

(TRANSLATION)

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Consolidated Quarterly Financial Results

(based on Japanese standards)

For the six months ended September 30, 2017

October 25, 2017

Company name: FANUC CORPORATION Stock exchange listing: Tokyo Stock Exchange
Stock code: 6954 URL: <http://www.fanuc.co.jp>
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Scheduled date of filing quarterly report: November 8, 2017
Scheduled date of commencing dividend payments: December 1, 2017
Availability of supplementary briefing material on quarterly financial results: Available
Schedule of quarterly financial results briefing session: Scheduled

1. Consolidated Financial Results for the Six Months Ended September 30, 2017 (April 1, 2017 – September 30, 2017)

(1) Consolidated Results of Operations

(% represents changes from the previous corresponding six-month period.)

Six months ended September 30	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2017	347,612	35.2	107,396	37.0	118,397	45.7	85,763	42.5
2016	257,108	(26.5)	78,400	(38.4)	81,254	(40.6)	60,174	(34.5)

Note: Consolidated comprehensive income: April-September 2017 ¥99,666 million 277.2%
April-September 2016 ¥26,422 million (67.5)%

Six months ended September 30	Net income per share	Net income per share (diluted)
	Yen	Yen
2017	442.41	—
2016	310.33	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2017	1,662,369	1,427,807	85.5
March 31, 2017	1,564,769	1,369,457	87.1

(Reference) Equity: September 30, 2017 ¥1,422,058 million March 31, 2017 ¥1,363,155 million

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end Dividends	Full year
	Yen	Yen	Yen	Yen	Yen
2016	—	186.20	—	208.98	395.18
2017	—	265.45	—	—	—
2017 (forecast)	—	—	—	—	—

Note: We have changed the forecasts of dividends from the latest ones.

Note: The forecasts of the year-end dividends for the year ending March 31, 2018 will be disclosed promptly upon their availability.

3. Consolidated Financial Forecasts for the Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)
 (% represents changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal period	693,000	29.1	209,100	36.5	225,400	33.5	164,900	29.1	850.66

Note: We have changed the forecasts of financial results from the latest ones.

*Notes

(1) Changes in Significant Subsidiaries during the period
 (changes in specific subsidiaries that caused change in scope of consolidation) : No

(2) Adoption of Simplified and Specifically Applied Accounting Method for Quarterly Consolidated Financial Reporting : No

(3) Changes in Accounting Principles and Accounting Estimates, and Revisions/Restatements

1. Changes associated with changes in accounting standards : No
2. Changes in accounting principles other than 1 : No
3. Changes in accounting estimates : No
4. Revisions/restatements : No

(4) Number of shares outstanding (Common shares)

1. Number of shares outstanding at the end of the period (including treasury stocks)

	September 30, 2017	204,059,017 shares	March 31, 2017	204,072,715 shares
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2. Number of treasury stocks

	September 30, 2017	10,209,673 shares	March 31, 2017	10,216,648 shares
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3. Average number of shares during the period

	April-September 2017	193,852,478 shares	April-September 2016	193,904,637 shares
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* The report of the quarterly financial results is not subject to the quarterly review.

* Any forecasts described in this report are subject to uncertain factors such as supply and demand trends, industry competition, economic conditions, and others in major markets. Actual results may differ from these forecasts. The forecasts of the year-end dividends for the year ending March 31, 2018 will be disclosed promptly upon their availability.

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1. Results of Operations and Financial Position

(1) Results of Operations

The FANUC Group's results for the second quarter (April to September 2017) are as follows.

In the FA Division, the machine tool industry, the primary market for FANUC CNC systems, experienced favorable performance in Japan, China, South Korea and other countries. Sales in Europe were also steady. With regard to our lasers, although sales remained sluggish both in Japan and overseas, we continued to focus our efforts on expanding sales of fiber laser oscillators. Net sales in the FA Division increased sharply compared with the corresponding period of the previous fiscal year."

In the Robot Division, sales continued to remain favorable in the Americas, Europe and China. Particularly, demand in China was robust. Sales also remained steady in Japan. As a result, sales in the Robot Division increased sharply compared with the corresponding period of the previous fiscal year.

In the Robomachine Division, sales of ROBODRILLs (small machining center), ROBOSHOTs (electric injection molding machine) and ROBOCUTs (wire-cut electric discharge machine) were steady for the automobile industry and also robust in general for IT-related industry, with short-term demand active in China and other countries. Accordingly, sales increased significantly compared with the corresponding period of the previous fiscal year.

Under these circumstances, the FANUC Group strived to earn customers' trust in our products and services to an even greater extent, by becoming united as one group under the slogans "one FANUC," "Reliable" "Predictable" "Easy to Repair," and "Service First." In addition, as well as proceeding with the application of AI technology to our products, we pressed forward with measures to achieve continuous development in our business, including starting of operation of FIELD system (FANUC Intelligent Edge Link and Drive system), an open platform in which various companies can participate, in Japan on October 2, as an IoT initiative.

As a result, during the six months from April to September 2017, FANUC posted consolidated net sales totaling ¥347,612 million, up 35.2%, consolidated ordinary income totaling ¥118,397 million, up 45.7%, and consolidated net income totaling ¥85,763 million, up 42.5%, compared with the corresponding period of the previous fiscal year.

Looking at the performance by business group, the FA Division posted consolidated sales totaling ¥105,351 million, up 25.6%, the Robot Division posted consolidated sales totaling ¥109,715 million, up 24.4%, the Robomachine Division posted consolidated sales totaling ¥90,054 million, up 89.9%, and the Service Division posted consolidated sales totaling ¥42,492 million, up 13.0%, compared with the corresponding period of the previous fiscal year.

(Note): “Net income” in “Results of Operations and Financial Position” means “Net income attributable to owners of parent” in the Consolidated Statement of Income.

(2) Financial Position

① Assets, Liabilities and Net Assets

Total assets were ¥1,662,369 million, up ¥97.6 billion compared with the end of the previous fiscal year. The main increase was ¥43,363 million in cash and bank deposits.

Total liabilities were ¥234,562 million, up ¥39,250 million compared with the end of the previous fiscal year.

Total net assets were ¥1,427,807 million, up ¥58,350 million compared with the end of the previous fiscal year.

We cancelled our treasury shares exceeding the 5% of the total number of issued shares (13,698 shares, ¥98 million) on May 31, 2017 based on the shareholder return policy we announced on April 27, 2015. (There was no effect on the amount of total net assets.)

② Cash Flow

Cash and cash equivalents (hereinafter “Cash”) for the first half of the current fiscal year amounted to ¥818,124 million, up ¥43,363 million from the end of the previous fiscal year.

(Cash flow from operating activities)

Cash provided by operating activities during the six months ended September 30, 2017 amounted to ¥112,142 million, up ¥41,482 million compared with the same period of the previous fiscal year. This was mainly due to the increase in income before income taxes.

(Cash flow from investing activities)

Cash used in investing activities during the six months ended September 30, 2017 amounted to ¥30,439 million, down ¥18,511 million compared with the same period of the previous fiscal year. This was mainly due to the decrease in the purchases of property, plant and equipment.

(Cash flow from financing activities)

Cash used in financing activities during the six months ended September 30, 2017 amounted to ¥41,359 million, down ¥12,697 million compared with the same period of the previous fiscal year. This was mainly due to the decrease in purchase of treasury stock.

(3) Financial Results Forecasts

Our performance generally remains favorable and is expected to continue to perform favorably in the second half of the fiscal year as well.

On the other hand, the situation is expected to remain unpredictable, due to concerns including foreign exchange fluctuation and geopolitical risks.

The present forecast for consolidated financial results for the year ending March 31, 2018 is as follows:

For the fiscal year 2017 (April 1, 2017 through March 31, 2018)

(Millions of yen)

	Previous forecast (released on July 28, 2017)	New forecast	Comparison with previous forecast (%)
Net sales	611,400	693,000	13.3
Operating income	169,800	209,100	23.1
Ordinary income	179,200	225,400	25.8
Net income	131,500	164,900	25.4

Note: The currency rate applied to the period from October 1, 2017 to March 31, 2018 is averaged at 105 yen/US dollar and 125 yen/euro.

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheet

	(Millions of yen)	
	March 31, 2017	September 30, 2017
Assets		
Current assets		
Cash and bank deposits	629,761	673,124
Notes and accounts receivables, trade	120,787	126,345
Marketable securities	145,000	145,000
Finished goods	60,580	70,283
Work in progress	43,892	52,669
Raw materials and supplies	13,864	18,475
Other current assets	47,047	43,769
Allowance for doubtful accounts	(1,287)	(1,476)
Total current assets	<u>1,059,644</u>	<u>1,128,189</u>
Noncurrent assets		
Property, plant and equipment		
Buildings	195,765	207,212
Land	134,400	135,194
Other, net	76,225	86,888
Total property, plant and equipment	<u>406,390</u>	<u>429,294</u>
Intangible assets	4,687	6,128
Investments and other assets		
Investment securities	72,195	78,839
Others	21,855	19,921
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	<u>94,048</u>	<u>98,758</u>
Total noncurrent assets	<u>505,125</u>	<u>534,180</u>
Total assets	<u>1,564,769</u>	<u>1,662,369</u>
Liabilities		
Current liabilities		
Notes and accounts payables, trade	36,011	49,336
Accrued income taxes	22,994	35,148
Warranty reserves	6,994	7,143
Other current liabilities	54,716	72,609
Total current liabilities	<u>120,715</u>	<u>164,236</u>
Long-term liabilities		
Net defined benefit liability	71,175	66,831
Other long-term liabilities	3,422	3,495
Total long-term liabilities	<u>74,597</u>	<u>70,326</u>
Total liabilities	<u>195,312</u>	<u>234,562</u>
Net assets		
Shareholders' equity		
Common stock	69,014	69,014
Capital surplus	96,208	96,265
Retained earnings	1,307,254	1,352,408
Treasury stock, at cost	(90,677)	(90,729)
Total shareholders' equity	<u>1,381,799</u>	<u>1,426,958</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,594	12,104
Foreign currency translation adjustment	(710)	5,695
Remeasurements of defined benefit plans	(26,528)	(22,699)
Total accumulated other comprehensive income	<u>(18,644)</u>	<u>(4,900)</u>
Non-controlling interests	6,302	5,749
Total net assets	<u>1,369,457</u>	<u>1,427,807</u>
Total liabilities and net assets	<u>1,564,769</u>	<u>1,662,369</u>

**(2) Consolidated Quarterly Statement of Income and
Consolidated Quarterly Statement of Comprehensive Income**

Consolidated Quarterly Statement of Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	257,108	347,612
Cost of goods sold	140,812	193,474
Gross profit	116,296	154,138
Selling, general and administrative expenses	37,896	46,742
Operating income	78,400	107,396
Non-operating income		
Interest income	1,121	1,533
Dividends income	846	1,019
Equity in earnings of affiliates	5,254	7,305
Miscellaneous income	973	2,760
Total non-operating income	8,194	12,617
Non-operating expenses		
Loss on sales and retirement of noncurrent assets	59	348
Foreign exchange losses	4,449	–
Real estate acquisition tax	11	805
Miscellaneous expenses	821	463
Total non-operating expenses	5,340	1,616
Ordinary income	81,254	118,397
Income before income taxes	81,254	118,397
Income taxes—current	23,739	36,554
Income taxes—deferred	(2,829)	(4,162)
Total taxes and others	20,910	32,392
Net income	60,344	86,005
Net income attributable to non-controlling interests	170	242
Net income attributable to owners of parent	60,174	85,763

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net income	60,344	86,005
Other comprehensive income		
Valuation difference on available-for-sale securities	1,357	3,510
Foreign currency translation adjustment	(28,476)	6,896
Remeasurements of defined benefit plans	1,212	3,829
Share of other comprehensive income of affiliates accounted for using equity method	<u>(8,015)</u>	<u>(574)</u>
Total other comprehensive income	<u>(33,922)</u>	<u>13,661</u>
Comprehensive income for the six months ended September 30	<u>26,422</u>	<u>99,666</u>
Comprehensive income attributable to:		
Owners of parent	26,658	99,506
Non-controlling interests	(236)	160

(3) Consolidated Quarterly Statement of Cash Flow

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Income before income taxes	81,254	118,397
Depreciation and amortization	10,695	15,909
Increase (decrease) in allowance for doubtful accounts	(110)	124
Increase (decrease) in net defined benefit liability	(60)	(4,744)
Interest and dividend income	(1,967)	(2,552)
Equity in (earnings) losses of affiliates, net	(5,254)	(7,305)
(Increase) decrease in receivables, trade	6,041	(4,662)
(Increase) decrease in inventories	(8,203)	(19,713)
Increase (decrease) in payables, trade	3,894	12,614
Other	(312)	21,259
Subtotal	<u>85,978</u>	<u>129,327</u>
Interest and dividends received	6,747	7,600
Income taxes paid	(22,030)	(24,818)
Other	(35)	33
Net cash provided by operating activities	<u>70,660</u>	<u>112,142</u>
Cash flows from investing activities		
Purchases of property, plant, and equipment	(48,453)	(27,759)
Other	(497)	(2,680)
Net cash used in investing activities	<u>(48,950)</u>	<u>(30,439)</u>
Cash flows from financing activities		
Purchase of treasury stock	(13,303)	(151)
Dividends paid	(40,510)	(40,554)
Other	(243)	(654)
Net cash used in financing activities	<u>(54,056)</u>	<u>(41,359)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(19,188)</u>	<u>3,019</u>
Net increase (decrease) in cash and cash equivalents	<u>(51,534)</u>	<u>43,363</u>
Cash and cash equivalents at beginning of period	<u>831,662</u>	<u>774,761</u>
Cash and cash equivalents at end of period	<u>780,128</u>	<u>818,124</u>

3. Other Information

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| (1) Changes in Significant Subsidiaries during the period (changes in specific subsidiaries that caused change in scope of consolidation): | None |
| (2) Adoption of Simplified and Specifically Applied Accounting Method for Quarterly Consolidated Financial Reporting: | None |
| (3) Changes in Accounting Principles and Accounting Estimates, and Revisions/Restatements: | None |
| (4) Note on Premise of a Going Concern: | None |
| (5) Note on the Substantial Change in Shareholders' Equity: | None |