 for convenience only. The accompanying notes are an integral part of the statements.

NOTES TO THE CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS

Nohmi Bosai Ltd. and its 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 periods ended September 30, 2000 and 2001, have been prepared in conformity with accounting and reporting standards with respect to such consolidated semiannual financial statements 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 Ministry of Finance (the "MOF") in Japan have been reclassified for the convenience of readers outside Japan.

The consolidated semiannual financial statements are not intended to present the 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 ¥119.40=US\$1, the rate of exchange on September 28, 2001, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

2. 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 ¥814 million (\$6,819 thousand), and trade discounted by bank in the aggregate amount of ¥69 million (\$578 thousand) at September 30, 2001.

NOHMI BOSAI LTD.

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