



ANNUAL REPORT **2019**

Year ended March 31, 2019



FANUC's Symbol "Keyaki" – Zelkova tree

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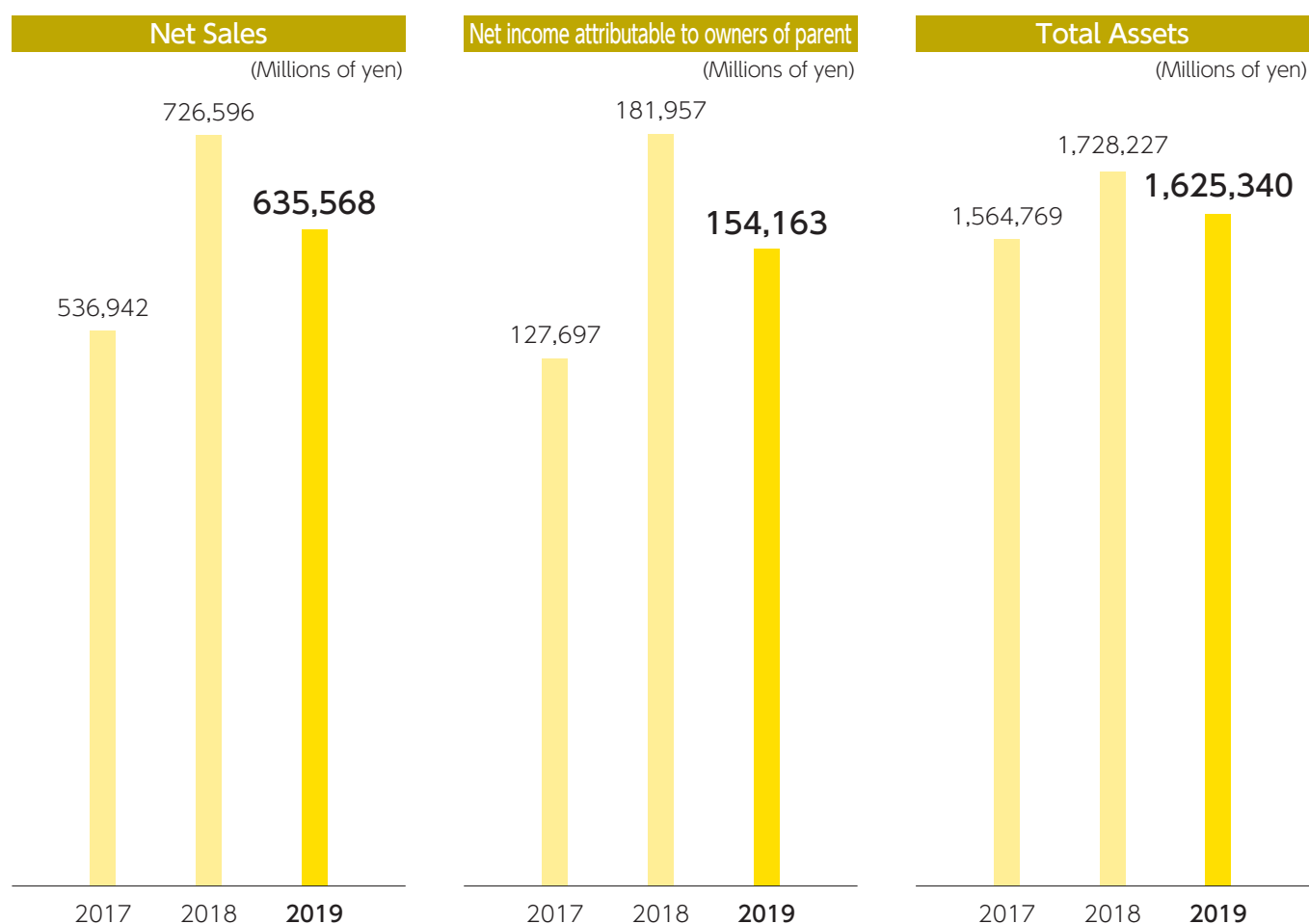
Forward-looking statements

Statements contained in this report that relate to the future operating activities, business performance, events or conditions of FANUC are forward-looking statements. Forward-looking statements are based on judgments made by FANUC's management based on information available at the time of publishing this report and are subject to significant assumptions. As such, these forward-looking statements are subject to various risks and uncertainties and actual business results may vary substantially from the forecasts expressed or implied in forward-looking statements. Accordingly, you are cautioned not to place undue reliance on forward-looking statements. FANUC disclaims any obligation to revise forward-looking statements in light of new information, future events or other findings.

➔ Financial Highlights (Consolidated)

	Millions of yen			Thousands of U.S. dollars
Years ended March 31	2017	2018	2019	2019
For the year:				
Net sales	¥ 536,942	¥ 726,596	¥ 635,568	\$ 5,725,838
Net income attributable to owners of parent	127,697	181,957	154,163	1,388,856
At the year end:				
Total assets	¥ 1,564,769	¥ 1,728,227	¥ 1,625,340	\$14,642,703
Net assets	1,369,457	1,467,630	1,445,146	13,019,333
	Yen			U.S. dollars
Per share data:				
Net income	¥ 658.63	¥ 938.66	¥ 795.34	\$ 7.17
Cash dividends	395.18	563.20	1,003.11	9.04

Note : The U.S. dollar amounts shown above and elsewhere in this annual report are converted from yen, for convenience only, at the rate of ¥111 = U.S.\$1.00.



➡ A Message To Our Shareholders



During this period, although demands were generally solid at the beginning of the period, we found ourselves in a very difficult situation mainly in the latter half of the period, due primarily to the impact of the trade friction between the United States and China, and the plunge in the short-term demand in the Chinese IT-related industry, which was robust in the previous fiscal year.

Under these circumstances, the FANUC Group promoted initiatives that allow our customers to build and maintain a highly reliable, efficient, and innovative production system without anxiety through our products and services, by uniting as one group under the slogans "one FANUC," "Reliable" "Predictable" "Easy to Repair," and "Service First." Furthermore, we made efforts, as IoT initiatives, to spread the FIELD system (FANUC Intelligent Edge Link and Drive system), an open platform in which various companies can participate, with enhancement of functions and enrichment of applications (including those made by partner companies), while proceeding with the application of AI technology to our products.

During the fiscal year ended March 31, 2019, FANUC posted consolidated net sales totaling ¥635,568 million, down 12.5%, consolidated operating income totaling ¥163,297 million, down 28.9%, and consolidated net income totaling ¥154,163 million, down 15.3%, compared with the previous fiscal year. In addition, profit from the return to the welfare fund agency of ¥25,081 million has been recorded as extraordinary income. The conditions will likely continue where the short-term demand in the IT-related industry cannot be expected. It is also anticipated that the situation will remain difficult and unpredictable in general, due to uncertain factors including the impact of the trade friction between countries and regions, tariff policies of countries, and foreign exchange fluctuations.

Even under these circumstances, the FANUC Group, looking ahead to the future, will continue management that is based on a long-term perspective and not affected by short-term events.

Based on this approach while guided by the slogan "one FANUC," the FANUC Group will take maximum advantage of our unique strength in uniting our FA, ROBOT, and ROBOMACHINE divisions to jointly provide total solutions and please customers throughout the world.

In addition, the FANUC Group will adhere to its origins as a producer of equipment to be used at manufacturing sites and will be thorough in implementing our slogan "Reliable" "Predictable" "Easy to Repair" in product development, to minimize downtime in our customers' factories and improve their operation rates. At the same time, as a supplier of capital goods, we will fulfill our supplier responsibility to customers by ensuring a production system that customers can rely on. Furthermore, we will practice our basic policy of "Service First" in providing high-level services pursuant to FANUC's global standard anywhere in the world and "lifetime maintenance" for as long as our customers use our products.

The FANUC Group believes that IoT and AI are indispensable technologies for FANUC to continue developing and launching highly competitive products on the market. By proactively adopting these technologies in all areas of the FA, ROBOT, and ROBOMACHINE products, we will further promote customers' production efficiency. Despite the severe business environment currently surrounding the FANUC Group, we will pursue measures to strengthen our corporate structure from a long-term perspective, such as reinforcing product competitiveness, strengthening sales and service activities, promoting the shift to automation and use of robots at factories, and enhancing administrative efficiency. We are making efforts to multiply our production sites and service centers so that we can fulfill our supplier responsibility to customers and maintain service activities in any circumstances.

United as one group in the promotion of these measures, the FANUC Group will continue to ensure the practice of "Strict Preciseness and Transparency," FANUC's principle, and make efforts to gain more customer confidence and trust in the FANUC Group while adapting to dramatic changes in the environment in order to become a company that will continue forever.

Thank you for your continued support and assistance to FANUC.

Y. Inaba

Yoshiharu Inaba
Chairman

Kenji Yamaguchi

Kenji Yamaguchi
President & CEO

➔ Summary of FANUC Business



FA Business Division

Main Products

- CNC
- SERVO MOTOR
- LASER

Results for Fiscal 2018

Consolidated sales totaling ¥211,088 million, down 5.0% compared with the previous fiscal year, and FA Division sales accounted for 33.2% of consolidated net sales.

Refer to page 5 for details ➔



ROBOT Business Division

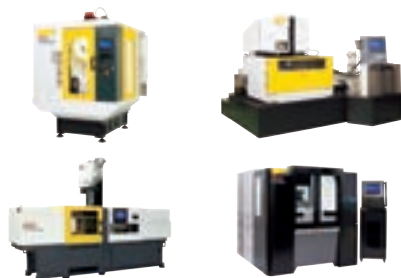
Main Products

- Welding Robot
- Handling Robot
- Collaborative Robot

Results for Fiscal 2018

Consolidated sales totaling ¥217,526 million, down 4.5% compared with the previous fiscal year. ROBOT Division sales accounted for 34.2% of consolidated net sales.

Refer to page 6 for details ➔



ROBOMACHINE Business Division

Main Products

- ROBODRILL
- ROBOSHOT
- ROBOCUT
- ROBONANO

Results for Fiscal 2018

Consolidated sales totaling ¥115,056 million, down 39.5% compared with the previous fiscal year. ROBOMACHINE Division sales accounted for 18.1% of consolidated net sales.

Refer to page 7 for details ➔

Service Division

Service First ➔

Results for Fiscal 2018

Consolidated sales totaling ¥91,898 million, up 6.4% compared with the previous fiscal year. Service Division sales accounted for 14.5% of consolidated net sales.

Refer to page 8 for details ➔

➔ Business Report

FA Business Division

Demand in the machine tool industry, the primary market for FANUC CNC systems, remained at a high level in Japan and Europe, and were also solid in India. However, demands in China and Taiwan declined sharply from the middle of the period due to the impact of the trade friction between the United States and China, and sales in South Korea also remained sluggish due to a slowdown in domestic demand. As a result, net sales of CNC systems of the FANUC Group decreased compared with the previous fiscal year.

In terms of development, we developed the “FANUC Series 0i-F Plus,” the successor to the FANUC’s global-standard CNC “FANUC Series 0i-F.” The “FANUC Series 0i-F Plus” uses state-of-the-art control technology and improves ease of use. In the servo field, we developed “Servo Learning Oscillation,” which improves the efficiency of removing scraps, and “AI Servo Tuning,” which uses servo tuning based on machine learning to achieve advanced vibration suppression. We also enhanced our lineup in order to expand sales in various applications.

With regard to our lasers, we continued focusing efforts on expanding sales of fiber laser oscillators both domestically and abroad.

In terms of development, in our “FANUC FIBER LASER series” of fiber laser oscillators, we developed a fiber laser capable of up to 12kW of output in order to meet market needs for rapid cutting of medium-thickness plates and cutting of thick plates. This will enable us to meet a broad range of laser application demands, and is expected to result in further sales growth.



CNC Series



SERVO MOTOR, SERVO AMPLIFIER



FIBER LASER

ROBOT Business Division

In the ROBOT Division, although sales in Japan and Europe were solid, a trough in capital investments remained in automobile industry of the Americas and sales in China were weak, especially for the general industries. As a result, sales in the ROBOT Division decreased compared with the previous fiscal year.

New developments included the addition of a small 14 kg payload model to our lineup of green “Collaborative Robots,” which do not require a safety fence and enable robots and humans to work together.

We also developed an “AI paths Control function,” which estimates actual paths using an accelerometer, making improvements by learning differences between target and actual paths. This new function is expected to bring about increased sales in applications such as laser cutting and water jet processing which require high precision trajectory control.

In addition, we developed the “3D Vision Sensor 3DV/600,” which can perform measurement over a wider range and at a greater speed than conventional sensors.

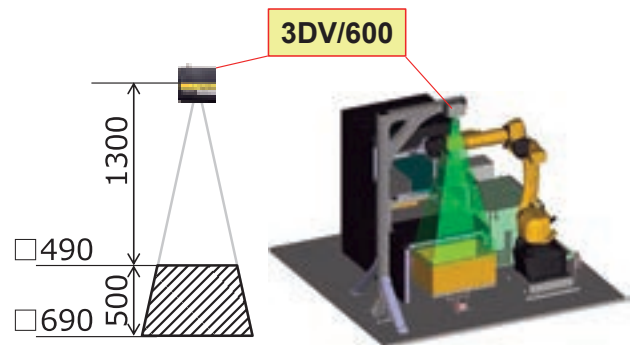
These and other new products and functions are expected to further expand the range of applications of FANUC robots.



R-2000iC



Collaborative Robot



3D Vision Sensor 3DV/600

ROBOMACHINE Business Division

The short-term demand in the Chinese IT-related industry for the ROBODRILLs (compact machining center), which was robust in the previous fiscal year, had plummeted, resulting in a significant decline in sales. However, markets other than IT-related industry, such as automobile parts, generally remained favorable, and in particular, sales increased in Japan, Europe and India. In addition, sales of the ROBOSHOTS (electric injection molding machine) remained robust as in the previous fiscal year, while sales of the ROBOCUTs (wire-cut electric discharge machine) slightly decreased.

Our development work included the development of custom screens for the “FANUC ROBODRILL α -DiB series,” the “FANUC ROBOSHOT α -SiA series,” and the “FANUC ROBOCUT α -CiB series,” making it easy for peripheral device manufacturers to create screens related to their products. This will improve expandability and contribute to ROBOMACHINE product sales growth. We also improved our “QSSR” (Quick and Simple Startup of Robotization), which packages basic elements related to robot collaboration work and supports the deployment of robot systems. This makes manufacturing site automation even easier.

With regard to the ROBONANO (ultra precision machine), we developed “FANUC ROBONANO α -NTiA,” an ultra-precision lathe that uses FANUC’s latest FA technologies. It can be used for stable production and processing of optical lens molds, and we have high expectations for future sales growth.



ROBODRILL



ROBOSHOT



ROBOCUT



ROBONANO

Service Division

The Service Division, under our slogan “Service First,” reinforced our service system, enhanced our service technology, improved our service tools, and increased efficiency through proactive introduction of IT technology. With maintaining a network of 264 service centers covering 108 countries around the world we are providing rapid maintenance service activities to minimize downtime in our customers’ factories. (Note: The number of service centers and countries covered is as of August 31, 2019).

Service First

Efforts for IoT and AI

In our support for IoT technology, we added new features to the existing LINK*i* function of FA and ROBOMACHINE products, and released the second version of the base software used by the FIELD system, an open platform in which a wide range of companies can participate. The FIELD system is an IoT product that connects various equipment in manufacturing sites to improve productivity, and its major characteristic is that the system is able to process information on a real-time basis at the edge (machining site and assembly site) of manufacturing sites.

With regard to AI, we have collaborated with Preferred Networks, Inc. to promote the application of AI technologies to all product groups of the FA, ROBOT, and ROBOMACHINE Divisions. We will continue to differentiate ourselves from our competitors and add large amounts of value by further enhancing the intelligent functions of products through application of AI technology.

The combination of the FIELD system and AI technology is expected to have an even greater synergy effect, such as further enhancing the performance of intelligent functions of products and sharing the results thereof via IoT.



FIELD system

➡ Management Policy

Basic Management Policy

FANUC has consistently pursued the automation of factories since 1956, when it succeeded in the development of the SERVO mechanism for the first time in the Japanese private sector.

FANUC's business is comprised of the three pillars of FA, ROBOT and ROBOMACHINE. The FA business encompasses basic technologies, consisting of NCs (numerical controls), servos and lasers, which are also applied to the ROBOT and ROBOMACHINE businesses. In addition, FANUC's flagship IoT product, "FIELD system," which is an open platform, has been introduced as a new business.

FANUC also offers service, with a policy for not terminating support of FANUC products as long as they are used by customers.

Through such activities, FANUC contributes to the development of manufacturing industries in Japan and overseas, by promoting automation and efficiency in customers' factories.

We ensure the practice of the principle, "Strict Preciseness and Transparency," which is the basic principle of FANUC. We think it is important for the practical functioning of governance to share such an easy-to-understand and simple principle among all officers and employees of the Group.

About "Strict Preciseness and Transparency"

Strict Preciseness

The permanence and soundness of a company are created by preciseness.

Transparency

The corruption of an organization and the collapse of a company start from opacity.

The Three Philosophies of FANUC



The three businesses of FA, ROBOT and ROBOMACHINE are unified with SERVICE as "one FANUC," to provide innovation and reassurance to manufacturing sites around the world.

Reliable
Predictable
Easy to Repair

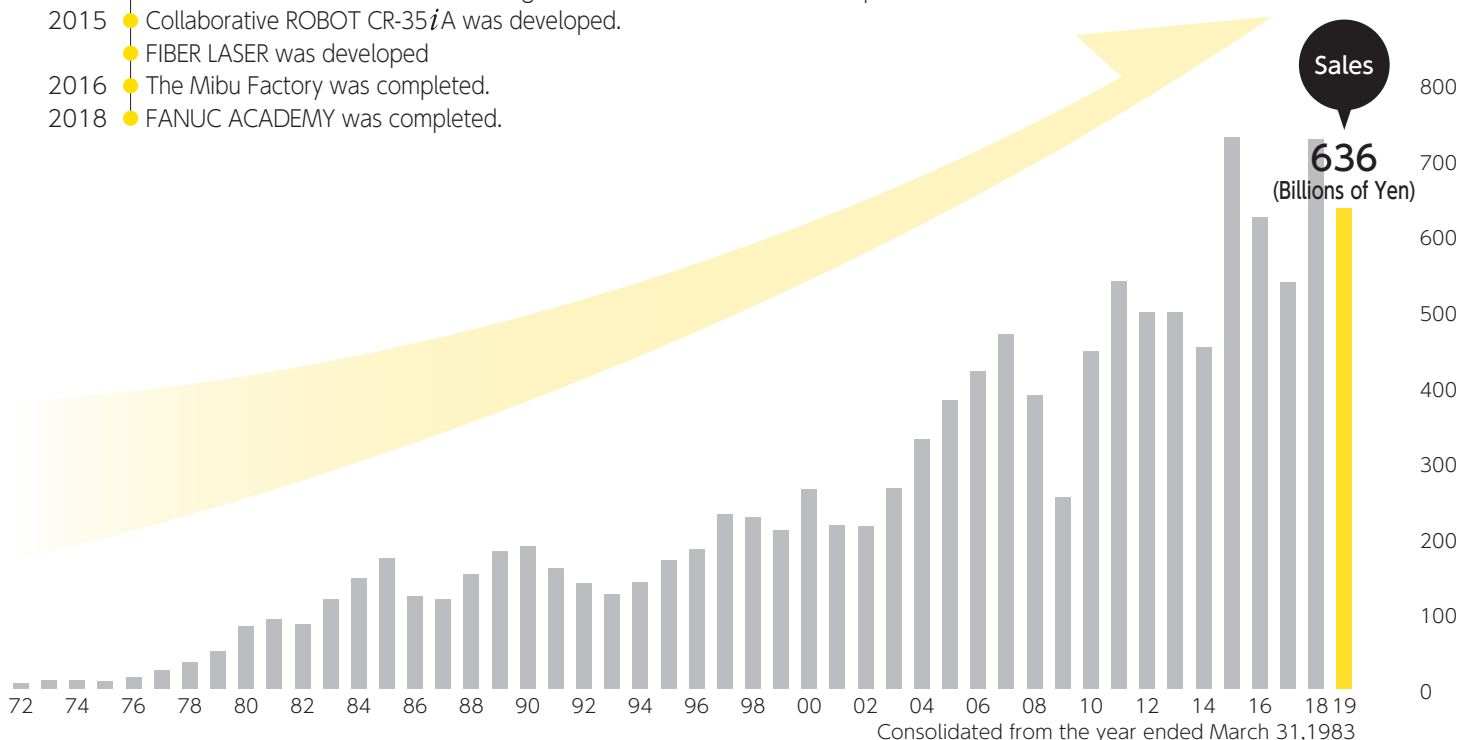
FANUC aims
to minimize downtime
in all factories all over the world.

Service First 

Conforming to the spirit of "Service First," FANUC provides lifetime maintenance to its products for as long as they are used by customers, through more than 260 service locations supporting 108 countries throughout the world.

➔ History of FANUC

- 1956 ● First successful NC development in Japan (private sector).
- 1959 ● The first electro-hydraulic pulse motor was developed.
- 1969 ● CNC was introduced.
- 1972 ● FANUC was established.
- NC DRILL was developed.
- 1974 ● DC servo motor was licensed from Gettys Manufacturing Co.
- 1975 ● Wire-cut electric discharge machine was developed.
- 1977 ● FANUC USA CORPORATION was established.
- The commercial production and shipment of ROBOTS started (ROBOT-MODEL 1).
- 1978 ● KOREA NUMERIC CORPORATION was jointly established by FANUC and Hwacheon Machinery Works, Co. Ltd.
- FANUC EUROPE S.A. was established.
- 1980 ● The Fuji Factory was completed.
- 1982 ● GMFanuc Robotics Corporation was jointly established in the U.S.A. by FANUC and General Motors.
- AC SERVO MOTOR was developed.
- 1983 ● FANUC developed the first electric injection molding machine in the world for mass production.
- 1984 ● FANUC headquarters was moved to the foot of Mt. Fuji.
- 1985 ● FANUC series 0 was developed.
- 1986 ● FANUC TAIWAN LTD was established.
- GE Fanuc Automation Corporation was jointly established in the U.S.A. by FANUC and General Electric.
- 1987 ● CO₂ LASER was developed.
- 1989 ● The Tsukuba Factory was completed.
- 1991 ● The Hayato factory was completed.
- 1992 ● GMFanuc Robotics Corporation became FANUC Robotics Corporation, a 100% Fanuc owned company, and its subsidiary.
- BEIJING-FANUC Mechatronics CO., LTD was jointly established with Beijing Machine Tool Research Institute.
- FANUC INDIA PRIVATE LIMITED was established.
- 1996 ● The commercial production of 16*i* Series CNC started.
- 1997 ● SHANGHAI-FANUC Robotics CO., LTD. was jointly formed in China with Shanghai Electric Group Company Limited.
- 2000 ● Intelligent ROBOT R-2000*iA* was developed.
- 2003 ● The commercial production of intelligent ROBOTS started.
- The commercial production of 30*i* Series CNC started.
- 2009 ● The joint venture with General Electric was dissolved.
- The commercial production of the Delta Robot started.
- 2012 ● European subsidiaries were reorganized, and FANUC Europe Corporation was established.
- 2013 ● Subsidiaries in the America were reorganized, and FANUC America Corporation was established.
- 2015 ● Collaborative ROBOT CR-35*iA* was developed.
- FIBER LASER was developed
- 2016 ● The Mibu Factory was completed.
- 2018 ● FANUC ACADEMY was completed.



➔ CORPORATE GOVERNANCE

Fundamental Concept of Corporate Governance

FANUC Code of Conduct

Officers and employees of FANUC shall practice the following with “Strict Preciseness” and “Transparency,” which are the basic principles of FANUC.

- (1) Upholding of a high standard of ethics
- (2) Compliance with laws and regulations, and internal rules
- (3) Respect for human rights
- (4) Contribution to the benefit of FANUC

Prohibited Acts which require Particular Attention

1. To discriminate based on gender, age, nationality, ethnicity, race, place of origin, religion, beliefs, disability, sexual orientation, sexual identity, etc.
2. To engage in an act that creates, or appears to create, a conflict of interest between his or her personal interest and the FANUC group company's interest, including dealing with the FANUC group company for the benefit of him/herself or any particular individual or organization.
3. To engage in an act that violates antitrust laws, including, unjust or unfair transactions.
4. To give money, gifts, entertainment or any other economic benefit to public officials or persons in similar positions in connection with their duties.
5. To unlawfully acquire, use or disclose intellectual property, personal information, etc., of any company or individual.
6. To conduct insider trading of stocks based on the material facts of the FANUC group or its business partners, etc.
7. To use forced labor or engage in an act that appears to use forced labor.
8. To develop or spread technology that is harmful to the environment.
9. To provide information that differs from the truth or misleads customers, business partners, etc.
10. To consent to an unjust request by anti-social forces, such as organized crime groups, or conduct a transaction with such entities or any related company or individual.

*FANUC will establish a contact point for whistle-blowing through which, in principle, all officers and employees of the FANUC group, including subsidiaries and sub-subsidiaries, can whistleblow to the headquarters of FANUC CORPORATION.

*This Code of Conduct applies to all officers and employees of the FANUC group, including subsidiaries and sub-subsidiaries (including contract workers).

Organizational Structure

As the business environment in which the Company operates evolves rapidly, the Board of Directors will not be able to make appropriate management decisions without obtaining accurate information on customers, market trends, service status, and others. Given such circumstances, in principle, Directors other than Outside Directors, engage in the execution of business under a scheme in which they are routinely involved in business operations, individually seek out accurate information, and bring such information to the attention of the Board of Directors. The Company has elected to establish an Audit and Supervisory Board to enhance such functions. In addition, an optional Nomination and Remuneration Committee has been established to ensure objectivity and transparency of procedures regarding the nomination and remuneration of Directors.

Directors and Audit & Supervisory Board Members

Directors (11 in total, including 3 outside directors)

Representative Director, Chairman

Dr. Yoshiharu Inaba

Representative Director, President and CEO

Kenji Yamaguchi

Representative Director, Senior Executive Vice President and CTO

Hiroyuki Uchida (General Manager, ROBOMACHINE Business Division)

Representative Director, Senior Executive Vice President and CFO

Yoshihiro Gonda (General Manager, Corporate Administration Division)

Director, Senior Executive Vice President

Yutaka Saito (Responsible for IoT, General Manager, FIELD promotion Division)

Director, Executive Managing Officer

Dr. Kiyonori Inaba (General Manager, ROBOT Business Division)

Hiroshi Noda (General Manager, FA Business Division)

Director

Richard E. Schneider (Chairman, FANUC America Corporation)

Kazuo Tsukuda (Outside)

Yasuo Imai (Outside)

Masato Ono (Outside)

Standing Audit & Supervisory Board Member

Katsuo Kohari

Audit & Supervisory Board Member

Katsuya Mitsumura

Masaharu Sumikawa (Outside)

Hajime Harada (Outside)

Hidetoshi Yokoi (Outside)

Outside Directors and Outside Audit & Supervisory Board Members

Outside Directors	Reason for appointment
Kazuo Tsukuda	In order to develop the Company's business steadily and to enhance its corporate value, it is quite effective to introduce to the Board of Directors an outsider's eye with a broad perspective and excellent insight. Kazuo Tsukuda has been providing the Company with extremely valuable advice, with his outstanding knowledge of manufacturing and extensive experience in management, having a deep understanding of the Company's business. He will be expected to continue to contribute to the Company's Board of Directors from an independent position as Outside Director.
Yasuo Imai	After joining in the Ministry of International Trade and Industry (currently, the Ministry of Economy, Trade and Industry), Yasuo Imai had experience of being posted overseas as General Manager of the Washington Office of Japan National Oil Corporation. He successfully held a number of positions starting from the post of Deputy Director-General, Director-General of the Petroleum Department of Agency for Natural Resources and Energy. Subsequently he moved to the post of Director-General of the Manufacturing Industries Bureau, and then to the post of Commissioner of the Japan Patent Office. Based on these experiences, Yasuo Imai, being familiar with foreign affairs, has a global perspective and extensive knowledge concerning the manufacturing industry and the protection of intellectual property, etc. At the same time, he is currently an active corporate executive and is also knowledgeable about corporate management due to having more than 12 years' experience in business. Yasuo Imai has been providing the Company with extremely valuable advice as Outside Director with his extensive experience in various fields and from his broad vision. He will be expected to continue to contribute to the Company's Board of Directors from an independent position as Outside Director.
Masato Ono	Our company has specialized in business activities in the narrow field of the automation of manufacturing and as such the Board of Directors consists mostly of Directors with engineering background focusing on its core business. Given this context, Masato Ono has been providing the Company with extremely valuable advice on enhancing corporate value from a totally different point of view by contributing to active discussions at the meeting of the Board of Directors based on his many years of experience in management of financial institutions. Although Masato Ono has served as Deputy President and Representative Director of Mizuho Financial Group, Inc., he meets the Company's criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members (The Company has never applied for a loan from any bank of Mizuho Financial Group.), it has been over 11 years since he retired as Director of the Mizuho Financial Group, Inc., and there is no risk of his independence being affected by this position. He will be expected to continue to contribute to the Company's Board of Directors from an independent position as Outside Director.
Outside Audit & Supervisory Board Members	Reason for appointment
Masaharu Sumikawa	Masaharu Sumikawa, who has extensive knowledge based on his many years of experience in corporate management in the manufacturing industry, has been providing the Company with advice, etc. from a point of view different from that of the Company while having a deep understanding of the manufacturing industry, contributing greatly not only to statutory audit activities but to the Board of Directors and other meetings that require active and rational discussions. We believe that we can expect him to continue to contribute to the Board of Directors.
Hajime Harada	Hajime Harada has been providing the Company with extremely valuable advice whenever necessary based on his wide experience and knowledge as a lawyer. Although his term of office as Outside Audit & Supervisory Board Member of the Company will have been for 15 years, he has no business transactions with or interest in the Group. As a lawyer, Hajime Harada has a responsibility under the Basic Rules on the Duties of Practicing Attorneys to "maintain his or her freedom and independence" (Article 20 of the Rules) and to "perform his or her duties fairly" (Article 5), and in fact he gives his frank opinion from an independent standpoint. We therefore believe that he maintains sufficient independence now and in the future. In particular, he has a deep understanding of corporate governance, an issue that has grown increasingly important in recent years, gained through his experience including service as a lawyer on compliance committees at another listed company for many years. Furthermore, he has advanced, wide-ranged and specialized knowledge, based on his experience including court cases in a variety of fields such as systems development, intellectual property rights, antimonopoly law, international joint ventures, and claims collection. For these reasons, we can expect him to continue to offer appropriate advice from an extremely broad perspective with regard to risks that the Company may face in the future and other matters.
Hidetoshi Yokoi	Hidetoshi Yokoi has extensive knowledge in the manufacturing field as well as insight built upon his activities at Japan Science and Technology Agency, which tackles various issues in response to the needs of society. As we believe that we can expect him to provide appropriate advice with a broad perspective eyeing society as a whole based on these knowledge and insight.

Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members

With regard to Independent Outside Directors and Outside Audit & Supervisory Board Members, the Company nominates candidates who do not have any certain interest in the Company, and who can be expected to make frank comments without hesitation at Board of Directors meetings, etc. Furthermore, in order to ensure such real independence, as minimum requirements, candidates must meet each of the following conditions.

1. Business transactions between the Company and the company from which the candidate comes must amount to less than 2% of the respective consolidated sales of both companies.
2. The Company must not have any loans from the company from which the candidate comes (if the candidate comes from a bank.)
3. The Company must not have any important transactions such as advisory contracts with the candidate or the firm he works for (if the candidate is a lawyer or other professional.)
4. The candidate must not come from the audit firm that is the Company's Accounting Auditor.
5. There must be no other particular reason that could give rise to a conflict of interest with the Company.
6. The candidate must not be the spouse or a relative within the second degree of anyone who does not meet the above conditions 1 through 5.

Financial Section

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➡ Ten-Year Financial Summary

Years ended March 31	2010	2011	2012	2013
Net sales	¥ 253,393	¥ 446,201	¥ 538,492	¥ 498,395
Operating income	55,024	189,757	221,834	184,821
Operating income as a percentage of net sales	21.7%	42.5%	41.2%	37.1%
Income before income taxes	55,826	193,495	228,578	191,242
Net income attributable to owners of parent	37,511	120,155	138,819	120,484
Current assets	623,573	753,992	848,669	906,440
Current liabilities	56,188	89,589	115,270	92,973
Total assets	891,651	1,013,000	1,130,625	1,219,113
Net assets	812,657	894,494	985,322	1,094,129

Per share data (Yen and U.S. Dollars):

Net income:				
Basic	187.75	613.75	709.20	615.59
Diluted	—	—	—	—
Cash dividends	56.33	184.13	212.77	184.68
Net assets	4,133.89	4,550.71	5,013.69	5,565.64

Note : The U.S. dollar amounts shown above and elsewhere in this annual report are converted from yen, for convenience only, at the rate of ¥111 = U.S.\$1.00.

Millions of yen, except for per share data						Thousands of U.S. dollars, except for per share data
2014	2015	2016	2017	2018	2019	2019
¥ 450,976	¥ 729,760	¥ 623,418	¥ 536,942	¥ 726,596	¥ 635,568	\$ 5,725,838
164,134	297,839	215,567	153,217	229,604	163,297	1,471,144
36.4%	40.8%	34.6%	28.5%	31.6%	25.7%	25.7%
174,360	311,951	229,361	168,829	249,525	208,540	1,878,739
110,930	207,599	159,700	127,697	181,957	154,163	1,388,856
1,027,801	1,273,355	1,072,770	1,059,644	1,127,996	907,684	8,177,333
99,449	172,611	106,116	120,715	191,070	135,067	1,216,820
1,343,904	1,611,626	1,512,895	1,564,769	1,729,080	1,625,340	14,642,703
1,199,863	1,386,695	1,334,910	1,369,457	1,467,630	1,445,146	13,019,333
566.86	1,061.02	816.78	658.63	938.66	795.34	7.17
—	—	—	—	—	—	—
170.06	636.62	490.07	395.18	563.20	1,003.11	9.04
6,102.20	7,049.39	6,825.27	7,031.79	7,540.24	7,417.70	66.83

➔ Consolidated Statements of Income

	Millions of yen			Thousands of U.S. dollars (Note 3)
Years ended March 31	2017	2018	2019	2019
Net sales	¥ 536,942	¥ 726,596	¥ 635,568	\$5,725,838
Cost of goods sold (Note 9)	303,415	398,398	369,761	3,331,180
Gross profit	233,527	328,198	265,807	2,394,658
Selling, general and administrative expenses (Note 9)	80,310	98,594	102,510	923,514
Operating income	153,217	229,604	163,297	1,471,144
Other income (expenses):				
Interest income	2,343	3,189	4,195	37,793
Equity in earnings of affiliates	10,022	16,307	14,243	128,315
Other, net (Note 10)	3,247	425	1,724	15,532
	15,612	19,921	20,162	181,640
Extraordinary income (loss)				
Gain on transfer of benefit obligation relating to employees' pension fund	—	—	25,081	225,955
	—	—	25,081	225,955
Income before income taxes	168,829	249,525	208,540	1,878,739
Income taxes:				
Current	47,736	67,660	48,977	441,234
Deferred	(6,684)	(572)	4,794	43,190
Net income	127,777	182,437	154,769	1,394,315
Net income attributable to non-controlling interests	80	480	606	5,459
Net income attributable to owners of parent	¥ 127,697	¥ 181,957	¥ 154,163	\$1,388,856
				U.S. dollars (Note 3)
Amounts per share of common stock:				
Net income	¥ 658.63	¥ 938.66	¥ 795.34	\$ 7.17
Cash dividends	395.18	563.20	1,003.11	9.04

See notes to the consolidated financial statements.

➡ Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars	
Years ended March 31	2017	2018	2019	2019
Net income	¥127,777	¥182,437	¥154,769	\$1,394,316
Other comprehensive income				
Valuation difference on available-for-sale securities	4,203	4,496	(3,979)	(35,847)
Foreign currency translation adjustment	(2,076)	(1,765)	(1,946)	(17,532)
Remeasurements of defined benefit plans	(443)	2,411	4,780	43,063
Share of other comprehensive income of affiliates accounted for using equity method	(4,527)	1,827	(4,267)	(38,441)
Total other comprehensive income	(2,843)	6,969	(5,412)	(48,757)
Comprehensive income	¥124,934	¥189,406	¥149,357	\$1,345,559
Comprehensive income attributable to:				
Owners of parent	124,774	188,956	148,906	1,341,496
Non-controlling interests	160	450	451	4,063

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars (Note 3)
As of March 31	2018	2019	2019
ASSETS			
Current assets:			
Cash and bank deposits	¥602,329	¥607,155	\$5,469,865
Receivables, trade:			
Notes and accounts	175,460	106,204	956,793
Allowance for doubtful accounts	(1,424)	(1,123)	(10,117)
Marketable securities	145,000	15,000	135,135
Finished goods	71,680	71,042	640,018
Work in progress	56,405	55,174	497,063
Raw materials and supplies	22,033	29,930	269,640
Other current assets	30,030	24,302	218,936
Total current assets	1,101,513	907,684	8,177,333
Investments (Note 5)	133,773	133,477	1,202,496
Property, plant and equipment, at cost:			
Land	143,036	145,885	1,314,279
Buildings	383,775	463,312	4,173,982
Machinery and equipment	206,788	236,778	2,133,135
Construction in progress	54,654	56,715	510,946
Less accumulated depreciation	(302,376)	(328,114)	(2,955,982)
Property, plant and equipment, net	485,877	574,576	5,176,360
Intangible assets:			
Goodwill	—	—	—
Other intangible assets	7,064	9,603	86,514
Total intangible assets	7,064	9,603	86,514
Total assets	¥1,728,227	¥1,625,340	\$14,642,703
LIABILITIES AND NET ASSETS			
Current liabilities:			
Payables, trade	¥52,901	¥36,567	\$329,432
Accrued income taxes	46,466	15,007	135,198
Warranty reserves	7,047	8,215	74,009
Other current liabilities	83,686	75,278	678,181
Total current liabilities	190,100	135,067	1,216,820
Long-term liabilities:			
Net defined benefit liability (Note 6)	67,562	42,097	379,252
Other long-term liabilities	2,935	3,030	27,298
Total long-term liabilities	70,497	45,127	406,550
NET ASSETS			
Shareholders' equity:			
Common stock:			
Authorized - 400,000,000 shares			
Issued - 204,040,771 shares	69,014	69,014	621,748
Capital surplus	96,265	96,265	867,252
Retained earnings	1,398,977	1,380,439	12,436,387
Treasury stock, at cost :			
2018 - 10,220,284 shares	(91,020)	—	—
2019 - 10,210,522 shares	—	(91,040)	(820,180)
Total shareholders' equity	1,473,236	1,454,678	13,105,207
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	13,090	9,111	82,081
Foreign currency translation adjustment	(619)	(6,677)	(60,153)
Remeasurements of defined benefit plans	(24,117)	(19,337)	(174,207)
Total accumulated other comprehensive income	(11,646)	(16,903)	(152,279)
Non-controlling interests	6,040	7,371	66,405
Total net assets	1,467,630	1,445,146	13,019,333
Total liabilities and net assets	¥1,728,227	¥1,625,340	\$14,642,703

See notes to the consolidated financial statements.

➡ Consolidated Statements of Changes in Net Assets

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2016	¥69,014	¥96,206	¥1,269,557	(¥90,574)	¥4,391	¥5,974	(¥26,085)	¥6,427	¥1,334,910
Restated balance	¥69,014	¥96,206	¥1,269,557	(¥90,574)	¥4,391	¥5,974	(¥26,085)	¥6,427	¥1,334,910
Cash dividends			(76,623)						(76,623)
Net income			127,697						127,697
Change caused by merger									0
Purchase of treasury stock				(13,483)					(13,483)
Disposal of treasury stock		2		1					3
Retirement of treasury stock		(2)	(13,377)	13,379					—
Change due to tax rate change									—
Change in equity from transactions with non-controlling shareholders		2							2
Net change except shareholder's equity during the year					4,203	(6,684)	(443)	(125)	(3,049)
Balance at March 31, 2017	¥69,014	¥96,208	¥1,307,254	(¥90,677)	¥8,594	(¥710)	(¥26,528)	¥6,302	¥1,369,457
Restated balance	¥69,014	¥96,208	¥1,307,254	(¥90,677)	¥8,594	(¥710)	(¥26,528)	¥6,302	¥1,369,457
Cash dividends			(91,969)						(91,969)
Net income			181,957						181,957
Change caused by merger			473						473
Purchase of treasury stock				(442)					(442)
Disposal of treasury stock		1		1					2
Retirement of treasury stock		(1)	(97)	98					—
Change due to tax rate change			1,359						1,359
Change in equity from transactions with non-controlling shareholders		57							57
Net change except shareholder's equity during the year					4,496	91	2,411	(262)	6,736
Balance at March 31, 2018	¥69,014	¥96,265	¥1,398,977	(¥91,020)	¥13,090	(¥619)	(¥24,117)	¥6,040	¥1,467,630
Restated balance	¥69,014	¥96,265	¥1,398,977	(¥91,020)	¥13,090	(¥619)	(¥24,117)	¥6,040	¥1,467,630
Cash dividends			(173,665)						(173,665)
Net income			154,163						154,163
Change caused by merger			1,121						1,121
Purchase of treasury stock				(187)					(187)
Disposal of treasury stock		6		4					10
Retirement of treasury stock		(6)	(157)	163					—
Change due to tax rate change									—
Change in equity from transactions with non-controlling shareholders									—
Net change except shareholder's equity during the year					(3,979)	(6,058)	4,780	1,331	(3,926)
Balance at March 31, 2019	¥69,014	¥96,265	¥1,380,439	(¥91,040)	¥9,111	(¥6,677)	(¥19,337)	¥7,371	¥1,445,146

Thousands of U.S. dollars (Note 3)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2018	\$621,748	\$867,252	\$12,603,396	(\$820,000)	\$117,928	(\$5,577)	(\$217,270)	\$54,415	\$13,221,892
Restated balance	\$621,748	\$867,252	\$12,603,396	(\$820,000)	\$117,928	(\$5,577)	(\$217,270)	\$54,415	\$13,221,892
Cash dividends			(1,564,550)						(1,564,550)
Net income			1,388,856						1,388,856
Change caused by merger			10,099						10,099
Purchase of treasury stock				(1,685)					(1,685)
Disposal of treasury stock		54		37					91
Retirement of treasury stock		(54)	(1,414)	1,468					—
Change due to tax rate change									—
Change in equity from transactions with non-controlling shareholders									—
Net change except shareholder's equity during the year					(35,847)	(54,576)	43,063	11,990	(35,370)
Balance at March 31, 2019	\$621,748	\$867,252	\$12,436,387	(\$820,180)	\$82,081	(\$60,153)	(\$174,207)	\$66,405	\$13,019,333

See notes to the consolidated financial statements.

➡ Consolidated Statements of Cash Flows

	Millions of yen			Thousands of U.S. dollars (Note 3)
Years ended March 31	2017	2018	2019	2019
Cash flows from operating activities				
Income before income taxes	¥168,829	¥249,525	¥208,540	\$1,878,739
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	26,530	34,190	39,709	357,739
Allowance for doubtful accounts	(239)	462	(200)	(1,802)
Net defined benefit liability	3,178	(3,840)	(25,320)	(228,108)
Net defined benefit asset	—	—	(6,732)	(60,649)
Interest and dividend income	(3,789)	(4,793)	(5,705)	(51,396)
Equity in earnings of affiliates, net	(10,022)	(16,307)	(14,243)	(128,315)
(Increase) decrease in receivables, trade	(17,386)	(51,908)	67,500	608,108
(Increase) decrease in inventories	(16,519)	(31,527)	(6,249)	(56,297)
Increase (decrease) in payables, trade	11,292	16,875	(16,393)	(147,685)
Other	(6,470)	18,369	3,855	34,729
Cash generated from operations	155,404	211,046	244,762	2,205,063
Interest and dividends received	8,562	9,818	13,662	123,081
Income taxes paid	(43,039)	(44,983)	(79,985)	(720,586)
Other	786	109	(701)	(6,315)
Net cash provided by operating activities	121,713	175,990	177,738	1,601,243
Cash flows from investing activities				
Payments into time deposits	—	(21,426)	(60,142)	(541,820)
Proceeds from withdrawal of time deposits	—	—	67,357	606,820
Purchases of property, plant and equipment	(87,509)	(103,016)	(125,324)	(1,129,045)
Purchases of investment securities	(559)	(1,481)	(244)	(2,198)
Other	(494)	(4,334)	(4,990)	(44,955)
Net cash used in investing activities	(88,562)	(130,257)	(123,343)	(1,111,198)
Cash flows from financing activities				
Purchases of treasury stock	(13,481)	(442)	(183)	(1,649)
Dividends paid	(76,505)	(92,003)	(173,571)	(1,563,703)
Other	(281)	(652)	886	7,983
Net cash used in financing activities	(90,267)	(93,097)	(172,868)	(1,557,369)
Effect of exchange rate changes on cash and cash equivalents	215	(2,283)	(580)	(5,227)
Net increase (decrease) in cash and cash equivalents	(56,901)	(49,647)	(119,053)	(1,072,551)
Cash and cash equivalents at beginning of year	831,662	774,761	725,903	6,539,669
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	789	864	7,783
Cash and cash equivalents at end of year	¥774,761	¥725,903	¥607,714	\$5,474,901

See notes to the consolidated financial statements.

➡ Notes to the Consolidated Financial Statements

1. Basis of preparation

The accompanying consolidated financial statements of FANUC CORPORATION (the “Company”) and its consolidated subsidiaries (together, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

In preparing the accompanying consolidated financial statements, the Company has made certain reclassifications and rearrangements to the consolidated financial statements prepared in Japan in order to present them in a format which is more familiar to readers outside Japan.

2. Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and, with minor exceptions, the subsidiaries under its control. Intercompany accounts and significant intercompany transactions have been eliminated in consolidation.

The investments in unconsolidated subsidiaries and affiliated companies over which the Company exerts substantial influence are, with minor exceptions, stated at their underlying equity value.

Goodwill is amortized over a period of five years.

(b) Cash equivalents

The Group considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(c) Translation of foreign currency accounts

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates in effect at the balance sheet date. Foreign exchange gain or loss on translation is recognized in the consolidated statements of income.

Assets and liabilities of the consolidated subsidiaries outside Japan are translated into Japanese yen at the applicable year-end rates except for shareholders' equity which is translated at the historical rates. Differences arising from translation are reflected as “Foreign currency translation adjustments” in a separate component of net assets. Income and expense accounts are translated at the average rates for the year.

(d) Valuation of securities

Securities other than investments in affiliates are classified as available-for-sale securities (“Other securities”) and include securities other than trading securities and securities held to maturity.

Other securities whose fair value is readily determinable are stated at fair value with the corresponding unrealized gain or loss, net of taxes, recorded directly as a separate component of net assets. Other securities whose fair value is not readily determinable are stated at moving average cost. The cost of other securities sold is calculated by the moving average method.

(e) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount deemed sufficient to cover estimated future losses.

(f) Inventories

Raw materials and purchased components are stated primarily at cost determined by the most recent purchase price method.

Work in progress is stated at actual cost which includes direct costs for materials and labor and overhead manufacturing costs including depreciation.

Finished goods are stated principally at cost (the valuation method) by the average method.

(g) Property, plant and equipment and depreciation

Property, plant and equipment, including significant renewals and additions, is stated at cost.

Depreciation is computed principally by the declining-balance method at rates based on the estimated useful lives of the respective assets which vary according to general classification, type of construction and use.

Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

(h) Warranty reserves

The Group provides warranty reserves for goods sold under warranty agreements. Estimates for these warranty reserves are based primarily on historical experience. In addition, they are calculated with reference to current information concerning specific issues.

(i) Retirement benefits

The benefit formula basis is applied as the method for attributing the expected retirement benefits to periods of service for the calculation of the retirement benefit obligation.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period (10 years) which is shorter than the estimated average remaining years of service of the eligible employees.

Past service cost is being amortized as incurred by the straight-line method over a period (10 years) which is shorter than the estimated average remaining years of service of the eligible employees.

(j) Revenue recognition

In general, sales of products, other than those exported, are recognized in the accounts upon acceptance by the customers. Export sales are recognized as of the respective dates of shipment.

(k) Income taxes

Deferred income taxes are provided by the asset and liability method. Deferred income tax assets and liabilities are determined based on the temporary differences between the financial statements and the tax bases of the assets and liabilities, using the enacted tax rates which will be in effect during the years in which the differences are expected to reverse.

(l) Net income per share

Net income per share is calculated based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

(m) Shareholders' equity

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than capital reserve) and retained earnings (other than legal reserve) be transferred to capital reserve and legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

3. U.S. dollar amounts

The Company and its domestic consolidated subsidiaries maintain their books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥111 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2019.

U.S. dollar amounts are presented solely for the convenience of the reader and the translation is not intended to imply that assets and liabilities which originate in yen have been or could readily be converted, realized or settled in U.S. dollars at the above or any other rate.

4. Financial instruments

Basic policy to manage financial instruments and related risk

(1) Group policy for financial instruments

The Company and its consolidated subsidiaries rely on their own resources to finance operations and do not raise funds from external resources.

In addition, they do not enter into any derivative contracts.

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

Deposits denominated in foreign currencies are exposed to risk of exchange fluctuations.

Receivables such as trade notes and trade accounts are exposed to customer credit risk and receivables denominated in foreign currencies that arise from overseas operations are exposed to the market risk of fluctuation in foreign currency exchange rates. Marketable securities are negotiable certificate of deposits, which are easily convertible into cash and within three months, and thus are exposed to insignificant risk of price

fluctuations. Investment securities, which mainly consist of stocks in companies with business relationships, are exposed to the risk of market price fluctuations.

Payables such as trade notes and trade accounts are due within one year.

(3) Risk management for financial instruments

(i) Management of credit risk

The Group monitors due dates and manages balances of receivables by customer according to internal guidelines and periodically checks credit risks of key customers taking into account their financial position and other factors.

(ii) Management of market risk

The Group regularly monitors each yen equivalent of deposits denominated in foreign currencies.

The Group regularly monitors the market price and the financial condition of the issuer with respect to its securities and continuously reviews the investment made in each company, taking into account its relationship with the counterparty.

Fair value of financial instruments

The carrying amount and fair value of financial instruments at March 31, 2018 and 2019 are summarized as follows. Financial instruments whose fair value is not readily determinable are not included in the table below.

2018	Millions of yen					
	Carrying amount	Fair value	Variance			
Cash and bank deposits	¥602,329	¥602,329	—			
Notes and accounts receivables	175,460	175,460	—			
Marketable securities and investment securities						
Other securities	174,124	174,124	—			
Notes and accounts payables	(52,901)	(52,901)	—			
Accrued income taxes	(46,466)	(46,466)	—			

2019	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Fair value	Variance	Carrying amount	Fair value	Variance
Cash and bank deposits	¥607,155	¥607,155	—	\$5,469,865	\$5,469,865	—
Notes and accounts receivables	106,204	106,204	—	956,793	956,793	—
Marketable securities and investment securities						
Other securities	39,609	39,609	—	356,838	356,838	—
Notes and accounts payables	(36,567)	(36,567)	—	(329,432)	(329,432)	—
Accrued income taxes	(15,007)	(15,007)	—	(135,198)	(135,198)	—

Cash and bank deposits, Notes and accounts receivable

The carrying value of cash and bank deposits and notes and accounts receivables approximate fair value due to their short maturities.

Marketable securities and investment securities

Marketable securities are negotiable certificates of deposit (NCD), and the carrying value of those approximate fair value due to their short maturities.

Investment securities are equity securities whose fair value is measured at the quoted market price at the stock exchange.

See Note 5 for information on the fair value of investment securities by classification.

Notes and accounts payables

The carrying value of notes and accounts payables approximate fair value due to their short maturities.

The carrying amount of financial instruments whose fair value is not readily determinable at March 31, 2018 and 2019, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unlisted stock (consolidated balance sheet amount)	¥60,822	¥62,065	\$559,144

Redemption schedule after fiscal year-end for monetary assets and securities with maturity dates as of March 31, 2018 and 2019 is as follows:

2018				
	Millions of yen			
	Within 1 year	1 - 5 years	5 - 10 years	Due after 10 years
Cash and bank deposits	¥602,329	—	—	—
Notes and accounts receivables	175,460	—	—	—
Investment securities				
Other securities with maturity				
Negotiable certificates of deposit	145,000	—	—	—
Total	¥922,789	—	—	—

2019				
	Millions of yen			
	Within 1 year	1 - 5 years	5 - 10 years	Due after 10 years
Cash and bank deposits	¥ 607,155	—	—	—
Notes and accounts receivables	106,204	—	—	—
Investment securities				
Other securities with maturity				
Negotiable certificates of deposit	15,000	—	—	—
Total	¥ 728,359	—	—	—

2019				
	Thousands of U.S. dollars			
	Within 1 year	1 - 5 years	5 - 10 years	Due after 10 years
Cash and bank deposits	\$5,469,865	—	—	—
Notes and accounts receivables	956,793	—	—	—
Investment securities				
Other securities with maturity				
Negotiable certificates of deposit	135,135	—	—	—
Total	\$6,561,793	—	—	—

5. Other securities and investments

Other securities whose fair value was determinable at March 31, 2018 and 2019 are summarized as follows:

2018		Millions of yen		
	Type of securities	Book value reflected in the balance sheet	Acquisition cost	Net
Other securities with unrealized gain	Equity securities	¥ 29,084	¥ 12,204	¥16,880
	Subtotal	29,084	12,204	16,880
Other securities with unrealized loss	Negotiable certificates of deposit	145,000	145,000	—
	Equity securities	40	48	(8)
	Subtotal	145,040	145,048	(8)
Total		¥ 174,124	¥ 157,252	¥ 16,872

2019		Millions of yen		
	Type of securities	Book value reflected in the balance sheet	Acquisition cost	Net
Other securities with unrealized gain	Equity securities	¥24,369	¥12,677	¥11,692
	Subtotal	24,369	12,677	11,692
Other securities with unrealized loss	Negotiable certificates of deposit	15,000	15,000	—
	Equity securities	240	261	(21)
	Subtotal	15,240	15,261	(21)
Total		¥39,609	¥27,938	¥11,671

2019		Thousands of U.S. dollars		
	Type of securities	Book value reflected in the balance sheet	Acquisition cost	Net
Other securities with unrealized gain	Equity securities	\$219,541	\$114,207	\$105,333
	Subtotal	219,541	114,207	105,333
Other securities with unrealized loss	Negotiable certificates of deposit	135,135	135,135	—
	Equity securities	2,162	2,351	(189)
	Subtotal	137,297	137,486	(189)
Total		\$356,838	\$251,694	\$105,144

Other securities sold during the years ended March 31, 2018 and 2019 are not presented since they are insignificant.

Investments at March 31, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Investments in affiliates	¥ 57,516	¥ 59,712	\$ 537,946
Other securities	32,430	26,962	242,901
Deferred income taxes	40,875	36,552	329,297
Net defined benefit asset	—	6,737	60,694
Allowance for doubtful accounts	(371)	(456)	(4,108)
Other	3,323	3,970	35,766
Total	¥133,773	¥133,477	\$1,202,496

6. Retirement benefits

The Company and its domestic consolidated subsidiaries provide corporate pension plans and lump-sum severance payment plans as their defined benefit pension plans.

Certain overseas consolidated subsidiaries also provide defined benefit pension plans and defined contribution pension plans. The Company has obtained approval of the Minister of Health, Labor and Welfare as of April 1, 2017 for relief from the payment obligation for the substitutional portion for the future. The Company also has obtained his approval as of October 1, 2018 for relief from the payment obligation for the substitutional portion for the past and transfer employee's pension fund plans to defined benefit corporate pension plans in October, 2018.

Information on the pension plans for the years ended March 31, 2018 and 2019 is as follows;

1. Defined benefit pension plans

(1) Changes in projected benefit obligation (PBO)

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
PBO at beginning of year	¥185,729	¥186,991	\$1,684,604
Service cost	4,692	5,811	52,351
Interest cost	1,750	1,960	17,658
Actuarial gain or loss	2,407	(850)	(7,658)
Benefit payments	(2,922)	(3,057)	(27,541)
Accrued past service cost	(3,742)	4,094	36,883
Influence of exchange	(1,324)	1,093	9,847
Decrease resulting from transfer of benefit obligation relating to employees' pension fund	—	(29,938)	(269,712)
Other	401	1,989	17,919
PBO at end of year	¥186,991	¥168,093	\$1,514,351

(2) Changes in the fair value of plan assets

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Fair value of plan assets at beginning of year	¥114,554	¥119,429	\$1,075,937
Expected return on plan assets	1,202	1,378	12,414
Actuarial gain or loss	(37)	2,142	19,297
Employer contribution	6,864	8,874	79,946
Benefit payments	(1,715)	(1,710)	(15,405)
Influence of exchange	(1,405)	1,232	11,099
Other	(34)	1,388	12,505
Fair value of plan assets at end of year	¥119,429	¥132,733	\$1,195,793

(3) Amount recognized in consolidated balance sheets at end of year

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
PBO in savings-type pension plan	¥182,877	¥128,322	\$1,156,054
Fair value of plan assets	(119,429)	(132,733)	(1,195,793)
PBO in non-savings-type pension plan	63,448	(4,411)	(39,739)
Net amount of liability and asset recognized in consolidated balance sheets	4,114	39,771	358,298
	67,562	35,360	318,559
Net defined benefit liability	67,562	42,097	379,252
Net defined benefit asset	—	(6,737)	(60,693)
Net amount of liability and asset recognized in consolidated balance sheets	¥ 67,562	¥ 35,360	\$ 318,559

(4) Components of defined benefit cost

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service cost	¥4,692	¥ 5,811	\$ 52,351
Interest cost	1,750	1,960	17,658
Expected return on plan assets	(1,202)	(1,378)	(12,414)
Amortization of actuarial gain or loss	3,567	3,157	28,441
Amortization of past service cost	(116)	234	2,108
Other	13	14	126
Defined benefit cost	8,704	9,798	88,270
Gain on transfer of benefit obligation relating to employees' pension fund	—	(¥25,081)	(\$225,955)

(5) Remeasurements of defined benefit plans

The components (before adjustment of tax effect) are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Past service cost	¥3,626	¥13,259	\$119,450
Actuarial gain or loss	1,634	(6,508)	(58,630)
Total	¥5,260	¥ 6,751	\$ 60,820

(6) Remeasurements of defined benefit plans, before tax

The components (before adjustment of tax effect) are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrecognized past service cost	(¥1,576)	¥ 4,932	\$ 44,432
Unrecognized actuarial gain or loss	35,171	21,913	197,415
Total	¥33,595	¥26,845	\$241,847

(7) Plan assets

1) Components of plan assets

The components are as follows:

	2018	2019
Debt securities	70%	67%
Cash and bank deposits	29%	32%
Other	1%	1%
Total	100%	100%

2) Expected rate of return on plan assets

The expected rate of return on plan assets is determined based on the current and estimated future rates of return on various pension assets.

(8) Actuarial assumptions

	2018	2019
Discount rate	0.5 - 4.0%	0.5 - 4.0%
Expected rate of return on plan assets	0.5 - 2.8%	0.5 - 2.8%
Expected rate of salary increase	2.3 - 4.2%	2.5 - 3.9%

2. Defined contribution pension plans

Contribution of consolidated subsidiaries to the plan was ¥1,028 million for fiscal year 2018, and ¥1,075 million (\$9,685 thousand) for fiscal year 2019.

7. Leases

Future rent payments, including interest, under operating leases subsequent to March 31, 2018 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Due within one year	¥1,376	¥1,322	\$11,910
Due after one year	¥1,633	¥1,588	\$14,306
Total	¥3,009	¥2,910	\$26,216

8. Contingent liabilities

Contingent liabilities with respect to guarantees for employees' mortgage loans with banks at March 31, 2018 and 2019 amounted to ¥25 million and ¥18 million (\$162 thousand), respectively.

9. Research and development expenses

Research and development expenses charged to manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2017, 2018 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2019
	¥42,331	¥52,956	¥56,162
			\$505,964

10. Other income (expenses)-Other, net

Other income (expenses)-Other, net for the years ended March 31, 2017, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2019
Dividend income	¥1,446	¥1,604	¥1,510
Loss on sales and disposal of fixed assets	(228)	(568)	(1,059)
Exchange gain or loss, net	517	(1,107)	1,589
Other, net	1,512	496	(316)
Total	¥3,247	¥ 425	¥1,724
			\$15,532

11. Income taxes

Net deferred tax assets at March 31, 2018 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deferred tax assets:			
Net defined benefit liability	¥21,736	¥11,873	\$106,964
Unrealized profit on inventories and property, plant and equipment	11,088	12,094	108,955
Depreciation and amortization	10,478	12,199	109,901
Accrued expenses	6,502	5,611	50,550
Accrued enterprise taxes	2,007	723	6,514
Investment securities	837	852	7,676
Other	12,784	14,861	133,881
Gross deferred tax assets	65,432	58,213	524,441
Valuation allowance	(1,599)	(1,613)	(14,531)
Total deferred tax assets	63,833	56,600	509,910
Deferred tax liabilities:			
Undistributed earnings of affiliated companies	(11,167)	(11,482)	(103,441)
Other	(11,908)	(8,697)	(78,352)
Total deferred tax liabilities	(23,075)	(20,179)	(181,793)
Net deferred tax assets	¥40,758	¥36,421	\$328,117

Reconciliation of the statutory income tax rate to the effective income tax rate for the years ended March 31, 2017, 2018 and 2019 was as follows:

	2017	2018	2019
Japanese statutory income tax rate	30.2%	30.2%	29.9%
Tax exemption	(5.0%)	(3.0%)	(3.1%)
Dividend income not taxable	(4.0%)	(2.3%)	(5.1%)
Tax rate difference of foreign subsidiaries	0.2%	(0.5%)	(1.7%)
Elimination of dividends received	4.2%	2.4%	5.5%
Equity in earnings of affiliates	(1.8%)	(2.0%)	(2.0%)
Other	0.5%	2.1%	2.3%
Effective income tax rate	24.3%	26.9%	25.8%

12. Segment information

FANUC Group focuses on the development, production and sales of CNC systems and related application products based on FANUC's CNC system technologies as a comprehensive supplier of factory automation (FA) systems. Ultimately, FANUC CNC systems and the related application products are used in automated production systems.

FANUC Group uses CNCs and servo motors in all of its products. For this reason, the decision is made, taking into consideration the status of orders, sales and production of all products, in addition to the status of particular products.

As mentioned above, FANUC Group runs only one business segment based on the decision that the entire group makes for investment. Thus, the segment information is not stated herein.

Relevant Information

Information by product and service

	Millions of yen			Thousands of U.S. dollars
	2017	2018	2019	2019
Net sales: Unaffiliated customers				
FA	¥175,016	¥222,254	¥211,088	\$1,901,694
ROBOT	¥190,043	¥227,827	¥217,526	\$1,959,694
ROBOMACHINE	¥ 93,939	¥190,182	¥115,056	\$1,036,540
SERVICE	¥ 77,944	¥ 86,333	¥ 91,898	\$ 827,910
Total	¥536,942	¥726,596	¥635,568	\$5,725,838

Information by region

	Millions of yen			Thousands of U.S. dollars
	2017	2018	2019	2019
Net sales: Unaffiliated customers				
Japan	¥116,598	¥137,079	¥149,669	\$1,348,369
America	¥134,915	¥144,954	¥128,572	\$1,158,306
Europe	¥ 87,449	¥110,378	¥122,179	\$1,100,712
Asia	¥194,698	¥329,523	¥230,845	\$2,079,685
Other	¥ 3,282	¥ 4,662	¥ 4,303	\$ 38,766
Total	¥536,942	¥726,596	¥635,568	\$5,725,838

13. Derivative transactions

Not applicable as the Group does not enter into any derivative contracts.

14. Related-party transactions

Related-party transactions for the years ended March 31, 2018 and 2019 are not presented since they are insignificant.

➔ NON-CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen			Thousands of U.S. dollars
Years ended March 31	2017	2018	2019	2019
Net sales	¥399,111	¥572,963	¥470,644	\$4,240,036
Cost of goods sold	246,702	340,725	305,987	2,756,640
Gross profit	152,409	232,238	164,657	1,483,396
Selling, general and administrative expenses	44,430	57,358	58,805	529,775
Operating income	107,979	174,880	105,852	953,622
Other income (expenses):				
Dividend income	25,004	21,096	41,222	371,369
Other, net	8,750	220	882	7,946
	33,754	21,316	42,104	379,315
Extraordinary income (expenses):				
Gain on transfer of benefit obligation relating to employees' pension fund	—	—	25,081	225,955
	—	—	25,081	225,955
Income before income taxes	141,733	196,196	173,037	1,558,892
Income taxes:				
Current	35,182	53,234	32,615	293,829
Deferred	(5,842)	(4,702)	4,096	36,901
	29,340	48,532	36,711	330,730
Net income	¥112,393	¥147,664	¥136,326	\$1,228,162
	Yen			U.S. dollars
Net income per share:	¥ 579.70	¥ 761.75	¥ 703.31	\$ 6.34

Note : The U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥111 = U.S.\$1.00.

➡ NON-CONSOLIDATED BALANCE SHEETS

	Millions of yen		Thousands of U.S. dollars
As of March 31	2018	2019	2019
ASSETS			
Current assets:			
Cash and bank deposits	¥ 398,021	¥ 391,501	\$ 3,527,036
Receivables, trade:			
Notes and accounts	89,627	41,644	375,171
Subsidiaries and affiliates	30,717	21,977	197,991
Allowance for doubtful accounts	(398)	(515)	(4,640)
Marketable securities	145,000	15,000	135,135
Inventories	89,539	97,003	873,901
Other current assets	23,954	20,086	180,956
Total current assets	776,460	586,696	5,285,550
Investments and other assets:			
Subsidiaries and affiliates	109,868	111,113	1,001,018
Deferred tax assets	28,523	26,096	235,099
Other	32,155	38,072	342,991
Total investments and other assets	170,546	175,281	1,579,108
Property, plant and equipment, at cost:			
Land	128,640	129,675	1,168,243
Buildings	349,245	282,829	2,548,009
Machinery and equipment	189,045	74,915	674,911
Construction in progress	53,094	52,445	472,477
	720,024	539,864	4,863,640
Accumulated depreciation	(276,124)	(18,496)	(166,631)
Property, plant and equipment, net	443,900	521,368	4,697,009
Intangible assets	6,478	8,978	80,883
Total assets	¥1,397,384	¥1,292,323	\$11,642,550
LIABILITIES AND NET ASSETS			
Current liabilities:			
Payables, trade:			
Accounts	¥ 45,437	¥ 27,939	\$ 251,703
Subsidiaries and affiliates	1,049	702	6,324
Accrued expenses	48,789	42,598	383,766
Accrued income taxes	39,099	8,568	77,189
Warranty reserves	3,187	4,310	38,829
Other current liabilities	3,268	3,208	28,901
Total current liabilities	140,829	87,325	786,712
Long-term liabilities:			
Allowance for employees' retirement benefits	38,885	29,212	263,171
Asset retirement obligations	2,669	2,322	20,919
Total long-term liabilities	41,554	31,534	284,090
NET ASSETS			
Shareholders' equity:			
Common stock:			
Authorized - 400,000,000 shares			
Issued - 204,040,771 shares	69,014	69,014	621,748
Capital surplus	96,057	96,057	865,378
Retained earnings	1,128,076	1,090,580	9,825,045
Treasury stock, at cost	(91,020)	(91,040)	(820,180)
Total shareholders' equity	1,202,127	1,164,611	10,491,991
Valuation and translation adjustment:			
Net unrealized holding gain on other securities	12,874	8,853	79,757
Total net assets	1,215,001	1,173,464	10,571,748
Total liabilities and net assets	¥1,397,384	¥1,292,323	\$11,642,550

FANUC Global Service Network

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Nagoya
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Operating **108** Countries



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ROBOT system development, manufacture, sales and services; CNC, ROBOT, ROBODRILL and ROBOCUT sales and services; LASER services



FANUC CORPORATION

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