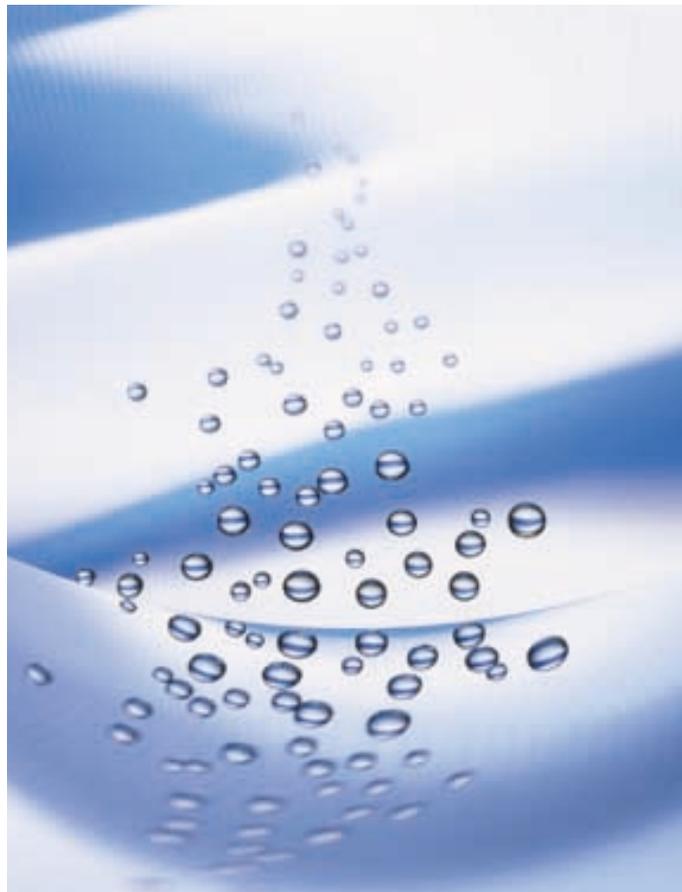


A N N U A L R E P O R T 2 0 0 4
For the Year Ended March 31,2004



Profile

Nohmi Bosai Ltd., established in 1944 and listed on the First Section of the Tokyo Stock Exchange in 1991, is a leading Japanese manufacturer of fire alarm and fire extinguishing systems. In fiscal 2004, ended March 31, 2004, the Company realized consolidated net sales of ¥72.1 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.

Contents

1	Consolidated Financial Highlights
2	A Message from the President
4	Review of Operations
8	An Integrated Fire Protection Service
9	Management's Discussion and Analysis
11	Consolidated Statements of Income and Retained Earnings
12	Consolidated Balance Sheets
14	Consolidated Statements of Cash Flows
16	Notes to the Consolidated Financial Statements
23	Report of the Independent Auditors
24	Board of Directors and Corporate Auditors
24	Investor Information

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

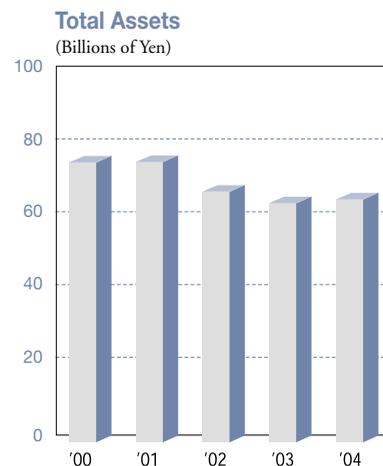
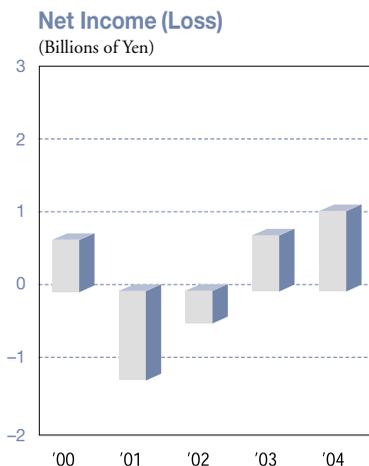
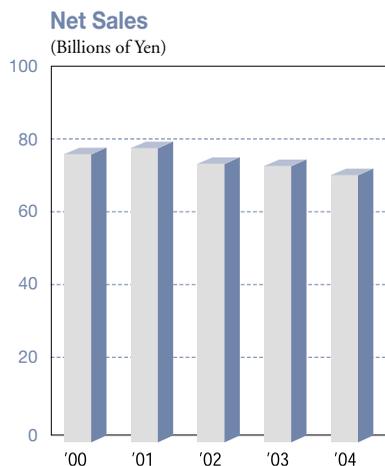
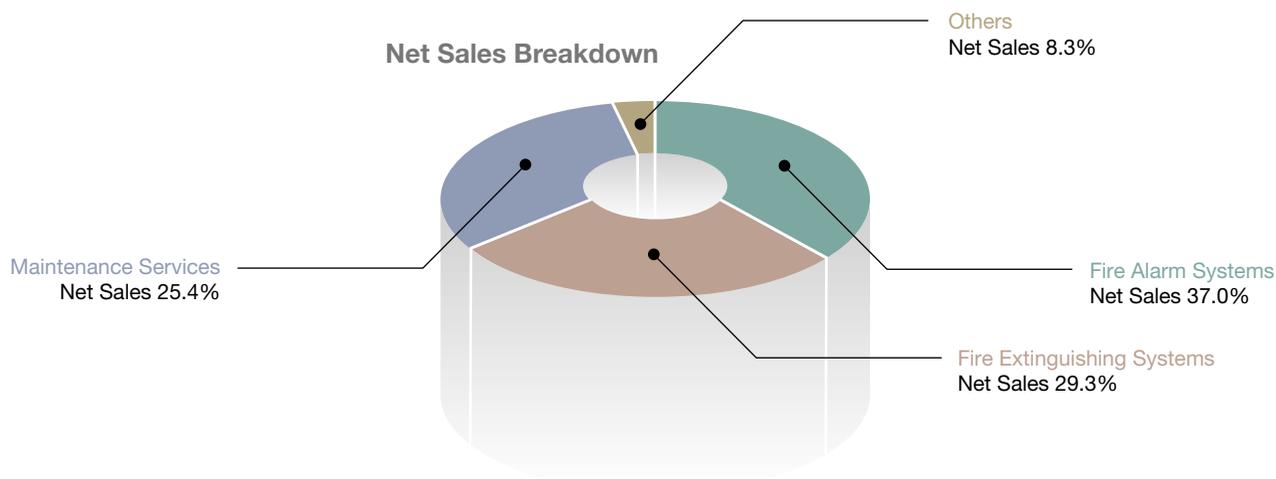
For the years ended March 31, 2002, 2003 and 2004

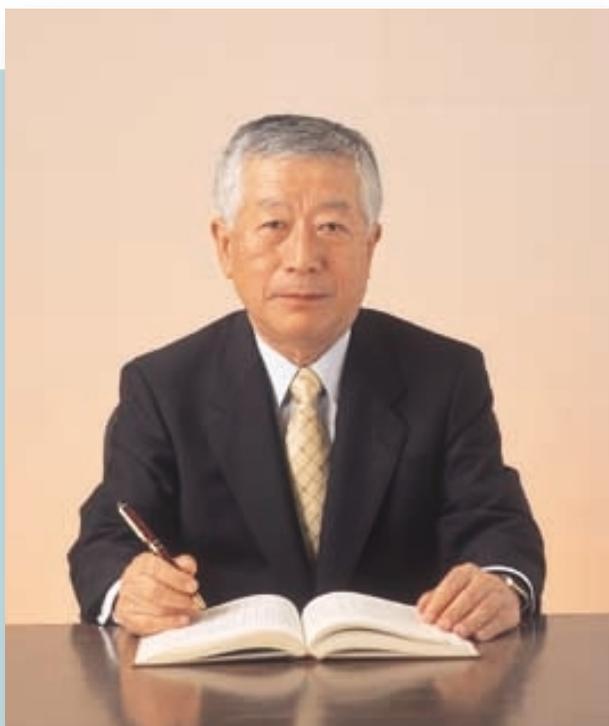
	Millions of Yen			Percentage Change	Thousands of U.S. Dollars
	2002	2003	2004	2004/2003	2004
For the year:					
New orders	¥76,106	¥69,920	¥72,501	3.7%	\$685,978
Net sales	74,910	74,519	72,144	(3.2)	682,604
Cost of sales	56,140	55,591	53,603	(3.6)	507,169
Operating income	1,872	1,971	1,662	(15.7)	15,722
Net income (loss)	(434)	811	1,098	35.3	10,385
At year-end:					
Total assets	¥67,331	¥64,375	¥65,406	1.6%	\$618,851
Total stockholders' equity	27,468	27,883	28,625	2.7	270,841
Backlog of orders	32,469	27,948	28,304	1.3	267,802
Number of employees	1,964	1,967	1,906	—	—
Per share (in yen and U.S. dollars):					
Net income (loss)—primary	¥(10.26)	¥ 17.96	¥ 25.73	— %	\$ 0.24
Cash dividends	10.00	10.00	10.00	—	0.09

Notes: 1. Per share amounts are based on the weighted average number of shares outstanding during each period.

2. All dollar figures herein refer to U.S. currency unless otherwise specified. The dollar amounts in this report represent translation of yen, for convenience only, at the rate of ¥105.69 = US\$1, the approximate effective rate of exchange prevailing on March 31, 2004.

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





Tadashi Tanoue
President

Business Environment and Results

In fiscal 2004, ended March 31, 2004, the domestic fire protection industry was still sluggish due to the downward trend in capital investment by the public sector, as well as severe business environment faced by the construction market. On the other hand, there are some signs of market changes due to recent amendments to the Fire Service Law.

In response to such conditions, the Nohmi Bosai Group implemented measures to win orders from customers in the new construction market to ensure profits. In the maintenance and repair business, we have expanded our business operation aimed to improve our services while keeping good relations with established customers by enhancing our customer service support system to increase levels of satisfaction. We have expanded sales of *Advanced P*, a competitive upgraded version of the conventional *P-Type* fire-alarm system with automatic testing functions aimed at the renovation market. Moreover, to increase our share of Chinese market, we have started production of the *Integlex* automatic fire alarm system in China.

We have also commenced sales of integrated fire protection and security systems that facilitate remote control of security devices. The new systems have been achieved by our collaboration as Japan's leading company in the fire protection industry with SECOM, Japan's leading provider of comprehensive security services.

Consequently, the value of orders received at 31 March 2004 increased 3.7%, to ¥72,500 million. In contrast, net sales dropped 3.2%, to ¥72,144 million and operating income dropped 15.7%, to total ¥1,661 million due to falling prices for construction projects and fewer large-scale projects in particular.

Although a review of regulations pertaining to retirement benefits at our subsidiary companies resulted in amortization of unrecognized prior service costs, we recorded a net income in fiscal 2004 of ¥1,094 million, up 35.4%.

Given our results for the period and the current economic climate, we have set year-end cash dividends at ¥5.00 per share. Total cash dividends at fiscal 2004 year-end are ¥10.00, combined with interim dividends at ¥5.00 per share distributed in December 2003.

Operating Highlights

In the period under review, we installed an *R-22E* distributed type addressable fire alarm system, incorporating a *C11* graphic display system, analog fire detectors and emergency telephone equipment using an electronic switching system in the Nihonbashi 1-chome Building with a total floor area of 98,000 m² constructed on the site of Tokyu Department Store's Nihonbashi branch. We also installed state-of-the-art fire protection systems,

We also installed state-of-the-art fire protection systems, including an automatic fire alarm system, a fire protection and smoke control system, a gas leak alarm system, an indoor fire hydrant system, a sprinkler system and a duct fire extinguishing system at the opening of the Shinmatsudo Campus of Ryutsu Keizai University.

Management Policies

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 good corporate citizen and maintain sustained growth, we are promoting reforms to our management structure and creating a corporate climate with serious commitment to customer satisfaction and proactive problem solving.

We are also increasing transparency of corporate management and enabling quicker decision-making on the Board of Directors through sound corporate governance. We have appointed three directors to the Board of Directors and two corporate auditors to the Board of Auditors from outside the company. The standing Corporate Auditor attends all of important meetings including the Board of Directors' meetings and Board of Auditors' meetings to monitor the Directors' operational management as well as to maintain close contact with the Audit Office as an internal audit department.

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

Outlook

We expect business conditions in the fire protection industry to remain harsh in fiscal 2005 owing to dropping construction demand resulting in declining and falling prices for construction projects and intensifying competition between companies providing products and services to the construction market.

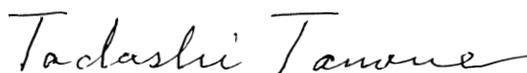
In response to such challenges, we will formulate our medium-term business plan commencing in the fiscal year ending March 2005 as follows and will make effort to achieve our goals:

1. We established the Customer Safety and Renewal (CR) Sales Division with the aim of strengthening sales in the maintenance and renovation business in 2003. We will strengthen relations with customers and improve performance by putting more management resources into this business.
2. We will improve the quality of fire protection equipment, reduce costs and strengthen delivery competitiveness. We will make every effort to realize high value-added management by improving the quality of our field service and ensuring systematic and efficient operations.
3. We will implement thorough quality control and result management by providing education, instruction and support to improve the quality and efficiency of field service.
4. We will enhance our operating ability by sharing valuable know-how and expertise in fire protection accumulated in our company, through training, OJT and development of strategic job-rotation career paths. This will enable us to develop human resources suiting our professional fire protection team.

In October 2003, the Fire Service Law was amended to expand its scope to include small multi-occupants buildings. In addition, recent amendments stipulate that single station fire alarm devices must be installed in residence buildings and incorporate performance-based standards. We will respond to the demands generated by these amendments. In addition, we will capitalize on our outstanding research capabilities to develop products suited to new kinds of hazardous-material and industrial plant fires. Moreover, we will make every effort to achieve our goals in the fiscal year ending March 2005. These objectives include extending marketing activities centered on our distinctive products throughout Japan and overseas.

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

July 2004



Tadashi Tanoue
President



Fire Alarm Systems

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 various applications ranging from homes to 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 System segment in fiscal 2004 amounted to ¥26,674 million, up 3.3% from the last year, or ¥845 million, and represented 37.0% of consolidated net sales. New orders increased 2.2%, or ¥553 million, to ¥25,529 million. Increase in net sales and new orders resulted from largely our commitments to proposal-based sales capability for customers in the renovation market to make up for losses caused by falling prices for construction projects and the declining number of large-scale projects in particular. The sales of OEM products to SECOM Co., Ltd., a company working on a collaborative project, also contributed to the increase.

New products developed in the period included the

Advanced PII system, an upgraded *Advanced P-Type* fire alarm system that enables us to guarantee higher safety and to improve maintenance services for the renovation market. The *Advanced PII* system is the first of its kind in Japan to incorporate the automatic testing function into the *P-Type* fire alarm system. This system displays the room number or the area and the detector address alerting from where the fire alarm is issued. The system has a switch lock function to prevent operational errors and malicious operation.

We also developed the first flame detector of its kind in Japan tailored to the functions of the *Advanced P-Type* fire alarm system. The detector has the automatic testing function to ensure the optimum reliability by detecting dirt on the sensor window using a monitor circuit including the light-receiving element.

To increase our share of the key Chinese market, we have developed the *R23Z* new *Integlex* system localized for China. It is designed to meet the market needs with enhanced functionality at lower cost by localizing production using local parts. The system is adapted to a broad range of facilities, including small as well as large commercial and industrial facilities using network-enabled functions.

Outlook

In response to persistent customer demands for lower prices, we will continue to take steps to reduce costs and strengthening marketing at home and abroad to reinforce our market shares, particularly in China where new infrastructure is being built.



Fire Monitoring Panels in Control Center

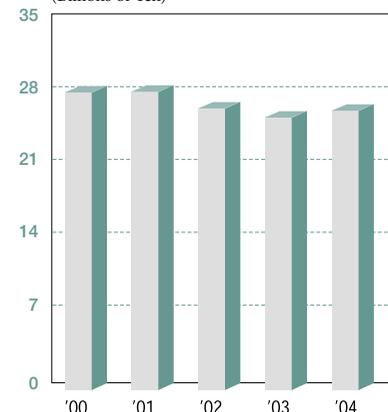
Major Products and Services

- 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



Analog Heat Detector

Net Sales of Fire Alarm Systems
(Billions of Yen)



■ Fire Extinguishing Systems



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 in the Fire Extinguishing Systems segment in fiscal 2004 amounted to ¥21,107 million, down 19.2% from the last year, or ¥5,022 million, and represented 29.3% of consolidated net sales. New orders declined 2.8%, or ¥630 million, to ¥21,796 million. These results are largely attributable to the declining number of large urban-development projects as well as declining demand for fire protection equipment for tunnels caused by a period of change in the expressway construction projects. Fiscal 2004 brought development of a number of exciting new products. Of particular note was the Packaged Water Mist Spray Equipment, an easy-to-install packaged fire extinguishing system for local application in open spaces such as factories. This system allows for local application of water mist spray for fire extinguishing and suppression.

This system requires a smaller amount of water as conventional sprinklers but has the same fire extinguishing capacity, thus minimizing water damage.

We also developed a reliable product for road tunnel—an automatic valve with an opening time control function that prevents rapid reduction of visibility at the start of spraying, accompanied by automated spraying systems for a tunnel fire. Its fire suppression performance is maintained by keeping water discharge at low pressure for a specified time to prevent the reduction in the visibility and then switching to the prescribed pressure. Water hammer is prevented by controlling the valve closing speed.

We also made a timely launch of products to meet the new requirements imposed by the revised standards for facilities for the U.S. armed forces. We launched the high-expansion foam extinguishing system consisting of a large-scale demand proportioner with increased flow rate and a pressure-adjustable deluge valve and in order to meet the new mandatory requirements for installing fire protection equipment in aircraft hangers of the U.S. military.

Outlook

We will strengthen our proposal-based sales by capitalizing on our outstanding technical capabilities to develop products suited to new kinds of hazardous-material and industrial plant fires, and respond to the performance-based standards newly incorporated into the amendments to the Fire Service Law.



High-Expansion Foam Extinguishing System

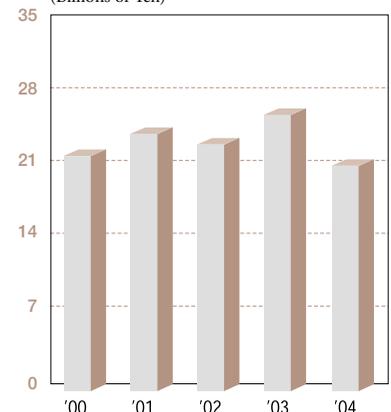
Major Products and Services

- Sprinklers
- Spray Heads and Nozzles
- Fire Extinguishers
- High-Expansion Foam Extinguishing Systems
- Dry Chemical Extinguishing Systems
- Heat and Gas Dispersion Control Systems
- Water Cannons



Foam Extinguishing Test

Net Sales of Fire Extinguishing Systems
(Billions of Yen)



Maintenance Services



In addition to conducting research and development aimed at ensuring the best fire alarm and fire extinguishing systems, we recognize the need to assure 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 to building owners.

The Year in Review

Net sales of the Maintenance Services segment in fiscal 2004 amounted to ¥18,381 million, up 0.8% from the previous fiscal year, or ¥149 million and represented 25.4% of consolidated net sales. New orders increased 3.9%, or ¥713 million, to ¥18,935 million. Increase in net sales and new orders resulted from largely innovative proposals tailored to customer needs deployed by newly created special sales team.

We enhanced cooperation between the sales teams for maintenance services and for new installations in order to increase orders for maintenance services from our established customers.

We developed the *CS Remote Monitoring Unit* in an effort to increase customer satisfaction. This remote monitoring service enables us to monitor customers' automatic fire alarm systems for any failure or problem

from the CS service center 24 hours a day, 365 days a year. The Customers' systems and the CS service center are connected up through NTT DoCoMo's wireless network.

Outlook

Japan's Fire Service Law stipulates regular inspection of all fire alarms and fire extinguishing equipment. Accordingly, the market for these services continues to show steady growth. Because we conduct in-house design, development and installation of our fire protection equipment, we are 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 through intensive training programs. We are also strengthening our ability to market maintenance services to customers placing orders for new installations.

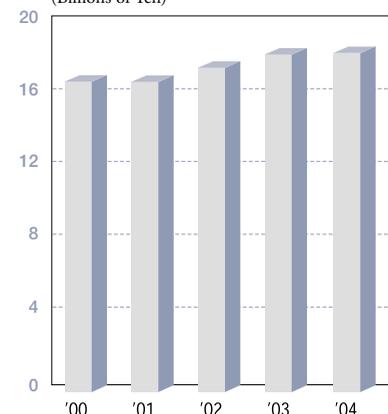


Maintenance Services

Major Services

- Maintenance Services
- Inspection Services

Net Sales of Maintenance Services
(Billions of Yen)



Others



This segment encompasses assembly of printed circuit boards (PCBs) and installation and maintenance of parking lot control systems. PCBs are an essential part of high-technology fire protection equipment, and their assembly requires advanced technical skills and state-of-the-art equipment. Owing to our high level of expertise, PCB orders from customers in other industries, including medical equipment, telecommunications, and electronics manufacturers are expanding rapidly.

Our parking lot control systems make driving in parking lots safer and improve 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 in fiscal 2004 amounted to ¥5,981 million, up 38.2%, or ¥1,653 million, and represented 8.3% of consolidated net sales. New orders increased 45.2%, or ¥1,942 million, to ¥6,239 million. Increase in net sales and new orders is largely attributable to termination of credit control.

PCB assembly accounts for 58.1% of net sales in this segment. Our principal customer in this category is the fire protection industry, but orders from other industries are increasing because of our sophisticated skills and excellent product reliability. To counter intense price competition, we are incorporating greater awareness of profit margins into our sales activities.



Printed Circuit Board Assembly

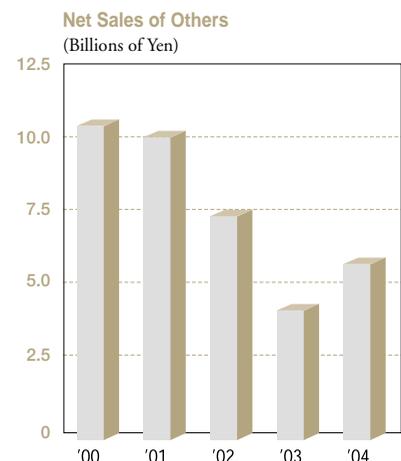
Major Products and Services

- Printed Circuit Board Assembly Operations
- Parking Lot Maintenance Services

Parking lot control systems, which account for 36.8% 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 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

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



Nohmi Bosai's mission is to ensure that people have effective fire protection so they can enjoy safe and comfortable lives. To this end, we have established an integrated series of services that assume consistent responsibility for giving customers the best fire protection system for their needs.



Research and Development

Simulation experiments are performed in Nohmi Bosai's laboratories to enable the Company to develop the fire alarm and extinguishing system that provides an optimum degree of fire protection for the customer.



Installation

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



Risk Analysis

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



Commissioning

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



Consultation and System Design

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



Maintenance

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



Manufacturing and Quality Assurance

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

Performance Analysis

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

The Nohmi Bosai Group continued to operate in a harsh environment owing to declining demand in the construction market. The Group's results by segment are as follows:

In fire alarms, we stepped up marketing activities for distinctive products such as *Advanced P*. We also ensured efficient operations and strengthened our proposal-based sales capabilities. These efforts contributed to an increase of 3.3%, to ¥26,674 million, in net sales for the segment.

In fire extinguishing equipment, we focused on boosting profitability by recommending such distinctive products as *Sqall α*, a new extinguishing system that replaces conventional foam extinguishing systems in indoor parking lots. We implemented measures to accept orders in the special construction market, including plants. However, net sales in this segment fell 19.2%, to ¥21,107 million, reflecting the declining number of large-scale urban-development projects as well as declining demand for fire protection equipment for tunnels owing to a period of change in the expressway construction projects.

In maintenance services, we marketed maintenance services to established customers by enhancing cooperation between the sales teams for maintenance services and for new installations, by offering a CS support system to improve customer satisfaction, and by creating new sales teams to submit innovative proposals tailored to customer needs. These efforts contributed to an increase of 0.8% to ¥18,381 million in net sales for the segment.

In other areas, net sales of PCBs and parking lot control systems increased. We reviewed individual clients for PCBs while we were selective in choosing clients to supply PCBs and careful in deciding the trading volume. This policy resulted from the fact that an IT-related venture company that we supported went bankrupt in 2001. The review process has been completed. Accordingly, net sales of PCBs recovered 38.2%, to ¥5,981 million.

For the cost of sales, efforts to lower costs contributed to a decline in cost of sales of our subsidiary companies in this consolidated fiscal year. Cost of sales ratio improved from 76.0% for the fiscal 2001 during three consecutive periods to 74.3%.

Sales, general and administrative expenses declined by ¥77 million, reflecting efforts to lower costs including review and improvement of costs required for subsidiary companies continuing from the previous fiscal year.

Nevertheless, the operating income ratio was 2.3%, down 0.3%, because operating income could not make up for the loss caused by the decline in net sales in this fiscal year.

Assets, Liabilities and Stockholders' Equity

Total assets at the end of fiscal 2004 amounted to ¥65,406 million, up 1.6%, or ¥1,031 million.

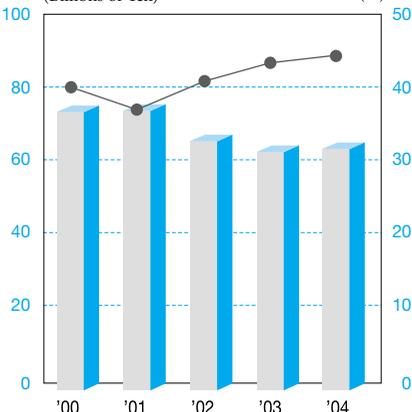
Total current assets increased 2.9%, or ¥1,276 million, to ¥45,852 million, reflecting an increase in cash on hand and in banks of ¥3,622 million and decreases in notes and accounts receivable of ¥1,342 million, inventories of ¥331 million and deferred tax assets of ¥544 million.

Investments and Advances increased 1.5%, or ¥135 million, to ¥9,040 million, owing primarily to a decrease in deferred tax assets of ¥211 million and an increase in investments in securities of ¥520 million.

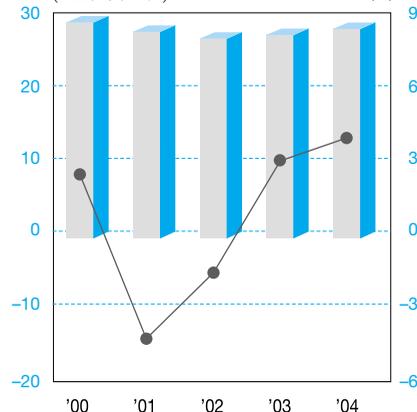
Net Income (Loss)/Return on Sales
(Billions of Yen) (%)



Total Assets/Equity Ratio
(Billions of Yen) (%)



Total Stockholders' Equity/Return on Equity
(Billions of Yen) (%)



Total liabilities at fiscal 2004 year-end were ¥36,582 million, up 0.8%, or ¥276 million.

Interest-bearing debt fell 2.2%, or ¥223 million, to ¥9,834 million, owing primarily to a decrease in notes and accounts payable of ¥675 million and an increase in advances received on uncompleted construction contracts of ¥715 million.

Total stockholders' equity increased 2.7%, or ¥742 million, to ¥28,625 million. The stockholders' equity ratio increased 43.3% to 43.8%. Stockholders' equity per share was ¥682.43, up from ¥659.64 in fiscal 2003.

Cash Flow

Net cash provided by operating activities increased by ¥4,559 million over the previous fiscal year to ¥4,806 million. This increase was primarily attributable to the increases in allowances for bad debt and advances received on uncompleted construction contracts.

Net cash used in investment activities amounted to ¥476 million, ¥128 million less compared with the previous period, owing primarily to a decrease in investment activities included payments for purchase of property, plants and equipment.

Net cash used in financing activities totaled ¥723 million, down by ¥11 million from fiscal 2003. This was largely due to the fact that no repayment of long-term debt was made during this fiscal year, while disbursement on the repayment of short-term debt increased.

Thus, the Nohmi Bosai Group's operating, investment and financing activities in fiscal 2004 led to a net increase in cash and cash equivalents of ¥3,606 million, compared with a net decrease of ¥1,093 million in the previous period. As a consequence, cash and cash equivalents at end-of-year amounted to ¥9,121 million, up from ¥5,515 million a year earlier.

Since there are no large investment plans scheduled for the fiscal year ending March 2005, no future funding is currently expected.

Outlook

We expect conditions in the fire protection industry to remain harsh in fiscal 2005, owing to declining construction demand resulting in falling prices for construction projects and intensifying competition between companies providing products and services to the construction market. Accordingly, we forecast consolidated net sales of ¥74,000 million and net income of ¥850 million.

Consolidated Statements of Income and Retained Earnings

Nohmi Bosai Ltd. and its Subsidiaries
For the years ended March 31, 2002, 2003 and 2004

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2002	2003	2004	2004
Net Sales	¥74,910	¥74,519	¥72,144	\$682,604
Cost of Sales	56,140	55,591	53,603	507,169
Gross profit	18,770	18,928	18,542	175,435
Selling, General and Administrative Expenses	16,898	16,957	16,880	159,713
Operating income	1,872	1,971	1,662	15,722
Other Income (Expenses):				
Interest income	19	14	11	103
Interest expense	(254)	(116)	(106)	(1,002)
Dividend on insurance policies	68	42	88	833
Rental revenue	209	87	85	806
Loss on sale of short-term investments and investments in securities	(14)	—	(1)	(8)
Loss on disposal and write-down of inventories	(91)	(11)	—	—
Loss on sale/disposal of property and equipment	(31)	(77)	(40)	(380)
Loss from revaluation of investments in securities	(68)	(525)	(24)	(228)
Amortization of bond issue expense	(100)	—	—	—
Amortization of difference between investment costs and equity in net assets acquired	24	14	14	134
Equity in earnings (losses) of affiliates	132	(13)	67	635
Provision for allowance for bad debts	(3,502)	(34)	(7)	(67)
Loss on write-off of memberships	(4)	(8)	(2)	(23)
Gain on sale of real estate for investments	809	—	—	—
Amortization of unrecognized prior service cost	—	391	163	1,540
Other, net	116	214	(42)	(396)
	(2,688)	(21)	206	1,947
Income (loss) before income taxes	(816)	1,950	1,867	17,669
Income Taxes:				
Current (Note 9)	1,444	236	249	2,352
Deferred (Note 9)	(1,831)	882	512	4,843
	(387)	1,118	760	7,195
Minority Interests in Consolidated Subsidiaries	(5)	(21)	(9)	(88)
Net income (loss)	(434)	811	1,098	10,385
Retained Earnings:				
Balance at beginning of year	16,287	15,367	15,850	149,962
Increase:				
Increase due to additions of consolidated subsidiaries and affiliates	—	104	—	—
Decrease:				
Cash dividends	(423)	(423)	(422)	(3,990)
Directors' bonuses	(62)	(9)	(51)	(483)
Loss on sale/disposal of treasury stock	—	—	(1)	(5)
Balance at end of year	¥15,367	¥15,850	¥16,474	\$155,871
		Yen		U.S. Dollars (Note 1)
Per Share (Note 2):				
Net income (loss) —primary	¥(10.26)	¥17.96	¥25.73	\$0.24
—fully diluted	—	—	—	—
Cash dividends	10.00	10.00	10.00	0.09
Weighted Average Number of Shares Issued (in thousands)	42,333	42,297	42,006	—

The accompanying notes are an integral part of the statements.

Consolidated Balance Sheets

Nohmi Bosai Ltd. and its Subsidiaries
As of March 31, 2003 and 2004

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Current Assets:			
Cash on hand and in banks (Note 3)	¥ 5,655	¥ 9,277	\$ 87,773
Short-term investments (Notes 3 and 4)	10	10	95
Trade receivables:			
Notes	7,441	6,293	59,543
Accounts	18,415	18,223	172,418
Unconsolidated subsidiaries and affiliates	201	157	1,489
Other	558	438	4,146
	26,615	25,111	237,596
Less: Allowance for bad debts	(375)	(334)	(3,162)
	26,240	24,777	234,434
Inventories (Note 5)	11,190	10,859	102,742
Deferred tax assets (Note 9)	1,285	741	7,010
Prepaid expenses and other current assets	195	189	1,789
Total current assets	44,576	45,853	433,842
Investments and Advances:			
Investments in securities (Note 4)	1,065	1,585	14,996
Investments in and advances to unconsolidated subsidiaries and affiliates	2,342	2,279	21,562
Loans to employees	265	219	2,072
Long-term receivables	78	105	990
Deferred tax assets (Note 9)	3,054	2,843	26,900
Other investments and advances	2,483	2,419	22,886
	9,287	9,449	89,406
Less: Allowance for bad debts	(382)	(409)	(3,870)
	8,905	9,040	85,536
Property, Plant and Equipment:			
Buildings and structures	8,308	8,286	78,403
Machinery and equipment	2,263	2,143	20,279
Tools and furniture	5,352	5,412	51,207
	15,923	15,842	149,890
Less: Accumulated depreciation	(9,296)	(9,635)	(91,165)
	6,627	6,207	58,725
Construction in progress	45	42	395
Land	3,473	3,473	32,862
	10,145	9,722	91,982
Deferred Charges and Intangibles	749	792	7,491
Total assets	¥64,375	¥65,406	\$618,851

The accompanying notes are an integral part of the statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Current Liabilities:			
Short-term debt (Note 6)	¥ 4,045	¥ 3,835	\$ 36,283
Trade payables:			
Notes	4,747	1,660	15,702
Accounts	2,818	5,163	48,849
Unconsolidated subsidiaries and affiliates	1,892	1,959	18,535
	9,457	8,781	83,086
Non-trade accounts payable	4,132	4,329	40,955
Advances received on uncompleted construction contracts	2,072	2,787	26,372
Accrued bonuses to employees	1,438	1,370	12,959
Accrued warranty costs	57	52	494
Income taxes payable (Note 9)	150	186	1,763
Other current liabilities	854	1,227	11,605
Total current liabilities	22,205	22,567	213,517
Long-term Liabilities:			
Long-term debt (Note 6)	6,343	6,336	59,946
Accrued retirement benefits (Note 7)	7,714	7,651	72,389
Other long-term liabilities	29	29	277
Difference between investment costs and equity in net assets acquired	14	—	—
Total long-term liabilities	14,100	14,016	132,611
Minority Interests in Consolidated Subsidiaries	187	199	1,882
Contingent Liabilities (Note 10)			
Stockholders' Equity:			
Common stock;			
Authorized: 160,000,000 shares at March 31, 2003 and 2004			
Issued: 42,332,771 shares at March 31, 2003 and 2004	6,272	6,272	59,346
Additional paid-in capital	5,713	5,713	54,058
Retained earnings (Note 11)	15,850	16,474	155,871
Net unrealized loss on securities	(39)	319	3,022
Foreign currency translation adjustments	116	16	154
	27,912	28,795	272,451
Less: Treasury stock, at cost—			
73,679 shares and 386,602 shares at March 31, 2003 and 2004	(29)	(170)	(1,610)
Total liabilities and stockholders' equity	¥64,375	¥65,406	\$618,851

Consolidated Statements of Cash Flows

Nohmi Bosai Ltd. and its Subsidiaries

For the years ended March 31, 2002, 2003 and 2004

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2002	2003	2004	2004
Cash Flows from Operating Activities:				
Income (loss) before income taxes	¥(816)	¥ 1,950	¥ 1,867	\$17,669
Adjustments for:				
Depreciation and amortization	1,152	1,081	1,016	9,612
Amortization of difference between investment costs and equity in net assets acquired	(24)	(14)	(14)	(134)
Increase (decrease) in allowance for bad debts	3,517	(3,563)	(13)	(127)
Amortization of bond issue costs	100	—	—	—
Increase (decrease) in accrued retirement benefits	115	(640)	(63)	(594)
Decrease in accrued bonuses	(102)	(51)	(68)	(645)
Decrease in accrued warranty costs	(4)	(2)	(5)	(44)
Interest and dividend income	(52)	(32)	(32)	(299)
Interest expenses	254	117	106	1,002
Equity in earnings (losses) of affiliates	(132)	13	(67)	(635)
Gain on sale of real estate for investments	(809)	—	—	—
Loss on write-off of memberships	4	8	2	23
Loss on sales/retirement of property, plant and equipment	31	77	40	380
Loss from revaluation of investments in securities	68	525	24	228
Loss on sales of investments in securities	14	—	1	8
Decrease in receivables	825	2,775	1,326	12,550
Decrease in inventories	423	1,169	332	3,138
Increase (decrease) in payables	(4,932)	825	(562)	(5,315)
Increase (decrease) in advances received on uncompleted construction contracts	835	(2,146)	715	6,765
Decrease in notes discounted	(50)	—	—	—
Directors' bonuses paid	(63)	(11)	(52)	(496)
Other, net	(285)	(186)	543	5,140
Subtotal	70	1,893	5,097	48,229
Interest and dividend income received	55	35	30	283
Interest expenses paid	(244)	(115)	(108)	(1,024)
Income taxes paid	(1,101)	(1,566)	(213)	(2,013)
Net cash provided by (used in) operating activities	¥(1,220)	¥ 247	¥ 4,806	\$45,477

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2002	2003	2004	2004
Cash Flows from Investing Activities:				
Refund of time deposits	¥ 36	¥ 68	¥ (15)	\$ (145)
Proceeds from sales of short-term investments	200	—	—	—
Payments for purchase of property, plant and equipment	(872)	(795)	(603)	(5,710)
Proceeds from sales of property, plant and equipment	16	20	11	108
Payments for purchase of investments in securities	(186)	(13)	(6)	(52)
Proceeds from sales of investments in securities	20	41	56	530
Proceeds from sale of real estate for investments	2,500	—	—	—
Increase of loans receivable	(63)	(56)	(103)	(978)
Decrease of loans receivable	192	150	162	1,534
Other, net	167	(20)	21	202
Net cash provided by (used in) investing activities	<u>2,009</u>	<u>(605)</u>	<u>(477)</u>	<u>(4,510)</u>
Cash Flows from Financing Activities:				
Decrease in short-term debt	(75)	(163)	(223)	(2,109)
Repayment of long-term debt	(244)	(125)	—	—
Proceeds from issuance of bonds	5,901	—	—	—
Purchase of convertible bonds	(9,051)	—	—	—
Cash dividends paid	(423)	(423)	(422)	(3,989)
Cash dividends paid to minority stockholders	(1)	(2)	(2)	(23)
Proceeds from sales purchase of treasury stock	(4)	(21)	(76)	(719)
Net cash used in financing activities	<u>(3,899)</u>	<u>(735)</u>	<u>(723)</u>	<u>(6,841)</u>
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—
Net increase (decrease) in cash and cash equivalents	(3,109)	(1,093)	3,607	34,125
Cash and cash equivalents at beginning of year	9,629	6,520	5,514	52,176
Cash and cash equivalents of newly consolidated subsidiaries	—	87	—	—
Cash and cash equivalents at end of year	<u>¥ 6,520</u>	<u>¥ 5,514</u>	<u>¥ 9,121</u>	<u>\$86,300</u>

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, 2002, 2003 and 2004

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements of Nohmi Bosai Ltd. (the "Company") and its consolidated subsidiaries (the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

Certain items presented in the consolidated financial statements filed with the Director of the Kanto Local Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥105.69 = US\$1, the rate of exchange on March 31, 2004, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the rate or any other rate.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation and Elimination

The Company had 25 subsidiaries at March 31, 2004 (25 at March 31, 2003). 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, 2004 (21 at March 31, 2003).

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, 2004, the Company had 5 affiliates (5 for 2003). Investments in unconsolidated subsidiaries and affiliates are generally accounted for by the equity method by which such investments are carried at cost and are adjusted for equity in the unconsolidated earnings (deficit). The Company's net income includes its equity in 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 of 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 minor risk of fluctuations in value.

(5) Inventories

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

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

(6) Financial Instruments

Securities

Securities held by the Company and its subsidiaries are, under the Japanese Accounting Standards, classified into four categories;

Trading securities, which are held for the purpose of generating profits on short-term differences in prices, are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise.

Held-to-maturity debt securities, that the Company and its subsidiaries 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.

(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 the straight-line method over expected useful life (5 years).

Amortization of intangible fixed assets and deferred charges other than software is computed under the 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, 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 in serious 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 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, accrued retirement benefits represents the estimated present value of projected benefit obligations in excess of fair value of the plan assets.

Unrecognized actuarial differences are amortized on a straight-line basis over the period of 10 years from the next year in which they arise. Unrecognized prior service cost is fully recognized in the fiscal year in which it arises.

(14) Net Income and Dividends per Share

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year. Net income per share adjusted for dilution is computed on the assumption of full conversion of all convertible bonds of the Company outstanding with related reduction in interest expenses. Cash dividends per share, shown for each period in the accompanying consolidated statements of income, represent dividends declared as applicable to the respective periods.

(15) Reclassification

Certain reclassifications of previously reported data have been made to conform with current classifications.

(16) Accounting standard for impairment of fixed assets

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

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

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

3. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2002	2003	2004	2004
Cash and bank deposits	¥6,658	¥5,655	¥9,277	\$87,773
Short-term investments	10	10	10	95
Total	6,668	5,665	9,287	87,868
Time deposits with deposit term over three months	(148)	(151)	(166)	(1,568)
Corporate shares, bond investments trusts and convertible bonds	—	—	—	—
Cash and cash equivalents	¥6,520	¥5,514	¥9,121	\$86,300

4. Securities

Summary of other securities sold in the years ended March 31, 2003 and 2004, is shown below:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Total amount of sales	¥41	¥33	\$315
Total amount of gains on sales	9	27	261
Total amount of losses on sales	1	1	8

The carrying amounts of other securities which have maturities at March 31, 2003 and 2004, by contractual maturity, are shown below:

	Millions of Yen			
	2003		2004	
	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	—	—
Other	—	—	—	—
Total	¥—	¥3	¥—	¥—

	2004	
	Thousands of U.S. Dollars	Thousands of U.S. Dollars
	Due in one year or less	Due after one year to five years
Government bonds	\$—	\$—
Corporate bonds	—	—
Other	—	—
Total	\$—	\$—

5. Inventories

Inventories consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Products	¥ 1,623	¥ 1,410	\$ 13,345
Raw materials	2,638	2,234	21,134
Work in process	867	724	6,848
Cost of construction			
Contracts in progress	6,060	6,491	61,415
Total	¥11,190	¥10,859	\$102,742

6. Short-term Debt and Long-term Debt

Short-term debts at March 31, 2004, bore interest at annual rates ranging from 0.57% to 1.875% 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, 2004, comprised the following:

	2004	
	Millions of Yen	Thousands of U.S. Dollars
Unsecured loans, principally from banks and insurance companies due from 2004 to 2005 with interest rates ranging from 2.05% to 2.25%:	¥ 13	\$ 121
Unsecured 1.4% domestic standard bonds due in 2007	¥3,500	\$33,116
Unsecured 0.88% domestic standard bonds due in 2007	2,500	23,654
Guarantee deposits received	336	3,176
Less—portion due within one year	(13)	(121)
Total long-term debt	¥6,336	\$59,946

Aggregate annual maturities of long-term debt, excluding guarantee deposits received, subsequent to March 31, 2004, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥13	\$121
2006	—	—
2007	—	—
2008	—	—
2009 and thereafter	—	—
	¥13	\$121

7. Accrued Retirement Benefits and Pension Plan

The composition of amounts recognized in the consolidated balance sheets at March 31, 2003 and 2004, excluding directors' retirement benefits, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Benefit obligation at end of year	¥(10,965)	¥(10,777)	\$(101,975)
Fair value of plan assets at end of year	2,555	2,751	26,032
Funded status	(8,410)	(8,026)	(75,943)
Unrecognized actuarial loss	1,129	836	7,912
Unrecognized prior service cost	—	—	—
Net amount recognized ...	(7,280)	(7,190)	(68,031)
Prepaid pension expense ...	4	—	—
Accrued retirement benefits	¥ (7,284)	¥ (7,190)	\$(68,031)

The components of net pension and employees' severance costs for the year ended March 31, 2003 and 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Service cost	¥538	¥541	\$5,121
Interest cost	303	250	2,368
Expected return on plan assets ...	(68)	(51)	(486)
Amortization of transition obligation	—	—	—
Recognized actuarial loss	40	121	1,139
Amortization of unrecognized prior service cost	(402)	(163)	(1,540)
Extra severance cost	39	28	268
Net periodic benefit cost	¥450	¥726	\$6,870

Notes: 1. Actuarial loss is recognized using straight-line method over ten 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 and 2004.

Assumptions used as of March 31, 2003 and 2004, were as follows:

	2003	2004
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	3.0%	2.5%

8. Accounting for Leases

The Companies have various lease agreements whereby the Companies act as both lessee and a 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, 2003 and 2004, 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
	2003	2004	2004
Machinery and equipment ...	¥ 586	¥428	\$4,046
Tools and furniture	388	306	2,898
Others	87	71	673
	1,061	805	7,617
Less: Accumulated depreciation	(891)	(735)	(6,954)
Net book value	¥ 170	¥ 70	\$ 663
Depreciation	¥ 157	¥100	\$ 945

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, 2003 and 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Due within one year	¥103	¥ 39	\$370
Due over one year	68	31	293
	¥171	¥ 70	\$663
Lease rental expenses for the year	¥157	¥100	\$945

As a lessor:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Leased tools and furniture:			
Purchase cost	¥357	¥290	\$2,748
Accumulated depreciation	(289)	(245)	(2,322)
Net book value	¥68	¥ 45	\$ 426

The scheduled maturities of future lease rental income on such lease contracts as of March 31, 2003 and 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Due within one year	¥109	¥ 83	\$ 783
Due over one year	241	215	2,031
	¥350	¥298	\$2,814
Lease rental expenses for the year	¥134	¥111	\$1,053
Depreciation for the year	¥ 28	¥ 22	\$ 204

9. Income Taxes

At March 31, 2003 and 2004, significant components of deferred tax assets and liabilities was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Deferred tax assets:			
Accrued employees retirement benefits	¥2,558	¥2,766	\$26,168
Accrued bonuses	501	559	5,285
Loss on write-off of property and equipment	267	253	2,399
Tax loss carry forwards	940	197	1,862
Directors' retirement allowance	174	188	1,779
Allowance for bad debts	208	69	655
Accrued warranty costs	24	21	201
Accrued enterprise taxes	2	—	—
Other	101	103	974
Subtotal	4,775	4,156	39,323
Valuation allowance	(337)	(262)	(2,479)
Total	¥4,438	¥3,894	\$36,844
Deferred tax liabilities:			
Depreciation	¥ (98)	¥ (310)	\$ (2,934)
Net deferred tax assets	¥4,340	¥3,584	\$33,910

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	57.3%

The disclosure of reconciliation of the statutory tax rate to the effective income tax rate was not required in the case of reconciliation was less than 5%. Accordingly reconciliation for the year ended March 31, 2004, 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 732 million yen (6,924 thousand U.S. dollars) at March 31, 2004.

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 equals 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 29, 2004.

	Millions of Yen	Thousands of U.S. Dollars
Appropriations for:		
Cash dividends (¥5.00 per share)	¥210	\$1,990
Directors' bonuses	—	—

12. Segment Information

The Company and its consolidated subsidiaries operate principally in the following four industrial segments:

Fire alarm systems	fire alarms and bells; heat, smoke and gas detectors
Fire extinguishing systems	sprinklers and fire extinguishers
Maintenance services	maintenance and inspection services
Others	construction and maintenance of parking spaces and sales of other products

The sales of the consolidated subsidiaries located in countries or regions other than Japan are not presented due to insignificant effect.

	Millions of Yen		Thousands of U.S. Dollars	
	2002	2003	2004	2004
Net sales:				
Fire alarm systems	¥26,691	¥25,829	¥26,674	\$252,381
Fire extinguishing systems	23,194	26,130	21,108	199,713
Maintenance services	17,479	18,232	18,381	173,916
Others	7,545	4,328	5,981	56,594
	<u>74,910</u>	<u>74,519</u>	<u>72,144</u>	<u>682,604</u>
Operating expenses:				
Fire alarm systems	25,529	24,949	25,446	240,757
Fire extinguishing systems	22,035	25,084	20,530	194,244
Maintenance services	13,716	14,111	14,827	140,290
Others	7,583	4,285	5,937	56,172
	<u>68,863</u>	<u>68,429</u>	<u>66,739</u>	<u>631,463</u>

	Millions of Yen			Thousands of U.S. Dollars		Millions of Yen			Thousands of U.S. Dollars
	2002	2003	2004	2004		2002	2003	2004	2004
Operating income before unallocatable costs	6,046	6,090	5,405	51,141					
Less:									
Unallocatable operating expenses	¥(4,174)	¥(4,119)	¥(3,743)	\$ (35,419)					
Operating income ...	¥ 1,872	¥ 1,971	¥ 1,662	\$ 15,722					
Total assets:									
Fire alarm systems	¥26,173	¥25,267	¥25,691	\$243,074					
Fire extinguishing systems	17,785	17,900	16,801	158,964					
Maintenance services	7,529	8,108	7,510	71,058					
Others	1,312	1,611	1,549	14,658					
	52,799	52,886	51,551	487,754					
Unallocatable or headquarters	14,532	11,489	13,856	131,097					
	¥67,331	¥64,375	¥65,406	\$618,851					
Depreciation:									
Fire alarm systems	¥ 533	¥ 515	¥ 468	\$4,426					
Fire extinguishing systems	140	141	120	1,136					
Maintenance services	102	104	91	863					
Others	26	25	24	226					
	800	785	703	6,651					
Unallocatable or headquarters	340	284	300	2,841					
	¥ 1,141	¥ 1,069	¥1,003	\$9,492					
Capital expenditure:									
Fire alarm systems	¥ 444	¥ 493	¥ 328	\$3,108					
Fire extinguishing systems	90	111	72	679					
Maintenance services	51	71	92	868					
Others	15	14	13	118					
	600	688	505	4,773					
Unallocatable or headquarters	118	214	129	1,223					
	¥ 718	¥ 902	¥ 634	\$5,996					

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, 2004, were as follows:

Name of related company	As of March 31, 2004			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	
					2002	2003	2004	2003	2004
SECOM Incorporated	¥ million	Security service	— ^(*)	Sales of products	¥2,085	¥1,699	¥2,321 (\$21,957)	Trade receivables ¥ 215	Trade receivables ¥ 317 (\$2,996)
KOATSU Co., Ltd.	million	Fire extinguishing systems	20.83%	Purchase of raw materials	¥4,862	¥4,374	¥3,814 (\$36,088)	Trade payables ¥1,890	Trade payables ¥1,953 (\$18,479)

^(*) 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, 2003 and 2004, and the related consolidated statements of income and retained earnings, stockholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nohmi Bosai Ltd. and its consolidated subsidiaries as of March 31, 2003 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers
Tokyo, Japan
June 29, 2004

Board of Directors and Corporate Auditors

(As of June 29, 2004)

Chairman

Shoichi Kimura*

President

Tadashi Tanoue*

Senior Managing Directors

Kazuaki Yasuhara

Kiyoshi Urushiyama

Yohzaburo Ushiroyama

Managing Directors

Takeshi Hashizume

Yuushi Tayama

Yasuo Nakahara

Directors

Haruo Takeda[†]

Toshitaka Sugimachi[†]

Teruo Ogino[†]

Michio Takeda

Mitsuo Komatsu

Yukimasa Tachibana

Kazuo Kajita

Toshiyuki Mori

Jun Uchiyama

Makoto Sawano

Hajime Arai

Kiyotaka Fujii

Standing Corporate Auditors

Shojiro Nohmi

Katsuo Chiba

Corporate Auditors

Tetsunosuke Ishibashi

Takashi Yamashita

*Representative Director

[†]External

Investor Information

(As of March 31, 2004)

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	54	10,724	25.57
Japanese securities companies	23	202	0.48
Other Japanese corporations	227	16,834	40.18
Japanese individuals and others	3,210	13,545	32.31
Foreign institutions and individuals	23	349	0.83
Treasury stocks	1	263	0.63
Total	<u>3,538</u>	<u>41,917</u>	<u>100.00</u>



NOHMI BOSAI LTD.

- HEAD OFFICE: 7-3, Kudan-Minami 4-chome, Chiyoda-ku, Tokyo 102-8722, Japan
- TEL: +81-3-3265-0211 FAX: +81-3-3263-4948
- URL: <http://www.nohmi.co.jp/>