

NOHMI BOSAI LTD.

SEMIANNUAL

R E P O R T

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For the Six-Month Period Ended  
September 30, 2000

***NOHMI***

# A MESSAGE FROM THE PRESIDENT

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## Performance Review

In the first half of fiscal 2001, ended September 30, 2000, the Japanese economy showed signs of a gradual recovery. Nevertheless, improvements were offset by the sluggish employment situation and consumer spending, coupled with worries over the slowing U.S. economy and the bearish stock market.

Against this backdrop, the operating environment for the fire protection industry remained harsh. Despite renewed growth in private-sector capital investment, reductions were made in construction investment and competition within the industry intensified.

Nohmi Bosai has raised management efficiency by implementing integrated manufacturing, making each department responsible for bringing a specific product through all stages of manufacturing. We strengthened sales in the renovation market, expanded into the market for fire protection peripherals and launched full-scale operations in the condominium fire protection market. We also cut administrative costs and lowered production costs. The value of outstanding orders as of September 30, 2000, was ¥38.0 billion. Net sales totaled ¥30.3 billion. Sales of fire alarm systems were ¥10.7 billion and sales of fire extinguishing systems totaled ¥7.7 billion. Revenue from maintenance services amounted to ¥7.5 billion and other sales were ¥4.4 billion.

Revenue and income for the first half of fiscal 2001 were down because of accounting changes implemented this period. Previously, operating expenses for the first half of the fiscal period were deferred to correct the disparity between sales figures for the two halves, caused by the higher proportion of construction orders completed in the second half. As of the first half of fiscal 2001, however, this accounting method was abolished, lowering first-half revenue. Furthermore, owing to the application from fiscal 2001 of new accounting procedures for calculating retirement benefits, we posted a net loss of ¥1.9 billion. Interim dividends were maintained at ¥5.0 yen per share. Fiscal 2001 is the first year we have released consolidated results for the first half. Accordingly, comparisons cannot be made with the corresponding period of the previous year.

## First-Half Highlights

During the period under review, Nohmi Bosai started working with SECOM Co., Ltd., to develop household appliances, and fire protection and security systems. We have formulated a Mid-term Business Plan establishing the terms of a cooperative venture with SECOM to expand business in existing fields, proprietary systems and new businesses.

In cooperation with Hitachi Cable, Ltd., Nohmi Bosai developed and began marketing a fire detection system that uses optical fibers to detect heat from fires. The use of optical fibers—which are also used in products such as temperature monitoring systems—has enabled this fire detector to surpass the accuracy of conventional detectors. Nohmi Bosai also developed and began sales of a concealed sprinkler system for homes that utilizes tap water and retails for half the price of similar products. Previous sprinkler models discharged water and sounded the alarm simultaneously when the heat detector was triggered. Nohmi's innovative system minimizes damage by sounding the alarm first and then discharging water onto the fire, easing evacuation. Sales of COMPACT VESDA (very early smoke detection apparatus) also began this period. This new version of our air

sampling, ultrasensitive smoke detection system is able to sense a fire breaking out, and has double the smoke detection ability at one-fifth the size of the previous model.

## Business Strategies

As a pioneer in the fire protection industry, Nohmi Bosai is committed to safeguarding lives and property from fire with the latest, optimal and highest-quality systems and services. Accordingly, we are striving to build a corporate structure that enables us to respond flexibly to rapid changes in the operating environment. At the same time, we are shifting the focus of the Nohmi Bosai Group's business portfolio from manufacturing to consulting.

Specifically, we aim to increase our market share in our mainstay fire protection business by maximizing our marketing skills. We will also strengthen our operating foundation by cultivating the market for fire protection peripherals and expanding into overseas markets. In addition, we will gain new sales channels by making sales agreements with domestic and overseas companies. In manufacturing, we will develop new products and systems that go beyond model changes and improvements, with the aim of moving into new areas of business and reforming our business portfolio. Furthermore, we will endeavor to create a more efficient marketing system by reinforcing cost management and minimizing material expenditures and other outlays.

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.

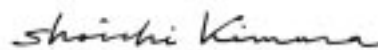
## Outlook

Although private-sector demand supported by capital investment has picked up and the economy is expected to recover of its own accord, lagging consumer spending, concerns over uncertain crude oil prices and the downtrend in public-works spending mean we are still unable to predict future conditions.

An expected renewal of private-sector capital investment will not be enough to compensate for cutbacks in large-scale realty development and condominium construction. Responding to the fire protection industry's harsh environment, we will ensure expansion even in this period of low growth, by making deeper inroads into the fire protection market and securing new business through product development and a stronger presence in the peripheral market. We are also striving to increase income through more efficient cost management and improve our corporate structure by strengthening administrative control.

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

February 2001



Shoichi Kimura  
President

# CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Nohmi Bosai Ltd. and its Subsidiaries

For the six-month period ended September 30, 2000, and year ended March 31, 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Sep. 2000	Mar. 2000	Sep. 2000
<b>Net Sales</b>	<b>¥30,290</b>	<b>¥77,666</b>	<b>\$280,465</b>
<b>Cost of Sales</b>	<b>22,904</b>	<b>58,559</b>	<b>212,077</b>
Gross profit	7,386	19,107	68,388
<b>Selling, General and Administrative Expenses</b>	<b>8,463</b>	<b>17,670</b>	<b>78,358</b>
Operating income	<b>(1,077)</b>	<b>1,437</b>	<b>(9,970)</b>
<b>Other Income (Expenses):</b>			
Interest income	14	30	132
Interest expense	(130)	(286)	(1,200)
Dividend on insurance policies	58	26	534
Rental revenue	61	104	568
Gain (loss) on sale of short-term investments and investments in securities	1	(6)	11
Loss on disposal and write-down of inventories	(72)	(16)	(665)
Loss on sale/disposal of property and equipment	(25)	(27)	(232)
Loss on liquidation of affiliates	(27)	(3)	(246)
Amortization of difference between investment costs and equity in net assets acquired	12	25	115
Equity in earnings of affiliates	100	77	926
Amortization of transitional obligation	(1,552)	—	(14,374)
Provision for doubtful	(137)	—	(1,269)
Loss on write-off of membership rights	(147)	—	(1,362)
Other, net	58	208	540
	<u>(1,784)</u>	<u>132</u>	<u>(16,522)</u>
Income before income taxes	<u>(2,861)</u>	<u>1,569</u>	<u>(26,492)</u>
<b>Income Taxes</b>			
Current	61	984	566
Deferred	(966)	(116)	(8,943)
	<u>(905)</u>	<u>701</u>	<u>(8,376)</u>
<b>Minority Interests in Consolidated Subsidiaries</b>	<u>9</u>	<u>1</u>	<u>82</u>
Net income	<u>(1,948)</u>	<u>702</u>	<u>(18,034)</u>
<b>Retained Earnings:</b>			
Balance at beginning of year	17,986	15,764	166,540
Increase:			
Cumulative effect of applying deferred tax accounting	—	1,790	—
Increase due to additions of consolidated subsidiaries and affiliates	—	229	—
Decreases:			
Cash dividends	(212)	(423)	(1,960)
Directors' bonuses	(62)	(75)	(574)
Balance at end of year	<u>¥15,765</u>	<u>¥17,987</u>	<u>\$145,972</u>
		Yen	U.S. Dollars (Note 1)
<b>Per Share:</b>			
Net income—primary	¥(46.01)	¥16.57	\$(0.43)
fully diluted	—	16.28	—
Cash dividends	5.00	10.00	0.05
<b>Weighted Average Number of Shares Issued (in thousands)</b>	<b>42,333</b>	<b>42,333</b>	

Note: U.S. dollar amounts are translated at the rate of ¥108.00=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 and March 31, 2000

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Sep. 2000	Mar. 2000	Sep. 2000		Sep. 2000	Mar. 2000	Sep. 2000
<b>Current Assets:</b>				<b>Current Liabilities:</b>			
Cash on hand and in banks	¥ 3,338	¥ 3,405	\$ 30,909	Short-term bank loans	¥ 5,216	¥ 5,369	\$ 48,301
Short-term investments	6,416	5,317	59,411	Trade payables:			
Trade receivables:				Notes	6,550	7,428	60,647
Notes	8,602	8,947	79,649	Accounts	2,425	3,597	22,452
Accounts	12,459	20,729	115,359	Unconsolidated subsidiaries and affiliates	1,397	1,715	12,934
Unconsolidated subsidiaries and affiliates	279	337	2,581		10,372	12,740	96,033
Other	323	371	2,986	Non-trade accounts payable	3,058	4,618	28,319
	21,662	30,384	200,576	Advances received on uncompleted construction contracts	5,719	4,106	52,952
Less: allowance for bad debts	(305)	(234)	(2,824)	Accrued bonuses to employees	1,604	1,520	14,856
	21,357	30,150	197,752	Accrued warranty costs	46	60	423
Inventories	16,027	12,945	148,395	Income taxes payable	162	508	1,498
Deferred tax assets	674	339	6,242	Other current liabilities	897	980	8,307
Prepaid expenses and other current assets	845	640	7,825	Total current liabilities	27,074	29,901	250,688
Total current assets	48,658	52,796	450,534				
				<b>Long-term Liabilities:</b>			
<b>Investments and Advances:</b>				Long-term debt	9,684	9,819	89,665
Investments in securities	1,849	1,834	17,117	Accrued retirement benefits	6,653	5,367	61,599
Investments in and advances to unconsolidated subsidiaries and affiliates	2,312	2,184	21,407	Other long-term liabilities	30	31	274
Loans to employees	358	387	3,315	Difference between investment costs and equity in net assets acquired	65	78	604
Deferred tax assets	2,167	1,536	20,068		16,431	15,295	152,142
Other investments and advances	4,202	2,641	38,910				
	10,888	8,582	100,817	<b>Minority Interests in Consolidated Subsidiaries</b>	86	97	798
				<b>Contingent Liabilities (Note 2)</b>	—	—	—
<b>Property, Plant and Equipment:</b>				<b>Stockholders' Equity:</b>			
Buildings and structures	8,236	8,452	76,260	Common stock, par value ¥50 per share;			
Machinery and equipment	2,418	2,407	22,393	Authorized:			
Tools and furniture	5,469	5,386	50,641	160,000,000 shares at			
	16,124	16,245	149,295	March 31, 2000 and			
Less: accumulated depreciation	(8,531)	(8,345)	(78,988)	September 30, 2000			
	7,593	7,900	70,306	Issued:			
Construction in progress	26	26	240	42,332,771 shares at			
Land	3,367	5,059	31,178	March 31, 2000 and			
	10,986	12,985	101,724	September 30, 2000	6,272	6,272	58,077
				Additional paid-in capital	5,713	5,713	52,902
<b>Deferred Charges and Intangibles</b>	850	902	7,871	Retained earnings	15,765	17,987	145,972
	¥71,382	¥75,265	\$660,945	Foreign currency translation adjustments	40	—	370
					27,791	29,972	257,321
					¥71,382	¥75,265	\$660,945

Note: U.S. dollar amounts are translated at the rate of ¥108.00=US\$1 for convenience only.  
The accompanying notes are an integral part of the statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Nohmi Bosai Ltd. and its Subsidiaries

For the six-month period ended September 30, 2000, and year ended March 31, 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Sep. 2000	Mar. 2000	Sep. 2000
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥(2,861)	¥1,569	\$(26,492)
Adjustments for:			
Depreciation and amortization	602	1,265	5,573
Increase/decrease in allowance for bad debts	(64)	349	(588)
Increase/decrease in accrued retirement benefits	1,285	(186)	11,902
Decrease in receivables	8,591	1,819	79,542
Increase/decrease in inventories	(3,084)	422	(28,552)
Increase/decrease in payables	(3,928)	779	(36,371)
Increase in advances received on uncompleted construction contracts	1,613	535	14,935
Increase/decrease in notes discounted	23	(1,091)	209
Other, net	(137)	(159)	(1,268)
Subtotal	2,040	5,302	18,889
Interest and dividend income received	39	67	365
Interest expenses paid	(125)	(281)	(1,157)
Income taxes paid	(407)	(1,004)	(3,771)
Net cash provided by operating activities	1,547	4,084	14,326
<b>Cash Flows from Investing Activities:</b>			
Payments for purchase of property, plant and equipment	(278)	(483)	(2,571)
Payments for purchase of investments in securities	(22)	(363)	(200)
Increase of loans receivable	(78)	(398)	(720)
Decrease of loans receivable	153	313	1,415
Other, net	362	(144)	3,347
Net cash used in investing activities	137	(1,075)	1,271
<b>Cash Flows from Financing Activities:</b>			
Increase in short-term bank loans	285	752	2,638
Repayment of short-term bank loans	(405)	(772)	(3,751)
Issuance of long-term debt	—	550	—
Repayment of long-term debt	(168)	(328)	(1,556)
Cash dividends paid	(212)	(423)	(1,960)
Other, net	(1)	(2)	(11)
Net cash used in financing activities	(501)	(223)	(4,641)
Net increase in cash and cash equivalents	1,183	2,786	10,956
Cash and cash equivalents at beginning of year	8,259	5,330	76,468
Cash and cash equivalents of newly consolidated subsidiaries	—	143	—
Cash and cash equivalents at end of year	¥ 9,442	¥8,259	\$ 87,424

Note: U.S. dollar amounts are translated at the rate of ¥108.00=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 period ended September 30, 2000, 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.

Consolidated semiannual financial statements have been required to be prepared with effect for the six-month period ended September 30, 2000, in accordance with the new accounting and reporting standards with respect to consolidated semiannual financial statements in Japan.

Certain items presented in the consolidated semiannual financial statements filed with the Ministry of Finance 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 ¥108.00=US\$1, the rate of exchange on September 30, 2000, 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 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 ¥925 million (\$8,565 thousand), and trade discounted by bank in the aggregate amount of ¥83 million (\$769 thousand) at September 30, 2000.

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