FURUNO

Consolidated Financial Statements 2023

As of and for the Year Ended February 28, 2023,
and Independent Auditor's Report

FURUNO ELECTRIC CO., LTD.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Furuno Electric Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Furuno Electric Co., Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of February 28, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of February 28, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Recoverability of Furuno Electric Co., Ltd.'s deferred tax assets	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
The Group recorded deferred tax assets of 412 million yen in the consolidated balance sheet as of February 28, 2023. As described in Note 12 "Income Taxes," the amount of deferred tax assets before offsetting against deferred tax liabilities was 1,194 million yen, which is the amount calculated by deducting the valuation allowance of 5,347 million yen from the deferred tax assets of 6,542 million yen related to deductible temporary differences and tax loss carryforwards. Among these amounts, Furuno Electric Co., Ltd., (the "Company") recognized the total amount of deferred tax assets related to deductible temporary differences and tax loss carryforwards of 3,956 million yen and the valuation allowance of 3,579 million yen, respectively. The deferred tax assets are recorded to the extent that they have the effect of reducing future tax expenses by using deductible temporary differences or offsetting tax loss carryforwards against taxable income. As described in Note 3 "Significant Accounting Estimates - Recoverability of deferred tax assets," the recoverability of deferred tax assets is determined based on estimation of future taxable income and tax planning. Future taxable income is estimated based on the Company's business plans. Forecasts of sales and cost of sales used in the business plans include significant assumptions, such as amount of orders received and amounts of production output that involves uncertainties, and management's judgments have a significant impact on the amount of deferred tax assets. Based on the above, we determined that the estimation of future taxable income with respect to the recoverability of deferred tax assets is particularly significant for the audit of the consolidated financial statements for the current fiscal year. Therefore, we identified it as a key audit matter.	In testing the recoverability of deferred tax assets, we performed the following audit procedures, among others: 【1】 Internal Control Testing • We tested the design and operating effectiveness of the controls over the determination of the recoverability of deferred tax assets, including estimation of future taxable income. 【2】 Assessment of the Reasonableness of Estimation of Taxable Income • With the assistance of our tax specialist, we examined whether the amounts of deductible temporary differences and tax loss carryforwards were accurately calculated. • We tested the scheduling of the year in which deductible temporary differences are expected to be used and the operating loss carryforwards are expected to be deducted for tax purposes by reviewing related documents. • We evaluated the consistency of future business plans used in estimating the future taxable income with the business plans for the following year approved by the Board of Directors. • Regarding the significant assumptions, such as amount of orders received and amounts of production output that are included in future business plans, we made inquiries of the management and the inspection of relevant documentation and examined whether these assumptions are reasonably set in light of status of orders received and production plans of major factories.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

July 13, 2023

Member of
Deloitte Touche Tohmatsu Limited

Consolidated Balance Sheet

FURUNO ELECTRIC CO., LTD. and Consolidated Subsidiaries
February 28, 2023

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	**2023**
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	**¥ 14,683**	¥13,864	**$107,701**
Short-term investments (Notes 4 and 15)	**693**	486	**5,083**
Notes receivable – trade (Notes 5, 15 and 20)	**942**	988	**6,909**
Accounts receivable – trade (Notes 5, 15 and 20)	**16,747**	14,092	**122,841**
Contract assets (Note 20)	**3,847**		**28,218**
Electronically recorded receivables – operating (Note 15)	**1,076**	1,617	**7,892**
Allowance for doubtful receivables	**(277)**	(306)	**(2,031)**
Inventories (Note 7)	**40,694**	27,693	**298,496**
Other current assets	**3,872**	3,574	**28,401**
Total current assets	**82,280**	62,010	**603,535**
PROPERTY, PLANT AND EQUIPMENT – NET (Notes 8 and 9):			
Land	**3,596**	3,598	**26,377**
Buildings and structures	**17,884**	17,242	**131,181**
Machinery and equipment	**5,409**	4,927	**39,675**
Furniture and fixtures	**12,026**	11,276	**88,212**
Right-of-use assets	**2,305**	1,412	**16,907**
Construction in progress	**95**	304	**696**
Total	**41,319**	38,762	**303,080**
Accumulated depreciation	**(27,404)**	(25,362)	**(201,012)**
Property, plant and equipment – net	**13,914**	13,400	**102,061**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 15)	**2,349**	1,981	**17,230**
Investments in unconsolidated subsidiaries and associated companies	**737**	1,199	**5,406**
Goodwill	**819**	778	**6,007**
Asset for retirement benefits (Note 10)	**1,100**	1,447	**8,068**
Insurance funds	**407**	458	**2,985**
Software (Note 8)	**3,121**	3,436	**22,892**
Deferred tax assets (Notes 3 and 12)	**412**	240	**3,022**
Other assets (Note 8)	**1,252**	1,021	**9,183**
Total investments and other assets	**10,202**	10,562	**74,833**
TOTAL	**¥106,396**	¥85,973	**$780,429**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
CURRENT LIABILITIES:			
Short-term bank loans (Note 9)	¥ 8,009	¥ 2	$ 58,747
Current portion of long-term debt (Notes 9 and 15)	202	1,300	1,481
Notes payable – trade	2	172	14
Accounts payable – trade	6,433	3,877	47,186
Electronically recorded obligations – operating	9,693	8,458	71,099
Income taxes payable	912	332	6,689
Contract liabilities (Note 20)	2,756		20,215
Accrued employees' bonuses	2,193	2,026	16,085
Accrued product warranty costs	872	1,098	6,396
Other current liabilities (Note 9)	6,448	7,755	47,296
Total current liabilities	37,525	25,023	275,251
LONG-TERM LIABILITIES:			
Long-term debt (Notes 9 and 15)	11,106	8,300	81,464
Liability for retirement benefits – employees (Note 10)	3,154	2,942	23,135
Long-term accounts payable	154	154	1,129
Deferred tax liabilities (Note 12)	363	536	2,662
Other long-term liabilities (Note 9)	1,589	1,134	11,655
Total long-term liabilities	16,368	13,068	120,061
COMMITMENTS AND CONTINGENT LIABILITIES (Note 16)			
EQUITY (Note 11)**:**			
Common stock – authorized,			
120,000 thousand shares; issued,			
31,894 thousand shares for both 2023 and 2022	7,534	7,534	55,262
Capital surplus	9,289	9,295	68,136
Retained earnings	33,375	32,152	244,810
Treasury stock – at cost,			
330 thousand shares and 352 thousand shares in 2023 and 2022	(175)	(187)	(1,283)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	975	654	7,151
Foreign currency translation adjustments	1,974	(1,169)	14,479
Defined retirement benefit plans	(860)	(399)	(6,308)
Total	52,113	47,880	382,256
Noncontrolling interests	389		2,853
Total equity	52,503	47,880	385,116
TOTAL	¥106,396	¥85,973	$780,429

Consolidated Statement of Income

FURUNO ELECTRIC CO., LTD. and Consolidated Subsidiaries
Year Ended February 28, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	**2023**
NET SALES (Note 20)	**¥91,325**	¥84,783	**$669,881**
COST OF SALES	**56,947**	53,145	**417,714**
Gross profit	**34,377**	31,638	**252,160**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 13 and 14)	**32,853**	29,105	**240,981**
Operating income	**1,523**	2,532	**11,171**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**180**	149	**1,320**
Interest expense	**(104)**	(81)	**(762)**
Equity in earnings of an associate accounted for by the equity method	**86**	89	**630**
Foreign exchange gain	**366**	114	**2,684**
Subsidy income	**228**	682	**1,672**
Gain on sales of property, plant and equipment	**12**	35	**88**
Gain on sales of investment securities		3	
Loss on sales of shares of subsidiaries	**(86)**		**(630)**
Loss on sales of property, plant and equipment	**(2)**		**(14)**
Loss on disposal of property, plant and equipment	**(18)**	(19)	**(132)**
Loss on impairment of long-lived assets (Note 8)	**(24)**	(39)	**(176)**
Surrender value of insurance	**56**	28	**410**
Consignment research (loss) income	**(1)**	35	**(7)**
Gain on redemption of investment securities		34	
Loss on revaluation of investment securities	**(43)**	(17)	**(315)**
Other – net	**271**	185	**1,987**
Other income – net	**919**	1,203	**6,740**
INCOME BEFORE INCOME TAXES	**2,443**	3,735	**17,919**
INCOME TAXES (Note 12)**:**			
Current	**1,496**	612	**10,973**
Deferred	**(469)**	281	**(3,440)**
Total income taxes	**1,027**	893	**7,533**
NET INCOME	**1,416**	2,841	**10,386**
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	**67**	27	**491**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥ 1,348**	¥ 2,814	**$ 9,887**

PER SHARE OF COMMON STOCK (Note 18)**:**	Yen		U.S. Dollars
	2023	2022	**2023**
Basic net income	**¥ 42.72**	¥ 89.24	**$ 0.31**
Cash dividends applicable to the year	**25.00**	40.00	**0.18**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

FURUNO ELECTRIC CO., LTD. and Consolidated Subsidiaries
Year Ended February 28, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	**2023**
NET INCOME	**¥1,416**	¥2,841	**$10,386**
OTHER COMPREHENSIVE INCOME (Note 17)**:**			
Unrealized gain on available-for-sale securities	**321**	180	**2,354**
Foreign currency translation adjustments	**3,064**	1,672	**22,474**
Defined retirement benefit plans	**(460)**	118	**(3,374)**
Share of other comprehensive income of an associate accounted for by the equity method	**45**	88	**330**
Total other comprehensive income	**2,970**	2,059	**21,785**
COMPREHENSIVE INCOME	**¥4,386**	¥4,901	**$32,171**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥4,282**	¥4,873	**$31,409**
Noncontrolling interests	**104**	27	**762**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

FURUNO ELECTRIC CO., LTD. and Consolidated Subsidiaries
Year Ended February 28, 2023

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 1, 2021	31,523	¥7,534	¥10,080	¥30,914	¥(196)	¥474	¥(2,930)	¥(517)	¥45,359	¥332	¥45,692
Net income attributable to owners of the parent				2,814					2,814		2,814
Cash dividends, ¥50.0 per share				(1,576)					(1,576)		(1,576)
Purchase of treasury stock	(0)				(0)				(0)		(0)
Restricted-share-based compensation	18		9		9				18		18
Change in ownership interest of parent due to transactions with noncontrolling interests			(794)						(794)		(794)
Net change in the year						180	1,760	118	2,059	(332)	1,726
BALANCE, FEBRUARY 28, 2022	31,541	7,534	9,295	32,152	(187)	654	(1,169)	(399)	47,880		47,880
Cumulative effects of changes in accounting policies				600					600		600
RESTATED BALANCE		7,534	9,295	32,753	(187)	654	(1,169)	(399)	48,481		48,481
Net income attributable to owners of the parent				1,348					1,348		1,348
Cash dividends, ¥30.0 per share				(946)					(946)		(946)
Change in scope of consolidation			(15)	220					204		204
Purchase of treasury stock	(0)				(0)				(0)		(0)
Restricted-share-based compensation	22		9		11				21		21
Change in ownership interest of parent due to transactions with noncontrolling interests											
Net change in the year						321	3,143	(460)	3,003	389	3,393
BALANCE, FEBRUARY 28, 2023	**31,563**	**¥7,534**	**¥ 9,289**	**¥33,375**	**¥(175)**	**¥975**	**¥ 1,974**	**¥(860)**	**¥52,113**	**¥389**	**¥52,503**

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, FEBRUARY 28, 2022	$55,262	$68,180	$235,839	$(1,371)	$4,797	$ (8,574)	$(2,926)	$351,206		$351,206
Cumulative effects of changes in accounting policies			4,401					4,401		4,401
RESTATED BALANCE	55,262	68,180	240,247	(1,371)	4,797	(8,574)	(2,926)	355,615		355,615
Net income attributable to owners of the parent			9,887					9,887		9,887
Cash dividends, $0.22 per share			(6,939)					(6,939)		(6,939)
Change in scope of consolidation		(110)	1,613					1,496		1,496
Purchase of treasury stock				(0)				(0)		(0)
Restricted-share-based compensation		66		80				154		154
Change in ownership interest of parent due to transactions with noncontrolling interests										
Net change in the year					2,354	23,054	(3,374)	22,027	$2,853	24,888
BALANCE, FEBRUARY 28, 2023	**$55,262**	**$68,136**	**$244,810**	**$(1,283)**	**$7,151**	**$14,479**	**$(6,308)**	**$382,256**	**$2,853**	**$385,116**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

FURUNO ELECTRIC CO., LTD. and Consolidated Subsidiaries
Year Ended February 28, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
OPERATING ACTIVITIES:			
Income before income taxes	¥ 2,443	¥ 3,735	$ 17,919
Adjustments for:			
Income taxes – paid	(765)	(1,343)	(5,611)
Depreciation and amortization	3,061	3,161	22,452
Loss on impairment of long-lived assets	24	39	176
Changes in assets and liabilities:			
Decrease in trade receivables		3,414	
Increase in trade receivables and contract assets	(1,769)		(12,975)
Increase in inventories	(13,155)	(3,015)	(96,493)
Increase in asset for retirement benefits	(61)	(49)	(447)
Increase in trade payables	2,507	1,285	18,389
Decrease in accrued product warranty costs	(238)	(17)	(1,745)
Increase (decrease) in liability for retirement benefits	1	(26)	7
Increase in consumption taxes receivable	(109)	(396)	(799)
Increase in contract liabilities	464		3,403
Increase in liabilities on chargeable supply	712		5,222
Other – net	392	(593)	2,875
Total adjustments	(8,935)	2,457	(65,539)
Net cash (used in) provided by operating activities	(6,492)	6,193	(47,619)
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	23	45	168
Purchases of property, plant and equipment	(1,616)	(3,133)	(11,853)
Purchases of intangible assets	(963)	(1,361)	(7,063)
Payments for sale of shares of a subsidiary resulting in a change in scope of consolidation	(191)		(1,401)
(Increase) decrease in other assets	(278)	60	(2,039)
Net cash used in investing activities	(3,027)	(4,389)	(22,203)
FINANCING ACTIVITIES:			
Increase in short-term bank loans – net	8,007		58,732
Proceeds from long-term debt	3,000	400	22,005
Repayments of long-term debt	(1,308)	(760)	(9,594)
Dividends paid	(946)	(1,576)	(6,939)
Purchases of shares of a subsidiary not resulting in changes in scope of consolidation		(1,245)	
Repayments of finance lease obligations	(420)	(315)	(3,080)
Other	(68)	(19)	(498)
Net cash provided by (used in) financing activities	8,263	(3,518)	60,610
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1,397	774	10,247
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	141	(940)	1,034
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,864	14,804	101,694
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM NEW CONSOLIDATION	575		4,217
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER OF NONCONSOLIDATED SUBSIDIARIES	102		748
CASH AND CASH EQUIVALENTS, END OF YEAR	¥14,683	¥13,864	$107,701

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2022 consolidated financial statements to conform to the classifications used in 2023.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Furuno Electric Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥136.33 to $1, the approximate rate of exchange at February 28, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

As permitted under the Financial Instruments and Exchange Act of Japan, figures less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation – The consolidated financial statements as of February 28, 2023 include the accounts of the Company and its 36 significant (33 in 2022) subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in an associated company are accounted for by the equity method.

Investments in 1 (7 in 2022) unconsolidated subsidiary and 1 (1 in 2022) associated company are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary company at the date of acquisition. Goodwill is reported in the balance sheet and is amortized using the straight-line method over reasonably estimated periods (mainly 18 years) in which economic benefits are expected to be realized.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

The fiscal year-end dates of 30 consolidated subsidiaries are different from the consolidated balance sheet date of February 28th or 29th. The fiscal year-end dates of FURUNO U.S.A., Inc., FURUNO PANAMA, S.A. and ELECTRONIC NAVIGATION LIMITED are November 30th and 27 other subsidiaries' fiscal year-end dates are December 31st.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements – Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) ("U.S. GAAP") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material; (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. **Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method** – ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or U.S. GAAP tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. **Business Combinations** – Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

e. **Cash Equivalents** – Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

f. **Allowance for Doubtful Accounts** – The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

g. **Inventories** – Inventories are stated at the lower of cost, principally determined by the average method, or net selling value.

h. **Investment Securities** – The Company and its domestic consolidated subsidiaries categorize their existing securities as available-for-sale securities.

Securities other than shares, etc. that do not have a market price, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is mainly calculated using the moving-average method.

Shares, etc. that do not have a market price are stated at cost, determined by the moving-average method.

i. **Property, Plant and Equipment** – Property, plant and equipment are carried at cost. Depreciation of property, plant and equipment is computed principally by the declining-balance method, while the straight-line method is applied to building improvements and structures acquired on or after April 1, 2016.

j. **Long-Lived Assets** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

k. **Product Warranty Costs** – The Group establishes a liability for estimated product warranty costs at the time of sale. Estimates for accrued product warranty costs are primarily based on historical experience.

l. **Significant Revenue and Expenses** – The details of the main performance obligations in the major businesses related to revenue from contracts with the Company's customers and the timing at which the Company typically satisfied these performance obligations (when it typically recognizes revenue) are as follows:

(1) "Marine" business
In the "Marine" business, the Group mainly manufactures and sells navigation equipment, fishing equipment and radio communication equipment, etc.

(2) "Industrial" business
In the "Industrial" business, the Group mainly manufactures and sells medical equipment, ITS equipment, GPS equipment, and avionics electronic equipment, etc.

(3) "Wireless LAN/Handy Terminal" business
In the "Wireless LAN/Handy Terminal" business, the Group mainly manufactures and sells handy terminals.

(4) "Other" business
In the "Other" business, the Group is mainly engaged in the electromagnetic environmental testing business.

In each business, revenue is generally recognized when these products are delivered to the customers or accepted by the customers, with the exception of domestic sales where revenue is recognized upon shipment since the time period from shipment until the transfer of control over the products to the customers is typically a short period.

For repairing services and construction contracts related to ship hulls in the marine business, and jobbing production transactions in the industrial business, performance obligations are deemed to be satisfied over time and revenue is recognized based on the percentage of completion method. The outcome of construction contracts is measured based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs. In some cases, the Group may not be able to reasonably measure the outcome of the performance obligation, but expects to recover the costs incurred to satisfy the performance obligations. In those circumstances, the Company recognizes revenue only to the extent of the costs incurred. For a construction contract whose performance obligations are expected to be satisfied within a short period, the Company applies an alternative method and recognizes revenue when the performance obligations are completely satisfied instead of recognizing revenue over time.

For any of the above businesses, if the delivery of products involves installation, performance obligations are identified for the installation and delivery of products separately and revenue is recognized as mentioned above.

m. **Retirement and Pension Plans** – The Company and certain consolidated subsidiaries have lump-sum severance indemnity plans, defined contribution pension plans and contributory funded defined benefit pension plans, which are pursuant to the Japanese Welfare Pension Insurance Law.

The Company accounts for liabilities for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period of employees commencing from the following year after incurrence.

Certain consolidated subsidiaries adopt a simplified method under which the retirement benefit amount required to be paid if all the employees retired on the balance sheet date is considered as the projected benefit obligations in computing liabilities for retirement benefits and net periodic benefit costs.

n. **Asset Retirement Obligations** – An asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

o. **Research and Development Costs** – Research and development costs are charged to income as incurred.

p. **Income Taxes** – The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Group files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

q. **Foreign Currency Transactions** – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

r. Foreign Currency Financial Statements – The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" and also allocated to "Noncontrolling interests" in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

s. Derivatives and Hedging Activities – The Group uses derivative financial instruments to manage exposures to fluctuations in interest rates. Interest rate swaps are utilized to reduce the interest rate risks of long-term debt. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income; and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions in principle.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

t. Per Share Information – Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

u. Changes in Accounting Policies

Accounting Standard for Revenue Recognition

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the reporting period. In general, the Group recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods and services.

Specifically, when control of a promised good or service is transferred to a customer over time, the Group recognizes revenue over time as the performance obligation to transfer a good or service to a customer is satisfied. Measurement of the progress of satisfying a performance obligation is based on the proportion of costs incurred by the end of the reporting period to the estimated total costs. In cases where the progress of satisfying the performance obligation cannot be reasonably estimated at the inception of the contract, but the costs incurred are expected to be recovered, the Group recognizes revenue to the extent of the costs incurred. With respect to construction contracts whose construction period from the commencement of the contract to the completion is short, revenue is not recognized over time, but instead is recognized when the performance obligation is completely satisfied.

With respect to delivery of products involving installation, the Group identifies the performance obligation for installation works and for delivery of products separately and recognize revenue over time. For delivery of products, for those transactions where the time of shipment to when control of the products is transferred to a customer is short, the Group recognizes revenue at the time of shipment.

With respect to construction contracts involving ship hulls in the marine business, the Company had previously recognized revenue at the time of delivery, but changed to the method of recognizing revenue over time as above mentioned.

With respect to jobbing production transactions in the industrial business, the Company had previously recognized revenue when they are completed and delivered, but also changed to the method of recognizing revenue over time as mentioned above.

With respect to chargeable supply transactions, the Company had previously recognized extinction of chargeable supplies, but changed to the method of non-extinction of the chargeable supplies when repurchase obligation exists.

The Group applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative effects of retrospectively applying the new accounting policies to prior periods are adjusted to retained earnings at the beginning of the reporting period, with the new accounting policies applied from the beginning balance. However, the Group applies the method provided for in provision (1) to Paragraph 86 of the Revenue Recognition Standard, and contract modifications that occurred prior to the beginning of the year ended February 28, 2023 were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative effects adjusted to retained earnings at the beginning of the year ended February 28, 2023.

As a result, compared with the amounts before applying the Revenue Recognition Standard, etc., in the consolidated balance sheet as of February 28, 2023, "Notes receivable – trade," "Accounts receivable – trade" and "Contract assets" increased by ¥3,309 million ($24,271 thousand), and "Inventories (raw materials and supplies)" and "Other current liabilities" increased by ¥1,790 million ($13,129 thousand), and "Inventories (merchandise and finished products and work in process)," "Other current assets" and "Contract liabilities" decreased by ¥2,542 million ($18,645 thousand), ¥238 million ($1,745 thousand) and ¥644 million ($4,723 thousand), respectively. In the consolidated statement of income for the year ended February 28, 2023, "Net sales," "Cost of sales," "Operating income" and "Income before income taxes" increased by ¥626 million ($4,591 thousand), ¥330 million ($2,420 thousand), ¥295 million ($2,163 thousand) and ¥349 million ($2,559 thousand), respectively.

In the consolidated statement of cash flows for the year ended February 28, 2023, "Income before income taxes" increased by ¥349 million ($2,559 thousand), "Trade receivables and contract assets," "Inventories," "Contract liabilities" and "Other – net" under "Net cash used in operating activities" decreased by ¥291 million ($2,134 thousand), ¥1,178 million ($8,640 thousand), ¥452 million ($3,315 thousand) and ¥39 million ($286 thousand), respectively, and "Consumption taxes receivable" and "Liabilities on chargeable supply" increased by ¥44 million ($322 thousand) and ¥1,568 million ($11,501 thousand), respectively.

The beginning balance of "Retained Earnings" of the consolidated statement of changes in equity as of March 1, 2022 increased by ¥600 million ($4,401 thousand) since accumulated effects are reflected in the beginning balance of net equity as of March 1, 2022.

Impacts on per share information are included in the relevant note.

In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, notes pertaining to the fiscal year ended February 28, 2022 are not presented.

Accounting Standard for Fair Value Measurement

The Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the reporting period, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The impact of these changes on the consolidated financial statements for the fiscal year ended February 28, 2023 is immaterial.

In addition, the Group will include notes on fair value information by level within the fair value hierarchy in the notes on financial instruments. However, in accordance with the transitional treatment provided in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the previous period are not presented.

v. New Accounting Pronouncements:

Implementation Guidance on Accounting Standard for Fair Value

On June 17, 2021, the ASBJ issued "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31).

(1) Overview

ASBJ Guidance No. 31 defines the measurement of the fair value of investment trust and its treatment on the notes as well as the treatment concerning the notes about the fair value of investments in partnerships, etc. to be recorded in a net amount of the amount equivalent to the equity interest on the balance sheet.

(2) Date of adoption

The Company expects to adopt the implementation guidance from the beginning of the year ending February 29, 2024.

(3) Impact of the adoption of the accounting standards, etc.

The impact of the adoption of the implementation guidance is under evaluation at the time of preparation of the accompanying consolidated financial statements.

Accounting Standard for Current Income Taxes, etc., Accounting Standard for Presentation of Comprehensive Income and Guidance on Accounting Standard for Tax Effect Accounting

On October 28, 2022, the ASBJ issued the following statements and guidance:
Accounting Standard for Current Income Taxes, etc. (ASBJ Statement No. 27, October 28, 2022)
Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

These standards and guidance define the accounting classifications for current income taxes, etc. when other comprehensive income is subject to income taxes and tax effect accounting for sales of shares of subsidiaries when the group taxation system is applied.

(2) Date of adoption

The Group expects to adopt these accounting standards, etc. from the beginning of the year ending February 28, 2026.

(3) Impact of the adoption of the accounting standards, etc.

The impact of the adoption of these accounting standards, etc. is under evaluation at the time of preparation of the accompanying consolidated financial statements.

For the subsidiaries adopting U.S. GAAP;
Accounting Standard for Leases

(1) Overview

The Financial Accounting Standards Board ("FASB") issued ASU 2016-02 "Leases," requiring the lessee to recognize all lease assets and liabilities on the balance sheet in principle.

(2) Scheduled date of adoption

Certain overseas subsidiaries that apply U.S. GAAP expect to apply this accounting standard from the beginning of the year ending February 29, 2024.

(3) Impact of the adoption of the accounting standard

The impact of the adoption of this accounting standard is under evaluation at the time of preparation of the accompanying consolidated financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Accounting estimates are recorded at the reasonable amounts computed based on information available at the time of preparation of the consolidated financial statements.

The item whose amounts were recorded based on accounting estimates in the consolidated financial statements for the year ended February 28, 2023 that may have a significant impact on the consolidated financial statements for the following fiscal year is as follows:

Recoverability of deferred tax assets

(1) Amounts recorded in the consolidated financial statements for the year ended February 28, 2023

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets	¥412	$3,022

The amount recorded as deferred tax assets refers to the amount after offsetting against deferred tax liabilities and deducting valuation allowance.

(2) Information about the details of significant accounting estimates on the identified item

Deferred tax assets are recognized to the extent that it is considered to have effects to reduce future tax burdens through the reversal of deductible temporary differences or the offsetting of tax loss carryforwards against taxable income.

Recoverability of deferred tax assets is determined based on estimation of future taxable income and tax planning. Future taxable income is estimated based on the Group's business plans. Forecasts of sales and cost of sales used in the business plans include significant assumptions, such as amount of orders received and amounts of production output. Therefore, when the assessment of recoverability of deferred tax assets changes due to any variations in these significant assumptions, it might have an impact on the consolidated financial statements for the following fiscal year.

4. SHORT-TERM INVESTMENTS

Short-term investments as of February 28, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Time deposits other than cash equivalents	**¥693**	¥486	**$5,083**

5. RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

Receivables from contracts with customers included in "Notes receivable – trade" and "Accounts receivable – trade" as of February 28, 2023 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Notes receivable – trade	¥ 942	$ 6,909
Accounts receivable – trade	16,747	122,841

6. INVESTMENT SECURITIES

Investment securities as of February 28, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Non-current:			
Marketable equity securities	**¥2,162**	¥1,781	**$15,858**
Other	**187**	199	**1,371**
Total	**¥2,349**	¥1,981	**$17,230**

The costs and aggregate fair values of investment securities at February 28, 2023 and 2022, were as follows:

	Millions of Yen			
February 28, 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥916**	**¥1,249**	**¥4**	**¥2,162**
Other	**43**	**34**	**(0)**	**78**
February 28, 2022				
Securities classified as:				
Available-for-sale:				
Equity securities	¥916	¥ 869	¥4	¥1,781
Other	43	32		76

	Thousands of U.S. Dollars			
February 28, 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$6,718**	**$9,161**	**$29**	**$15,858**
Other	**315**	**249**	**(0)**	**572**

Available-for-sale securities whose fair value is not readily determinable as of February 28, 2023 and 2022, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Available-for-sale:			
Equity securities	**¥109**	¥123	**$799**

For the years ended February 28, 2023 and 2022, the Company recognized loss on revaluation of investment securities (equity securities classified as available-for-sale) in an amount of ¥43 million ($315 thousand) and ¥17 million, respectively.

7. INVENTORIES

Inventories at February 28, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Merchandise and finished products	**¥19,705**	¥14,255	**$144,538**
Work in process	**4,229**	3,955	**31,020**
Raw materials and supplies	**16,759**	9,482	**122,929**
Total	**¥40,694**	¥27,693	**$298,496**

8. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of February 28, 2023 and 2022. As a result, the Group recognized impairment losses of ¥24 million ($176 thousand) and ¥39 million, respectively, as other expenses. These impairment losses primarily related to long-lived assets of the Marine Business and the Industrial Business for the years ended February 28, 2023 and 2022 due to continuing operating losses in the divisions. Recoverable amounts of these assets were measured in terms of the value in use. However, since future cash flows are not expected, the value in use is calculated as zero.

9. SHORT-TERM BANK LOANS, LONG-TERM DEBT AND LEASE OBLIGATIONS

Short-term bank loans at February 28, 2023 and 2022, consisted of notes to banks and bank overdrafts. The weighted-average interest rates applicable to the short-term bank loans were 0.34% and -% at February 28, 2023 and 2022, respectively.

Long-term debt at February 28, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Loans from banks and insurance companies, due serially to 2028 with weighted-average interest rates from 0.45% to 0.52% (2023) and from 0.31% to 0.49% (2022)	**¥11,308**	¥ 9,600	**$82,945**
Less current portion	**(202)**	(1,300)	**(1,481)**
Long-term debt, less current portion	**¥11,106**	¥ 8,300	**$81,464**

Lease obligations with due dates leading up to March 2067 with an average interest rate of 3.06% are included in "Other long-term liabilities," excluding current portion which is included in "Other current liabilities."

Annual maturities of long-term debt and lease obligations at February 28, 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Year Ending February 28 or 29	Long-term Debt	Lease Obligations	Long-term Debt	Lease Obligations
2024	¥ 202	¥ 387	$ 1,481	$2,838
2025	3,202	309	23,487	2,266
2026	3,002	285	22,020	2,090
2027	1,402	46	10,283	337
2028	3,500	20	25,672	146
2029 and thereafter		218		1,599
Total	¥11,308	¥1,267	$82,945	$9,293

The carrying amounts of assets pledged as collateral for bank loans at February 28, 2023 and 2022 were as follows, although there were no corresponding obligations:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Land and buildings, net of accumulated depreciation	**¥103**	¥107	**$755**

As is customary in Japan, the Company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

10. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to receive additional payments if the termination is by voluntary retirement at earlier ages prior to the mandatory retirement age.

The Company and certain consolidated subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Certain overseas consolidated subsidiaries have defined retirement benefit plans or defined retirement contribution plans.

Certain consolidated subsidiaries adopt the simplified method in determining retirement benefit obligations.

1. Defined benefit plans (including plans to which the simplified method is applied)
   (1) The changes in defined benefit obligations for the years ended February 28, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Balance at beginning of year	**¥14,526**	¥15,100	**$106,550**
Current service cost	**530**	526	**3,887**
Interest cost	**143**	148	**1,048**
Actuarial losses	**192**	2	**1,408**
Benefits paid	**(1,319)**	(1,317)	**(9,675)**
Others	**60**	65	**440**
Balance at end of year	**¥14,134**	¥14,526	**$103,674**

(2) The changes in plan assets for the years ended February 28, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥13,030	¥13,335	$95,576
Expected return on plan assets	271	277	1,987
Actuarial (losses) gains	(529)	105	(3,880)
Contributions from the employer	310	305	2,273
Benefits paid	(1,002)	(993)	(7,349)
Balance at end of year	¥12,081	¥13,030	$88,615

(3) Reconciliations between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligations and plan assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥ 10,980	¥ 11,583	$ 80,539
Plan assets	(12,081)	(13,030)	(88,615)
Total	(1,100)	(1,447)	(8,068)
Unfunded defined benefit obligation	3,154	2,942	23,135
Net liability arising from defined benefit obligation	¥ 2,053	¥ 1,495	$ 15,059

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Liability for retirement benefits	¥ 3,154	¥ 2,942	$23,135
Asset for retirement benefits	(1,100)	(1,447)	(8,068)
Net liability arising from defined benefit obligation	¥ 2,053	¥ 1,495	$15,059

(4) The components of net periodic benefit costs for the years ended February 28, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Service cost	¥ 530	¥ 526	$ 3,887
Interest cost	143	148	1,048
Expected return on plan assets	(271)	(277)	(1,987)
Amortization of actuarial differences	135	140	990
Amortization of prior service cost		(47)	
Periodic benefit cost calculated by the simplified method	60	65	440
Others	46	45	337
Net periodic benefit costs	¥ 646	¥ 602	$ 4,731

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended February 28, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Prior service cost		¥ (47)	
Actuarial differences	¥(585)	243	$(4,291)
Total	¥(585)	¥196	$(4,291)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of February 28, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized actuarial differences	¥1,023	¥438	$7,503
Total	¥1,023	¥438	$7,503

(7) Plan assets

a. Components of plan assets

Plan assets as of February 28, 2023 and 2022, consisted of the following:

	2023	2022
Debt investments	43%	40%
Equity investments	24	22
Cash and cash equivalents	1	4
General account assets of life insurance	27	29
Others	5	5
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined by considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended February 28, 2023 and 2022, were set forth as follows:

	2023	2022
Discount rate	1.0%	1.0%
Expected rate of return on plan assets	2.1%	2.1%
Expected rate of salary increase	2.8%	2.8%

2. Defined contribution plans

The amount of required contribution to the defined contribution plans of the Company and certain consolidated subsidiaries for the years ended February 28, 2023 and 2022 was ¥425 million ($3,117 thousand) and ¥293 million, respectively.

11. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock.

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended February 28, 2023 and 2022.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at February 28, 2023 and 2022, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Deferred tax assets:			
Unrealized profit	**¥ 1,873**	¥ 988	**$ 13,738**
Liability for retirement benefits	**962**	905	**7,056**
Loss on impairment of long-lived assets	**77**	107	**564**
Inventories	**701**	669	**5,141**
Investment securities	**230**	221	**1,687**
Accrued bonuses	**447**	452	**3,278**
Accrued product warranty costs	**245**	313	**1,797**
Tax loss carryforwards (Note 2)	**1,215**	1,717	**8,912**
Other	**787**	563	**5,772**
	6,542	5,940	**47,986**
Less valuation allowance for tax loss carryforwards (Note 2)	**(1,210)**	(1,548)	**(8,875)**
Less valuation allowance for temporary differences	**(4,137)**	(3,540)	**(30,345)**
Total valuation allowance (Note 1)	**(5,347)**	(5,088)	**(39,221)**
Deferred tax assets	**1,194**	851	**8,758**
Deferred tax liabilities:			
Accelerated depreciation in overseas subsidiaries	**116**	113	**850**
Unrealized gain on available-for-sale securities	**302**	243	**2,215**
Undistributed earnings of overseas subsidiaries	**302**	283	**2,215**
Asset for retirement benefits	**327**	432	**2,398**
Other	**96**	76	**704**
Deferred tax liabilities	**1,145**	1,148	**8,398**
Net deferred tax assets (liabilities)	**¥ 48**	¥ (296)	**$ 352**

Notes:

1. Valuation allowance increased by ¥259 million ($1,899 thousand) mainly because the valuation allowance relating to elimination of unrealized profit increased by ¥641 million ($4,701 thousand) and the valuation allowance relating to tax loss carryforwards of the Company decreased by ¥337 million ($2,471 thousand).

2. The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of February 28, 2023 and 2022 were as follows:

	Millions of Yen						
February 28, 2023	One Year or Less	After One Year through Two Years	After Two Years through Three Years	After Three Years through Four Years	After Four Years through Five Years	After Five Years	Total
Deferred tax assets relating to tax loss carryforwards *a	**¥ 9**	**¥ 921**	**¥ 38**	**¥ 21**	**¥ 16**	**¥ 209**	**¥ 1,215**
Less valuation allowance for tax loss carryforwards	**(9)**	**(921)**	**(38)**	**(21)**	**(16)**	**(203)**	**(1,210)**
Net deferred tax assets relating to tax loss carryforwards						**5**	**5 *b**

	Millions of Yen						
February 28, 2022	One Year or Less	After One Year through Two Years	After Two Years through Three Years	After Three Years through Four Years	After Four Years through Five Years	After Five Years	Total
Deferred tax assets relating to tax loss carryforwards *a	¥ 471	¥ 9	¥ 921	¥ 38	¥ 21	¥ 255	¥ 1,717
Less valuation allowance for tax loss carryforwards	(353)	(9)	(921)	(38)	(21)	(203)	(1,548)
Net deferred tax assets relating to tax loss carryforwards	117					52	169 *b

	Thousands of U.S. Dollars						
February 28, 2023	One Year or Less	After One Year through Two Years	After Two Years through Three Years	After Three Years through Four Years	After Four Years through Five Years	After Five Years	Total
Deferred tax assets relating to tax loss carryforwards *a	**$ 66**	**$ 6,755**	**$ 278**	**$ 154**	**$ 117**	**$ 1,533**	**$ 8,912**
Less valuation allowance for tax loss carryforwards	**(66)**	**(6,755)**	**(278)**	**(154)**	**(117)**	**(1,489)**	**(8,875)**
Net deferred tax assets relating to tax loss carryforwards						**36**	**36 *b**

*a Deferred tax assets relating to tax loss carryforwards are computed by multiplying the normal effective statutory tax rate.

*b Net deferred tax assets recorded as of February 28, 2023 and 2022 at ¥5 million ($36 thousand) and ¥169 million are recognized for tax loss carryforwards of ¥1,215 million ($8,912 thousand) and ¥1,717 million (computed by multiplying the normal effective statutory tax rate), respectively. These deferred tax assets as of February 28, 2023 and 2022 are recognized for tax loss carryforwards of ¥1,215 million ($8,912 thousand) and ¥1,717 million mainly recorded by the Company and FURUNO SYSTEMS CO., LTD., which is a consolidated subsidiary, and no valuation allowance is provided for the portion that is deemed to be recoverable based on expected future taxable income.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended February 28, 2023 and 2022, is as follows:

	2023	2022
Normal effective statutory tax rate	30.6%	30.6%
Lower income tax rates applicable to income in certain foreign countries	(14.5)	(7.3)
Expenses not deductible for income tax purposes	3.0	0.8
Per capita inhabitant tax	1.5	0.8
Nontaxable dividends and other income	(0.6)	(0.6)
Undistributed earnings of overseas subsidiaries	0.8	1.3
Valuation allowance for deferred tax assets	8.2	(3.5)
Other – net	13.0	1.8
Actual effective tax rate	42.0%	23.9%

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses in the accompanying consolidated statement of income for the years ended February 28, 2023 and 2022, mainly consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Employees' salaries and wages	¥10,785	¥9,161	$79,109
Employees' bonuses	1,371	1,289	10,056
Provision for allowance for doubtful receivables	(0)	(3)	(0)
Provision for employees' bonuses	1,217	1,065	8,926
Retirement benefit expenses	610	552	4,474
Travel and communication expenses	1,197	839	8,780
Depreciation and amortization	1,286	1,117	9,432

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in "SELLING, GENERAL AND ADMINISTRATIVE EXPENSES" were ¥5,694 million ($41,766 thousand) and ¥5,458 million for the years ended February 28, 2023 and 2022, respectively.

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

1. Status of financial instruments

(1) Group policy for financial instruments

The Group raises necessary funds to support its principal business plans to produce and sell marine electronic equipment and industrial electronic equipment. Cash surpluses, if any, are invested in low-risk financial assets. Short-term bank loans are used to fund ongoing operations. Derivatives are not used for speculative purposes, but to manage exposure to financial risks as described below.

(2) Nature and extent of risks arising from financial instruments

Trade receivables, such as notes receivable and accounts receivable, are exposed to customer credit risk.

Foreign currency denominated trade receivables arising from global activities are exposed to the market risk of fluctuations in foreign currency exchange rates.

Investment securities, mainly equity instruments of customers and suppliers of the Group held for business or capital alliance purposes, are exposed to the risk of market price fluctuation.

Payment terms of trade payables, such as notes payable and accounts payable, are less than one year. Certain trade payables arising from import of raw materials, which are denominated in foreign currencies, are exposed to the market risk of fluctuations in foreign currency exchange rates.

Maturities of bank loans, mainly for the purpose of financing necessary working funds, are less than four years after the balance sheet date. Certain bank loans are exposed to the market risk of fluctuations in variable interest rates. Those risks are mitigated by using derivatives such as interest rate swaps.

Derivatives mainly consist of interest rate swaps which are used to avoid or mitigate the market risks from changes in interest rates. For hedging instruments and hedged items concerning hedge accounting and hedging policies and hedge effectiveness, please see Note 2.s "Derivatives and Hedging Activities" under "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

(3) Risk management for financial instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms.

The Company manages its credit risk from trade receivables by monitoring payment terms and balances of major customers and identifying the default risk of counterparties at an early stage in accordance with the credit control policy. The consolidated subsidiaries have similar control policies pursuant to the Company's credit control policy. Derivatives are entered into with only high-credit rating financial institutions and, accordingly, credit risk arising from default of the counterparties is kept at a minimum. The maximum credit risk exposure of financial assets as of the consolidated balance sheet date is represented by their carrying values exposed to credit risk.

Market Risk Management (foreign exchange risk and interest rate risk)

The Group hedges foreign currency trade receivables and payables against market risk from fluctuations in foreign currency exchange rates identified by currency and by month using principally forward foreign currency contracts. Depending on exchange market conditions, the Group makes forward foreign currency contracts for foreign currency trade receivables and payables that are certainly expected to occur. In addition, the Group utilizes interest rate swaps to mitigate the risk from changes in interest rates associated with bank loans.

Investment securities are managed by monitoring market values and financial position of issuers on a regular basis and continuously reviewing the holding status by taking into consideration the relationship with the counterparties.

Derivative transactions are executed and controlled based on internal guidelines, which prescribe the transaction limits and procedures of the finance department of each company, and the positions are identified on a regular basis. In addition, the responsible division of the Company is informed of the status of transactions by each Group company on a regular basis to control and confirm the positions.

Liquidity Risk Management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates.

The Group manages its liquidity risk by preparing and updating the financial plans of the Accounting Department based on the reports from each division.

(4) Supplementary explanation about fair values of financial instruments

In determining fair values of financial instruments, variable factors are incorporated and therefore, such values may change by adopting different presumptions.

2. Fair value of financial instruments

February 28, 2023	Millions of Yen Carrying Amount	 Fair Value	 Unrealized Gain
Investment securities:			
Available-for-sale securities	**¥ 2,240**	**¥ 2,240**	
Total assets	**¥ 2,240**	**¥ 2,240**	
Long-term debt, including current portion	**¥11,308**	**¥11,287**	**¥(20)**
Total liabilities	**¥11,308**	**¥11,287**	**¥(20)**
Derivatives (*3)	**¥ 21**	**¥ 21**	

February 28, 2022	Millions of Yen Carrying Amount	 Fair Value	 Unrealized Gain
Investment securities:			
Available-for-sale securities	¥1,858	¥1,858	
Total assets	¥1,858	¥1,858	
Long-term debt, including current portion	¥9,600	¥9,572	¥(27)
Total liabilities	¥9,600	¥9,572	¥(27)
Derivatives (*3)	¥ 12	¥ 12	

February 28, 2023	Thousands of U.S. Dollars Carrying Amount	 Fair Value	 Unrealized Gain
Investment securities:			
Available-for-sale securities	**$16,430**	**$16,430**	
Total assets	**$16,430**	**$16,430**	
Long-term debt, including current portion	**$82,945**	**$82,791**	**$(146)**
Total liabilities	**$82,945**	**$82,791**	**$(146)**
Derivatives (*3)	**$ 154**	**$ 154**	

*1 "Cash and cash equivalents," "Notes receivable – trade," "Accounts receivable – trade," "Electronically recorded receivables – operating," "Notes payable – trade," "Accounts payable – trade," "Electronically recorded obligations – operating" and "Short-term bank loans" are omitted as they either comprise cash or are settled in a short period, and their carrying amount approximates their fair value.

*2 Shares that do not have a market price, etc. as of February 28, 2023 and financial instruments whose fair value cannot be reliably determined as of February 28, 2022, which are not included in "Investment securities," are as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
February 28	**2023**	2022	**2023**
Unlisted equity securities	**¥847**	¥1,322	**$6,212**

*3 Net receivables or payables arising from derivative transactions to which hedge accounting is not applied and deferral hedge accounting is applied are presented in a net amount, and net payables are presented in parentheses.

(Note) Maturity analysis for financial assets and securities with contractual maturities

February 28, 2023	Millions of Yen Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	**¥14,683**			
Short-term investments	**693**			
Notes receivable – trade	**942**			
Accounts receivable – trade	**16,747**			
Electronically recorded receivables – operating	**1,076**			
Total	**¥34,142**			

February 28, 2022	Millions of Yen Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥13,864			
Short-term investments	486			
Notes receivable – trade	988			
Accounts receivable – trade	14,092			
Electronically recorded receivables – operating	1,617			
Total	¥31,048			

February 28, 2023	Thousands of U.S. Dollars Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	**$107,701**			
Short-term investments	**5,083**			
Notes receivable – trade	**6,909**			
Accounts receivable – trade	**122,841**			
Electronically recorded receivables – operating	**7,892**			
Total	**$250,436**			

Please see Note 9 for annual maturities of long-term debt.

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

February 28, 2023	Millions of Yen Fair Value Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Equity securities	¥2,162			¥2,162
Other	78			78
Derivatives:				
Currency related		¥21		21
Total assets	¥2,240	¥21		¥2,261
Derivatives:				
Currency related		¥ 0		¥ 0
Total liabilities		¥ 0		¥ 0

February 28, 2023	Thousands of U.S. Dollars Fair Value Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Equity securities	$15,858			$15,858
Other	572			572
Derivatives:				
Currency related		$154		154
Total assets	$16,430	$154		$16,584
Derivatives:				
Currency related		$ 0		$ 0
Total liabilities		$ 0		$ 0

(2) Financial instruments other than those measured at fair value

February 28, 2023	Millions of Yen Fair Value Level 1	Level 2	Level 3	Total
Long-term debt		¥11,287		¥11,287
Total liabilities		¥11,287		¥11,287

February 28, 2023	Thousands of U.S. Dollars Fair Value Level 1	Level 2	Level 3	Total
Long-term debt		$82,791		$82,791
Total liabilities		$82,791		$82,791

(Note) A description of the valuation technique(s) and inputs used in the fair value measurements

Investment securities

The fair value of listed shares and investment trust is measured using quoted prices. The fair value is classified as Level 1 as they are traded in active markets.

Derivatives

The fair value of derivatives is determined based on the prices presented by the financial institutions as counterparties and classified as Level 2.

Long-term debt
The fair value of long-term debt is measured by discounting the sum of the principal and interest using the remaining life of the debt and interest rate reflecting credit risk and classified as Level 2.

16. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative transactions to which hedge accounting is not applied at February 28, 2023 and 2022

(1) Currency-related derivatives

	Millions of Yen			
February 28, 2023	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling NOK	**¥ 16**		**¥ 0**	**¥ 0**
Buying USD	**1**		**0**	**0**
GBP	**601**		**21**	**21**
EUR	**57**		**(0)**	**(0)**
February 28, 2022				
Foreign currency forward contracts:				
Selling EUR	¥116		¥ 1	¥ 1
Buying GBP	575		11	11

	Thousands of U.S. Dollars			
February 28, 2023	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling NOK	**$ 117**		**$ 0**	**$ 0**
Buying USD	**7**		**0**	**0**
GBP	**4,408**		**154**	**154**
EUR	**418**		**(0)**	**(0)**

Derivative transactions to which hedge accounting is applied at February 28, 2023 and 2022

(1) Interest-related derivatives

		Millions of Yen		
February 28, 2023	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: Receivable floating rate/Payable fixed rate	**Long-term debt**	**¥2,700**		**Note 1**

		Millions of Yen		
February 28, 2022	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: Receivable floating rate/Payable fixed rate	Long-term debt	¥2,700		Note 1

		Thousands of U.S. Dollars		
February 28, 2023	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: Receivable floating rate/Payable fixed rate	**Long-term debt**	**$19,804**		**Note 1**

(Note 1) The fair values of interest rate swaps, which are accounted for together with the long-term debt as the hedged item, are included in the fair values of the relevant long-term debt, if they qualify for hedge accounting.

17. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended February 28, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Unrealized gain on available-for-sale securities:			
Gains arising during the year	**¥ 423**	¥ 261	**$ 3,102**
Reclassification adjustments to profit or loss	**(43)**	(20)	**(315)**
Amount before income tax effect	**380**	241	**2,787**
Income tax effect	**(59)**	(60)	**(432)**
Total	**¥ 321**	¥ 180	**$ 2,354**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥3,064**	¥1,672	**$22,474**
Reclassification adjustments to profit or loss			
Amount before income tax effect	**3,064**	1,672	**22,474**
Income tax effect			
Total	**¥3,064**	¥1,672	**$22,474**
Defined retirement benefit plans:			
Adjustments arising during the year	**¥ (721)**	¥ 103	**$ (5,288)**
Reclassification adjustments to profit or loss	**135**	92	**990**
Amount before income tax effect	**(585)**	196	**(4,291)**
Income tax effect	**124**	(77)	**909**
Total	**¥ (460)**	¥ 118	**$ (3,374)**
Share of other comprehensive income in an associate accounted for by the equity method —			
Gains arising during the year	**¥ 45**	¥ 88	**$ 330**
Total	**¥ 45**	¥ 88	**$ 330**
Total other comprehensive income	**¥2,970**	¥2,059	**$21,785**

18. NET INCOME PER SHARE

The financial data for the computation of basic net income per share for the years ended February 28, 2023 and 2022, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year ended February 28, 2023:				
Basic earnings per share (EPS)				
Net income available to common shareholders	¥1,348	31,555	¥42.72	$0.31
Year ended February 28, 2022:				
Basic earnings per share (EPS)				
Net income available to common shareholders	¥2,814	31,534	¥89.24	

Diluted EPS is not disclosed because the Company did not issue dilutive securities for the years ended February 28, 2023 and 2022.

As disclosed in "Changes in accounting policies," the Group applied the Revenue Recognition Standard, etc. from the consolidated financial statements for the year ended February 28, 2023. As a result, net income per share increased by ¥18.11 ($0.13) for the year ended February 28, 2023.

19. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at February 28, 2023, was approved at the Company's shareholders' meeting held on May 25, 2023:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥15 ($0.11) per share	¥473	$3,469

Business Combination by Acquisition

The Company decided at a meeting of its Board of Directors held on June 21, 2023 to have FURUNO FRANCE S.A.S., a consolidated subsidiary, acquire all shares of SARL ROBIN MARINE to make it a subsidiary. FURUNO FRANCE S.A.S. concluded a share transfer agreement on July 4, 2023 and acquired all shares of SARL ROBIN MARINE on the same date.

1. Outline of the business combination

(1) Name of the acquired company and its business
Name of the acquired company: SARL ROBIN MARINE
Business of the acquired company: Sales and services of marine electronic equipment

(2) Main reasons for the business combination
SARL ROBIN MARINE has sales and technological capacity to design systems and install and perform maintenance of equipment with high level of expertise. The Company decided to acquire SARL ROBIN MARINE, which had many contracts directly with shipbuilders, with expectations that the acquisition would produce complementary and synergetic effects with FURUNO FRANCE S.A.S.

(3) Date of the business combination
July 4, 2023

(4) Legal form of the business combination
Share acquisition by cash

(5) Ratio of voting rights after the acquisition
100.00%

(6) Basis for determining the acquirer
It is based on the fact that FURUNO FRANCE S.A.S. acquired shares of the acquired company by cash.

2. Acquisition cost and its details

	Millions of Yen	Thousands of U.S. Dollars
Cash	¥527	$3,868
Total acquisition cost	¥527	$3,868

3. Major acquisition-related costs
   Advisory fees, etc.: ¥9 million ($66 thousand)

4. Amount of goodwill incurred, reason for the goodwill incurred, and the method and period of amortization
   They have not been determined yet.

5. Amount and details of assets acquired and liabilities assumed on the business combination date
   They have not been determined yet.

20. REVENUE RECOGNITION

1. Disaggregation of revenue from contracts with customers

	Millions of Yen					
	Reportable Segment					
Year ended February 28, 2023	Marine	Industrial	Wireless LAN/ Handy Terminal	Total	Other (Note)	Total
Japan	¥19,337	¥ 8,727	¥4,155	¥32,219	¥341	¥32,561
Americas	9,893	20		9,913		9,913
Europe	22,699	1,326		24,025		24,025
Asia	18,163	1,028		19,192		19,192
Other regions	5,319			5,319		5,319
Revenue arising from contracts with customers	¥75,412	¥11,102	¥4,155	¥90,670	¥341	¥91,012
Other revenue	313			313		313
Sales to external customers	¥75,725	¥11,102	¥4,155	¥90,983	¥341	¥91,325

	Thousands of U.S. Dollars					
	Reportable Segment					
Year ended February 28, 2023	Marine	Industrial	Wireless LAN/ Handy Terminal	Total	Other (Note)	Total
Japan	$141,839	$64,013	$30,477	$236,330	$2,501	$238,839
Americas	72,566	146		72,713		72,713
Europe	166,500	9,726		176,226		176,226
Asia	133,228	7,540		140,776		140,776
Other regions	39,015			39,015		39,015
Revenue arising from contracts with customers	$553,157	$81,434	$30,477	$665,077	$2,501	$667,586
Other revenue	2,295			2,295		2,295
Sales to external customers	$555,453	$81,434	$30,477	$667,373	$2,501	$669,881

(Note) "Other" includes the electromagnetic environmental testing business, etc. which do not belong to any reportable segment.

2. Basic information for understanding revenue from contracts with customers
   Basic information for understanding revenue from contracts with customers is as described in Note 2.l "Significant Revenue and Expenses."

3. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from customers existing at the end of the reporting period that are expected to be recognized in or after the following reporting period

(1) Balance of contract assets and contract liabilities

February 28, 2023	Millions of Yen	Thousands of U.S. Dollars
Receivables from contracts with customers (beginning balance)	¥15,080	$110,613
Receivables from contracts with customers (ending balance)	17,689	129,751
Contract assets (beginning balance)	3,017	22,130
Contract assets (ending balance)	3,847	28,218
Contract liabilities (beginning balance)	2,526	18,528
Contract liabilities (ending balance)	2,756	20,215

Contract assets are primarily related to the unbilled rights of the Group concerning considerations for revenue recognized in accordance with the satisfaction of performance obligations and are reclassified to receivables from contracts with customers when the rights of considerations become billable.

Contract liabilities are primarily related to advances received from customers. Contract liabilities are reversed as revenue is recognized. In the consolidated balance sheet, contract liabilities are included in “Other” under current liabilities.

Revenue recognized in the fiscal year ended February 28, 2023 that was included in the contract liability balance at the beginning of the period was ¥2,293 million ($16,819 thousand). There was no significant change in the balances of contract assets and contract liabilities.

The amount of revenue recognized in the fiscal year ended February 28, 2023 from performance obligations that were satisfied (or partially satisfied) in previous periods is immaterial (primarily related to changes in transaction prices).

(2) Transaction prices allocated to the remaining performance obligations

The Group has applied the practical expedient on contracts with an original expected duration of one year or less for the purpose of this note “Transaction prices allocated to the remaining performance obligations,” and has not included such contracts in this note. The total amount of transaction prices allocated to the remaining performance obligations by the Business is as follows: These contracts are expected to be recognized as revenue within approximately two years.

Year ended February 28, 2023	Millions of Yen	Thousands of U.S. Dollars
Marine Business	¥ 8,251	$60,522
Industrial Business	4,025	29,523
Wireless LAN/Handy Terminal Business	1	7
Other		
Total	¥12,278	$90,060

21. SEGMENT INFORMATION

Under ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures,” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures,” an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

   The Group’s reportable segments are those for which separate financial information is available and regular evaluation by the Company’s management is being performed in order to decide how resources are allocated among the Group.

   The principal business of the Group is manufacturing and sales of marine equipment, industrial electronics equipment, wireless LAN system and handy terminals. The Company consists of divisions separated by product and service, and each division designs comprehensive strategies for its products and services and develops relevant business activities. Each subsidiary develops business activities from a management perspective within the Group. Accordingly, the Group consists of business segments by product and service, which are the “Marine” business, the “Industrial” business, and the “Wireless LAN/ Handy Terminal” business, as the reportable segments.

   The major products in the “Marine” business are navigation equipment, fishing equipment and radio communication equipment, etc. The major products in the “Industrial” business are medical equipment, ITS equipment, GPS equipment, and avionics electronic equipment, etc. The major products in the “Wireless LAN/Handy Terminal” business are wireless LAN system and handy terminals, etc.

2. Methods of measurement for the amounts of sales, profit, assets, liabilities and other items for each reportable segment

   The accounting policies of each reportable segment are consistent with those disclosed in Note 2 “SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.”

   Segment profit corresponds to the figure based on “operating income” in the consolidated statement of income.

   Intersegment sales or transfers are based on the arm’s-length price.

   As disclosed in Note 2.u “Changes in Accounting Policies,” the Group applied the Revenue Recognition Standard, etc. from the consolidated financial statements for the reporting period, and changed the accounting method for revenue recognition. Accordingly, the Group also changed the method for calculating segment profit or loss of operating segments. As a result of this change, compared with the previous method, net sales increased by ¥450 million ($3,300 thousand) and segment profit increased by ¥366 million ($2,684 thousand) in the “Marine” business segment; net sales increased by ¥139 million ($1,019 thousand) and segment profit decreased by ¥96 million ($704 thousand) in the “Industrial” business segment; and net sales increased by ¥36 million ($264 thousand) and segment profit increased by ¥25 million ($183 thousand) in the “Wireless LAN/Handy Terminal” business segment in the reporting period.

3. Information about sales, profit, assets, liabilities and other items:

	Millions of Yen							
	2023							
	Reportable Segment							
	Marine	Industrial	Wireless LAN/ Handy Terminal	Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
Sales:								
Sales to external customers	¥75,725	¥11,102	¥4,155	¥90,983	¥ 341	¥91,325		¥ 91,325
Intersegment sales or transfers	50	58	216	324	607	932	¥ (932)	
Total	¥75,776	¥11,161	¥4,371	¥91,308	¥ 948	¥92,257	¥ (932)	¥ 91,325
Segment profit (loss)	¥ 1,248	¥ 128	¥ 514	¥ 1,891	¥ (88)	¥ 1,803	¥ (279)	¥ 1,523
Segment assets	66,653	9,099	3,653	79,406	1,026	80,433	25,963	106,396
Other:								
Depreciation	2,306	160	173	2,640	37	2,677	383	3,061
Equity in earnings of an associate accounted for by the equity method	86			86		86		86
Investment of an associate accounted for by the equity method	219			219		219		219
Increase in property, plant and equipment and intangible assets	1,503	198	106	1,808	11	1,819	387	2,207

	Millions of Yen							
	2022							
	Reportable Segment							
	Marine	Industrial	Wireless LAN/ Handy Terminal	Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
Sales:								
Sales to external customers	¥70,535	¥10,381	¥3,552	¥84,469	¥ 313	¥84,783		¥84,783
Intersegment sales or transfers	22	45	163	231	534	765	¥ (765)	
Total	¥70,557	¥10,427	¥3,716	¥84,701	¥ 847	¥85,549	¥ (765)	¥84,783
Segment profit (loss)	¥ 2,772	¥ (23)	¥ 446	¥ 3,195	¥ (359)	¥ 2,836	¥ (304)	¥ 2,532
Segment assets	51,191	7,940	3,155	62,287	1,058	63,346	22,626	85,973
Other:								
Depreciation	2,366	163	158	2,689	49	2,738	423	3,161
Equity in earnings of an associate accounted for by the equity method	89			89		89		89
Investment of an associate accounted for by the equity method	219			219		219		219
Increase in property, plant and equipment and intangible assets	1,698	228	145	2,072	75	2,147	2,522	4,670

	Thousands of U.S. Dollars							
	2023							
	Reportable Segment							
	Marine	Industrial	Wireless LAN/ Handy Terminal	Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
Sales:								
Sales to external customers	**$555,453**	**$81,434**	**$30,477**	**$667,373**	**$2,501**	**$669,881**		**$669,881**
Intersegment sales or transfers	**366**	**425**	**1,584**	**2,376**	**4,452**	**6,836**	**$ (6,836)**	
Total	**$555,827**	**$81,867**	**$32,061**	**$669,757**	**$6,953**	**$676,718**	**$ (6,836)**	**$669,881**
Segment profit (loss)	**$ 9,154**	**$ 938**	**$ 3,770**	**$ 13,870**	**$ (645)**	**$ 13,225**	**$ (2,046)**	**$ 11,171**
Segment assets	**488,909**	**66,742**	**26,795**	**582,454**	**7,525**	**589,987**	**190,442**	**780,429**
Other:								
Depreciation	**16,914**	**1,173**	**1,268**	**19,364**	**271**	**19,636**	**2,809**	**22,452**
Equity in earnings of an associate accounted for by the equity method	**630**			**630**		**630**		**630**
Investment of an associate accounted for by the equity method	**1,606**			**1,606**		**1,606**		**1,606**
Increase in property, plant and equipment and intangible assets	**11,024**	**1,452**	**777**	**13,261**	**80**	**13,342**	**2,838**	**16,188**

Notes:
1. "Other" is a business segment which is not included in reportable segments and includes the electromagnetic environmental testing business and other businesses.
2. The nature of "Reconciliations" is as follows:
   (1) "Reconciliations" of "Segment profit (loss)" includes general and administrative expenses of the head office administration departments which do not belong to any reportable segment.
   (2) "Reconciliations" of "Segment assets" includes assets of the head office administration departments, which do not belong to any reportable segment, mainly consisting of common use assets, investments and other assets.
   (3) "Reconciliations" of "Increase in property, plant and equipment and intangible assets" includes capital investments, which do not belong to any reportable segment.
3. Segment profit (loss) is reconciled with operating income in the consolidated statement of income.

Other Related Information:

1. Information by product and service
   Information by product and service is omitted since similar information is disclosed in the segment information.
2. Information by geographic region
   (1) Sales

Millions of Yen					
2023					
Japan	Americas	Europe	Asia	Other Regions	Total
¥32,561	**¥9,913**	**¥24,338**	**¥19,192**	**¥5,319**	**¥91,325**

Millions of Yen					
2022					
Japan	Americas	Europe	Asia	Other Regions	Total
¥31,904	¥9,184	¥21,808	¥17,725	¥4,159	¥84,783

Thousands of U.S. Dollars					
2023					
Japan	Americas	Europe	Asia	Other Regions	Total
$238,839	**$72,713**	**$178,522**	**$140,776**	**$39,015**	**$669,881**

Note: Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

Millions of Yen					
2023					
Japan	Americas	Europe	Asia	Other Regions	Total
¥10,243	**¥520**	**¥1,727**	**¥1,214**	**¥209**	**¥13,914**

Millions of Yen					
2022					
Japan	Americas	Europe	Asia	Other Regions	Total
¥10,402	¥453	¥1,649	¥894		¥13,400

Thousands of U.S. Dollars					
2023					
Japan	Americas	Europe	Asia	Other Regions	Total
$75,133	**$3,814**	**$12,667**	**$8,904**	**$1,533**	**$102,061**

3. Information by major customer
   Information by customer is omitted, since there is no customer to whom net sales accounts for more than 10% of total net sales recorded in the consolidated statement of income.

4. Information about loss on impairment of long-lived assets

	Millions of Yen							
	2023							
	Reportable Segment							
	Marine	Industrial	Wireless LAN/ Handy Terminal	Total	Other	Total	Reconciliations	Total
Loss on impairment	**¥8**	**¥16**		**¥24**		**¥24**		**¥24**

	Millions of Yen							
	2022							
	Reportable Segment							
	Marine	Industrial	Wireless LAN/ Handy Terminal	Total	Other	Total	Reconciliations	Total
Loss on impairment	¥14	¥24		¥39		¥39		¥39

	Thousands of U.S. Dollars							
	2023							
	Reportable Segment							
	Marine	Industrial	Wireless LAN/ Handy Terminal	Total	Other	Total	Reconciliations	Total
Loss on impairment	**$58**	**$117**		**$176**		**$176**		**$176**

5. Information about amortization and unamortized balance of goodwill

	Millions of Yen							
	2023							
	Reportable Segment							
	Marine	Industrial	Wireless LAN/ Handy Terminal	Total	Other	Total	Reconciliations	Total
Amortization	**¥115**			**¥115**		**¥115**		**¥115**
Unamortized balance	**819**			**819**		**819**		**819**

	Millions of Yen							
	2022							
	Reportable Segment							
	Marine	Industrial	Wireless LAN/ Handy Terminal	Total	Other	Total	Reconciliations	Total
Amortization	¥ 98	¥25		¥124		¥124		¥124
Unamortized balance	778			778		778		778

	Thousands of U.S. Dollars							
	2023							
	Reportable Segment							
	Marine	Industrial	Wireless LAN/ Handy Terminal	Total	Other	Total	Reconciliations	Total
Amortization	**$ 843**			**$ 843**		**$ 843**		**$ 843**
Unamortized balance	**6,007**			**6,007**		**6,007**		**6,007**

22. SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

1. Major components of assets and liabilities of consolidated subsidiary disposed of by sale of shares

The Company sold its shares of FURUNO EURUS LLC. As a result, FURUNO EURUS LLC was excluded from the scope of consolidation.

The assets and liabilities of FURUNO EURUS LLC at the time of sales and a reconciliation between the selling price and the payment for the sales of shares are as follows:

February 28, 2023	Millions of Yen	Thousands of U.S. Dollars
Current assets	**¥ 879**	**$ 6,447**
Long-lived assets	**27**	**198**
Current liabilities	**(571)**	**(4,188)**
Long-term liabilities	**(13)**	**(95)**
Foreign currency translation adjustments	**(4)**	**(29)**
Loss on sales of shares	**(79)**	**(579)**
Selling price	**¥ 239**	**$ 1,753**
Non-trade receivables	**(204)**	**(1,496)**
Other	**(12)**	**(88)**
Cash and cash equivalents	**(215)**	**(1,577)**
Net payment for sales of shares resulting in a change in scope of consolidation	**¥(192)**	**$(1,408)**

2. Description of significant transactions not requiring use of cash or cash equivalents
Former unconsolidated subsidiaries FURUNO (DALIAN) TECHNOLOGY CO., LTD., ELECTRONIC NAVIGATION LIMITED, FUNOTEC (DALIAN) CO., LTD., TELKO AS and TELKO INTERNATIONAL AB have been included in the scope of consolidation from the fiscal year ended February 28, 2023 due to their increased significance. The amounts of increase in assets and liabilities as a result of the inclusion of the subsidiaries in the scope of consolidation were as follows:

February 28, 2023	Millions of Yen	Thousands of U.S. Dollars
Current assets	**¥1,829**	**$13,415**
Long-lived assets	**370**	**2,714**
Total assets	**¥2,200**	**$16,137**
Current liabilities	**¥ 895**	**$ 6,564**
Long-term liabilities	**172**	**1,261**
Total liabilities	**¥1,068**	**$ 7,833**

Current assets included ¥575 million ($4,217 thousand) of Cash and cash equivalents at the beginning of consolidation, which is presented under “INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM NEW CONSOLIDATION.”

* * * * * *

Subsidiaries

As of February 28, 2023

Consolidated Subsidiaries

Country	Company Name	Main Business	Equity Ownership (%)
Japan	KYORITSU RADIO SERVICE CO., LTD.	Clearing of communication charges	100
	FURUNO KYUSHU HANBAI CO., LTD.	Sales and services of marine electronic equipment	100
	FURUNO KANSAI HANBAI CO., LTD.	Sales and services of marine electronic equipment	100
	FURUNO SYSTEMS CO., LTD.	Sales of industrial electronic products	100
	FURUNO LIFEBEST CO., LTD.	Insurance agent and leasing of marine electronic equipment	100
	LABOTECH INTERNATIONAL CO., LTD.	EMC and environmental test laboratory	100
U.S.A.	FURUNO U.S.A., INC.	Sales and services of marine electronic equipment	100
U.K.	FURUNO (UK) LTD.	Sales and services of marine electronic equipment	100
	FURUNO LEASING LTD.	Leasing and sales of marine electronic equipment	100
Germany	FURUNO DEUTSCHLAND GmbH	Sales and services of marine electronic equipment	100
Holland	FURUNO EUROPE B. V.	Logistic services for Europe	100
Denmark	FURUNO DANMARK A/S	Sales and services of marine electronic equipment	100
	EMRI A/S	Sales and services of marine electronic equipment	100
Sweden	FURUNO SVERIGE AB	Sales and services of marine electronic equipment	100
	TELKO INTERNATIONAL AB	Sales and services of marine electronic equipment	51
Poland	FURUNO POLSKA Sp. zo. o.	Sales and services of marine electronic equipment	100
France	FURUNO FRANCE S.A.S.	Sales and services of marine electronic equipment	100
Italy	FURUNO ITALIA S.R.L.	Sales and services of marine electronic equipment	100
Spain	FURUNO ESPAÑA, S.A.	Sales and services of marine electronic equipment	70
Norway	FURUNO NORGE A/S	Sales and services of marine electronic equipment	100
	TELKO AS	Manufacturing of marine electronic equipment	51
Greece	FURUNO HELLAS S.A.	Sales and services of marine electronic equipment	100
Cyprus	FURUNO (CYPRUS) LTD	Sales and services of marine electronic equipment	100
Finland	FURUNO FINLAND OY	Sales and services of marine electronic equipment	100
China	FURUNO HONG KONG CO., LTD.	Manufacturing of marine electronic equipment	100
	FURUNO CHINA CO., LIMITED	Sales and services of marine electronic equipment	100
	FURUNO SHANGHAI CO., LTD.	Sales and services of marine electronic equipment	100
	FURUNO (DALIAN) TECHNOLOGY CO., LTD.	Software development and service	90.43
	FUNOTEC (DALIAN) CO., LTD.	Sales and services of marine electronic equipment	90.43
	FURUNO DONGGUAN CO., LTD.	Manufacturing of marine electronic equipment	100
Singapore	FURUNO SINGAPORE PTE LTD	Sales and services of marine electronic equipment	100
Panama	FURUNO PANAMA, S.A.	Sales and services of marine electronic equipment	100
Indonesia	PT.FURUNO ELECTRIC INDONESIA	Sales and services of marine electronic equipment	100
Korea	FURUNO KOREA CO., LTD.	Sales and services of marine electronic equipment	100
Malaysia	FURUNO ELECTRIC (MALAYSIA) SDN. BHD.	Sales and services of marine electronic equipment	100
New Zealand	ELECTRONIC NAVIGATION LIMITED	Sales and services of marine electronic equipment	60

Unconsolidated Subsidiaries

Country	Company Name	Main Business	Equity Ownership (%)
Japan	FURUNO SOFTECH CO., LTD.	Software development and service	100

Equity method Subsidiaries

Country	Company Name	Main Business	Equity Ownership (%)
France	SIGNET S.A.S	Sales and software development	49.28

Five-Year Summary

FURUNO ELECTRIC CO., LTD. and Consolidated Subsidiaries
Years ended the last day of February

	Millions of Yen					Thousands of U.S. Dollars (Note 1)
	2019	2020	2021	2022	**2023**	**2023**
For the year:						
Net sales:	¥82,108	¥83,066	¥82,255	¥84,783	**¥91,325**	**$669,881**
Operating income	4,771	2,411	3,740	2,532	**1,523**	**11,171**
Income before income taxes and minority interests	4,877	2,699	4,742	3,735	**2,443**	**17,919**
Net income (loss)	4,026	2,041	3,946	2,814	**1,348**	**9,887**
Per share of common stock (Notes 2) (yen and U.S. dollars):						
Basic net income (loss)	127.77	64.78	125.20	89.24	**42.72**	**0.31**
Cash dividends applicable to the year	25.00	20.00	40.00	40.00	**25.00**	
Weighted average number of shares outstanding (thousands)	31,511	31,511	31,519	31,534	**31,555**	
Research and development cost	4,707	4,266	5,303	5,458	**5,694**	**41,766**
Capital expenditure	1,271	1,887	2,542	3,133	**1,616**	**11,853**
Depreciation and amortization	3,093	3,246	3,160	3,161	**3,061**	**22,452**
Net cash provided by operating activities	4,903	8,041	8,512	6,193	**(6,492)**	**(47,619)**
Net cash used in investing activities	(2,912)	(3,175)	(4,553)	(4,389)	**(3,027)**	**(22,203)**
Net cash provided by (used in) financing activities	(1,251)	(4,194)	(850)	(3,518)	**8,263**	**60,610**
At year-end:						
Total assets	¥79,672	¥76,133	¥82,248	¥85,973	**¥106,396**	**$780,429**
Interest-bearing debt	12,982	9,906	9,956	9,602	**19,317**	**141,692**
Shareholders' equity	41,191	41,925	45,359	47,880	**52,113**	**382,256**
Number of employees	2,957	2,926	2,978	3,065	**3,310**	
Overseas sales:						
North America	¥ 8,348	¥ 8,092	¥ 8,113	¥ 9,184	**¥ 9,913**	**$ 72,713**
Europe	20,047	19,407	18,221	21,808	**24,338**	**178,522**
Asia	18,354	19,296	17,145	17,725	**19,192**	**140,776**
Other	2,949	2,686	2,852	4,159	**5,319**	**39,015**
Total	49,699	49,482	46,333	52,878	**58,764**	**431,042**
Key ratio (%):						
Return on sales	4.90%	2.46%	4.80%	3.32%	**1.48%**	
Return on assets	6.50	3.50	6.00	4.40	**2.70%**	
Return on equity	10.14	4.91	9.04	6.04	**2.70%**	
Debt equity ratio	31.52	23.63	21.95	20.05	**37.07%**	
Equity ratio	51.70	55.10	55.10	55.70	**49.00%**	

Note: 1. U.S. dollar amounts have been converted from Japanese yen, for convenience only, at the rate of ¥136.33=U.S. $1, the approximate rate of exchange prevailing at February 28, 2023.
2. See Note 2.s and Note 16 of the Notes to the Consolidated Financial Statements.

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