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November 8, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 6744
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 Scheduled date to file quarterly securities report: November 13, 2023
 Scheduled date to commence dividend payments: December 5, 2023
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (year to date)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | |
|-------------------------------------|-----------------|--------|------------------|--------|-----------------|--------|---|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended September 30, 2023 | 48,732 | 11.0 | 1,497 | 205.4 | 1,758 | 156.7 | 1,193 | 193.7 |
| Six months ended September 30, 2022 | 43,918 | (12.2) | 490 | (89.4) | 684 | (86.0) | 406 | (88.0) |

(Note) Comprehensive income Six months ended September 30, 2023: ¥1,918 million [121.0%]
 Six months ended September 30, 2022: ¥867 million [(76.9)%]

| | Net income per share | Diluted net income per share |
|-------------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Six months ended September 30, 2023 | 19.78 | - |
| Six months ended September 30, 2022 | 6.74 | - |

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio |
|--------------------------|-----------------|-----------------|-----------------------|
| | Millions of yen | Millions of yen | % |
| As of September 30, 2023 | 143,214 | 117,285 | 80.7 |
| As of March 31, 2023 | 151,602 | 116,635 | 75.8 |

(Reference) Equity

As of September 30, 2023: ¥115,634 million

As of March 31, 2023: ¥114,942 million

2. Cash Dividends

| | Annual dividends per share | | | | |
|--|----------------------------|--------------------|-------------------|-----------------|-------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2023 | - | 20.00 | - | 20.00 | 40.00 |
| Fiscal year ending March 31, 2024 | - | 23.00 | | | |
| Fiscal year ending March 31, 2024 (forecast) | | | - | 23.00 | 46.00 |

(Note) Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | | Net income per share |
|-----------|-----------------|-----|------------------|------|-----------------|-----|---|-----|----------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 113,800 | 7.8 | 10,000 | 12.6 | 10,300 | 9.3 | 7,230 | 3.0 | 119.83 |

(Note) Revisions to the financial results forecast most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in the scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

| | |
|--------------------------|-------------------|
| As of September 30, 2023 | 60,832,771 shares |
| As of March 31, 2023 | 60,832,771 shares |

- (ii) Number of treasury shares at the end of the period

| | |
|--------------------------|----------------|
| As of September 30, 2023 | 493,715 shares |
| As of March 31, 2023 | 500,251 shares |

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

| | |
|-------------------------------------|-------------------|
| Six months ended September 30, 2023 | 60,335,327 shares |
| Six months ended September 30, 2022 | 60,317,797 shares |

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Explanation of the proper use of financial results forecast and other special matters

The results forecast and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual results may differ significantly due to various factors. Please refer to “Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information” on page 2 of the Consolidated Financial Results for the Six Months Ended September 30, 2023 (Attachments) for the assumptions for financial results forecast and notes on using the financial results forecast.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2023, the Japanese economy showed signs of moderate recovery with the normalization of economic activities following the transition of the status of COVID-19 to a Category V Infectious Disease under the Infectious Diseases Control Law. On the other hand, the outlook remains uncertain mainly due to concerns over the impact of rising prices, exchange fluctuation, and global monetary tightening.

In the fire protection industry, although private capital investment has been on a recovery trend and supply constraints on parts have been resolved on the whole, it is necessary to keep paying close attention mainly to the effects of rising raw material prices.

Under these circumstances, the Group has formulated the vision for fiscal 2028 and the measures to realize it as “Medium- to Long-Term Vision 2028: Shaping the Customers’ Expectations.” Starting in fiscal 2022, it has been undertaking a variety of initiatives to transform itself into a company that can create higher added value.

As a result of working on active business activities as the second year of this medium- to long-term vision, orders received in the six months ended September 30, 2023, totaled ¥68,422 million (up 5.1% year-on-year) and net sales were ¥48,732 million (up 11.0% year-on-year).

In terms of profits, mainly due to an increase in net sales amid a solid order receiving environment planned efforts for a price revision, and a recording of some of the selling, general and administrative expenses pushed back to the third quarter and beyond, operating income was ¥1,497 million (up 205.4% year-on-year), ordinary income came to ¥1,758 million (up 156.7% year-on-year), and quarterly net profit attributable to owners of parent was ¥1,193 million (up 193.7% year-on-year).

By business segment, net sales and operating income in the Fire Alarm Systems segment were ¥17,170 million (up 8.1% year-on-year) and ¥1,784 million (up 57.9% year-on-year), respectively. Net sales and operating income in the Fire Extinguishing Systems segment were ¥16,323 million (up 14.5% year-on-year) and ¥1,433 million (up 5.0% year-on-year), respectively. Net sales and operating income in the Maintenance Services segment were ¥12,767 million (up 10.9% year-on-year) and ¥2,131 million (up 30.3% year-on-year), respectively. Net sales and operating income in the Other segment were ¥2,470 million (up 8.9% year-on-year) and ¥72 million (down 30.7% year-on-year), respectively.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the fiscal year under review were ¥143,214 million, down ¥8,387 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥11,762 million in notes and accounts receivable–trade, and contract assets, despite an increase of ¥1,353 million in raw materials and supplies, an increase of ¥1,275 million in investment securities, and an increase of ¥1,191 million in merchandise and finished goods.

Liabilities fell ¥9,036 million from the end of the previous fiscal year to ¥25,929 million. This was mainly due to a decrease of ¥5,231 million in electronically recorded obligations–operating, a decrease of ¥1,841 million in provision for bonuses, and a decrease of ¥1,089 million in notes and accounts payable–trade.

Net assets were up ¥649 million from the end of the previous fiscal year to ¥117,285 million, mainly due to an increase of valuation difference on available-for-sale securities.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information

Regarding the full-year financial results forecast for the fiscal year ending March 2024, there are no changes to the forecast announced on May 10, 2023, due to uncertainties in the state of progress of construction despite the expected continuous firm order receiving environment.

At the Group, our sales tend to be concentrated in the latter half of the fiscal year, particularly in the fourth quarter, because the construction industry has a significant impact on our sales.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

| | (Millions of yen) | |
|--|----------------------|--------------------------|
| | As of March 31, 2023 | As of September 30, 2023 |
| Assets | | |
| Current assets | | |
| Cash and deposits | 48,805 | 48,718 |
| Notes and accounts receivable–trade, and contract assets | 46,395 | 34,633 |
| Merchandise and finished goods | 4,528 | 5,719 |
| Work in process | 1,309 | 1,558 |
| Raw materials and supplies | 6,641 | 7,994 |
| Other | 1,415 | 1,018 |
| Allowance for doubtful accounts | (440) | (458) |
| Total current assets | 108,655 | 99,184 |
| Non-current assets | | |
| Property, plant and equipment | 23,709 | 23,564 |
| Intangible assets | 3,082 | 3,452 |
| Investments and other assets | | |
| Investment securities | 7,550 | 8,826 |
| Other | 8,667 | 8,245 |
| Allowance for doubtful accounts | (63) | (58) |
| Total investments and other assets | 16,154 | 17,013 |
| Total non-current assets | 42,946 | 44,030 |
| Total assets | 151,602 | 143,214 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable–trade | 4,305 | 3,215 |
| Electronically recorded obligations–operating | 5,231 | - |
| Income taxes payable | 1,273 | 852 |
| Provision for bonuses | 3,507 | 1,666 |
| Provision for product warranties | 39 | 170 |
| Provision for warranties for completed construction | 85 | 58 |
| Provision for loss on construction contracts | 1,446 | 1,629 |
| Other | 9,784 | 9,056 |
| Total current liabilities | 25,672 | 16,650 |
| Non-current liabilities | | |
| Provision for retirement benefits for directors (and other officers) | 147 | 153 |
| Provision for product warranties | 114 | 111 |
| Reserve for loss on construction performance guarantee | 182 | 182 |
| Retirement benefit liability | 7,683 | 7,722 |
| Asset retirement obligations | 118 | 119 |
| Other | 1,047 | 990 |
| Total non-current liabilities | 9,293 | 9,279 |
| Total liabilities | 34,966 | 25,929 |

(Millions of yen)

| | As of March 31, 2023 | As of September 30, 2023 |
|---|----------------------|--------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 13,302 | 13,302 |
| Capital surplus | 12,937 | 12,939 |
| Retained earnings | 87,820 | 87,805 |
| Treasury shares | (263) | (259) |
| Total shareholders' equity | 113,797 | 113,787 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 917 | 1,399 |
| Foreign currency translation adjustment | 823 | 992 |
| Remeasurements of defined benefit plans | (595) | (545) |
| Total accumulated other comprehensive income | 1,145 | 1,846 |
| Non-controlling interests | 1,693 | 1,650 |
| Total net assets | 116,635 | 117,285 |
| Total liabilities and net assets | 151,602 | 143,214 |

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

Consolidated six-month period

| | (Millions of yen) | |
|---|---|---|
| | Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022) | Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023) |
| Net sales | 43,918 | 48,732 |
| Cost of sales | 31,226 | 34,432 |
| Gross profit | 12,691 | 14,300 |
| Selling, general and administrative expenses | 12,201 | 12,803 |
| Operating income | 490 | 1,497 |
| Non-operating income | | |
| Interest income | 7 | 4 |
| Dividend income | 52 | 56 |
| Share of profit of entities accounted for using equity method | 88 | 133 |
| Foreign exchange gains | - | 24 |
| Insurance return | 9 | 7 |
| Other | 66 | 75 |
| Total non-operating income | 225 | 302 |
| Non-operating expenses | | |
| Interest expenses | 3 | 8 |
| Foreign exchange losses | 2 | - |
| Rental expenses | 12 | 12 |
| Other | 13 | 21 |
| Total non-operating expenses | 30 | 42 |
| Ordinary income | 684 | 1,758 |
| Extraordinary income | | |
| Gain on sale of investment securities | 38 | - |
| Total extraordinary income | 38 | - |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 4 | 5 |
| Loss from COVID-19 pandemic | 101 | - |
| Total extraordinary losses | 105 | 5 |
| Quarterly net income before taxes | 617 | 1,752 |
| Income taxes | 284 | 603 |
| Quarterly net income | 333 | 1,149 |
| Quarterly net loss attributable to non-controlling interests | (73) | (44) |
| Quarterly net income attributable to owners of parent | 406 | 1,193 |

Quarterly Consolidated Statements of Comprehensive Income

Consolidated six-month period

(Millions of yen)

| | Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022) | Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023) |
|--|---|---|
| Quarterly net income | 333 | 1,149 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (64) | 477 |
| Foreign currency translation adjustment | 523 | 236 |
| Remeasurements of defined benefit plans, net of tax | 76 | 50 |
| Share of other comprehensive income of entities accounted for using equity method | (1) | 5 |
| Total other comprehensive income | 534 | 769 |
| Quarterly comprehensive income | 867 | 1,918 |
| Quarterly comprehensive income attributable to | | |
| Quarterly comprehensive income attributable to owners of parent | 763 | 1,895 |
| Quarterly comprehensive income attributable to non- controlling interests | 103 | 23 |

(3) Quarterly Consolidated Statements of Cash Flows

| | (Millions of yen) | |
|---|---|---|
| | Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022) | Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023) |
| Cash flows from operating activities | | |
| Quarterly net income before taxes | 617 | 1,752 |
| Depreciation | 1,313 | 1,314 |
| Amortization of goodwill | 5 | 8 |
| Share-based payment expenses | 5 | 6 |
| Increase (decrease) in allowance for doubtful accounts | 22 | 5 |
| Increase (decrease) in retirement benefit liability | 72 | 105 |
| Increase (decrease) in provision for retirement benefits for directors (and other officers) | (59) | 5 |
| Increase (decrease) in provision for bonuses | (2,031) | (1,845) |
| Increase (decrease) in provision for product warranties | 84 | 128 |
| Increase (decrease) in provision for warranties for completed construction | (3) | (26) |
| Interest and dividend income | (60) | (61) |
| Insurance return | (9) | (7) |
| Interest expenses | 3 | 8 |
| Share of loss (profit) of entities accounted for using equity method | (88) | (133) |
| Loss (gain) on disposal of non-current assets | 4 | 5 |
| Loss (gain) on sale of investment securities | (38) | - |
| Decrease (increase) in trade receivables and contractual assets | 16,105 | 11,836 |
| Decrease (increase) in inventories | (2,820) | (2,703) |
| Increase (decrease) in trade payables | (2,907) | (7,556) |
| Increase (decrease) in contract liabilities | 938 | 641 |
| Other | (2,541) | 174 |
| Subtotal | 8,612 | 3,658 |
| Interest and dividends received | 62 | 62 |
| Interest paid | (3) | (8) |
| Income tax paid | (2,148) | (849) |
| Net cash provided by (used in) operating activities | 6,522 | 2,863 |
| Cash flows from investing activities | | |
| Net decrease (increase) in time deposits | (0) | 239 |
| Purchase of non-current assets | (2,201) | (1,470) |
| Purchase of investment securities | (173) | (488) |
| Proceeds from sales of investment securities | 39 | 0 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (191) | - |
| Proceeds from collection of loans receivable | 0 | 0 |
| Proceeds from cancellation of insurance funds | 43 | 215 |
| Other | (17) | (60) |
| Net cash provided by (used in) investing activities | (2,501) | (1,563) |

(Millions of yen)

| | Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022) | Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023) |
|--|---|---|
| Cash flows from financing activities | | |
| Repayments of long-term borrowings | (4) | - |
| Redemption of bonds | (5) | (6) |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | - | (62) |
| Dividends paid | (1,087) | (1,208) |
| Other | (79) | (83) |
| Net cash provided by (used in) financing activities | (1,177) | (1,360) |
| Effect of exchange rate changes on cash and cash equivalents | 162 | 94 |
| Net increase (decrease) in cash and cash equivalents | 3,006 | 33 |
| Cash and cash equivalents at beginning of period | 47,507 | 47,684 |
| Cash and cash equivalents at end of quarter | 50,513 | 47,718 |

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Application of accounting treatment specific to the preparation of quarterly consolidated financial statements)

How to calculate tax expenses

Tax expenses are calculated by rationally estimating the effective tax rate after the application of tax effect accounting to net income before income taxes for the consolidated fiscal year including the second quarter of the fiscal year under review and multiplying quarterly net income before income taxes by the estimated effective tax rate.

(Segment Information)

I Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

Information on the amount of net sales and income or loss by reportable segment and information on the breakdown of profit

(Millions of yen)

| | Reportable segment | | | | Other (Note) 1 | Total | Adjust- ment (Note) 2 | Amount reported on the quarterly consoli- dated statements of income (Note) 3 |
|---|--------------------------|---------------------------------------|------------------------------|----------|-------------------|--------|-----------------------------|---|
| | Fire Alarm Systems | Fire Extin- guishing Systems | Mainte- nance Services | Subtotal | | | | |
| Net sales | | | | | | | | |
| Goods or services transferred at a point in time | 6,711 | 837 | 7,413 | 14,963 | 724 | 15,687 | - | 15,687 |
| Goods or services transferred over a certain period of time | 9,174 | 13,415 | 4,096 | 26,686 | 1,544 | 28,230 | - | 28,230 |
| Revenue from contracts with customers | 15,886 | 14,253 | 11,509 | 41,649 | 2,269 | 43,918 | - | 43,918 |
| Net sales to external customers | 15,886 | 14,253 | 11,509 | 41,649 | 2,269 | 43,918 | - | 43,918 |
| Intersegment sales or transfers | 28 | 24 | 0 | 52 | 93 | 146 | (146) | - |
| Subtotal | 15,914 | 14,277 | 11,510 | 41,702 | 2,362 | 44,064 | (146) | 43,918 |
| Segment income | 1,130 | 1,365 | 1,635 | 4,131 | 105 | 4,236 | (3,746) | 490 |

(Notes) 1 The "Other" segment is a business segment not included in the reportable segment and includes parking lot and lane control systems.

2 The adjustment for segment income of ¥(3,746) million yen is for corporate expenses. Corporate expenses mainly consist of general and administrative expenses and research and development expenses, which are not attributable to reportable segments.

3 Segment income is reconciled to operating income in the quarterly consolidated statements of income.

II Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

Information on the amount of net sales and income or loss by reportable segment and information on the breakdown of profit

(Millions of yen)

| | Reportable segment | | | | Other (Note) 1 | Total | Adjust- ment (Note) 2 | Amount reported on the quarterly consoli- dated statements of income (Note) 3 |
|---|--------------------------|---------------------------------------|------------------------------|----------|-------------------|--------|-----------------------------|---|
| | Fire Alarm Systems | Fire Extin- guishing Systems | Mainte- nance Services | Subtotal | | | | |
| Net sales | | | | | | | | |
| Goods or services transferred at a point in time | 8,104 | 1,166 | 7,448 | 16,719 | 724 | 17,444 | - | 17,444 |
| Goods or services transferred over a certain period of time | 9,066 | 15,156 | 5,319 | 29,542 | 1,746 | 31,288 | - | 31,288 |
| Revenue from contracts with customers | 17,170 | 16,323 | 12,767 | 46,262 | 2,470 | 48,732 | - | 48,732 |
| Net sales to external customers | 17,170 | 16,323 | 12,767 | 46,262 | 2,470 | 48,732 | - | 48,732 |
| Intersegment sales or transfers | 76 | 17 | 0 | 93 | 92 | 186 | (186) | - |
| Subtotal | 17,246 | 16,340 | 12,768 | 46,355 | 2,563 | 48,919 | (186) | 48,732 |
| Segment income | 1,784 | 1,433 | 2,131 | 5,349 | 72 | 5,422 | (3,924) | 1,497 |

(Notes) 1 The "Other" segment is a business segment not included in the reportable segment and includes parking lot and lane control systems.

2 The adjustment for segment income of ¥(3,924) million yen is for corporate expenses. Corporate expenses mainly consist of general and administrative expenses and research and development expenses, which are not attributable to reportable segments.

3 Segment income is reconciled to operating income in the quarterly consolidated statements of income.