

(TRANSLATION)

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Consolidated Quarterly Financial Results

(based on Japanese standards)

For the six months ended September 30, 2019

October 28, 2019

Company name: FANUC CORPORATION Stock exchange listing: Tokyo Stock Exchange
Stock code: 6954 URL: <https://www.fanuc.co.jp>
Representative: (Title) President (Name) Kenji Yamaguchi
Contact: (Title) Manager, Public Relations (Name) Keisuke Fujii TEL: (0555)84-5555
Scheduled date of filing quarterly report: November 8, 2019
Scheduled date of commencing of dividend payments: December 2, 2019
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, 2019 (April 1, 2019 – September 30, 2019)

(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	%
2019	260,953	(24.4)	49,024	(50.2)	57,090	(49.0)	40,185	(50.8)
2018	344,951	(0.8)	98,428	(8.4)	112,035	(5.4)	81,693	(4.7)

Note: Consolidated comprehensive income: April-September 2019: ¥21,593 million (75.9)%
April-September 2018: ¥89,688 million (10.0)%

Six months ended September 30	Net income per share	Net income per share (diluted)
	Yen	Yen
2019	208.91	—
2018	421.45	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2019	1,504,237	1,352,301	89.4
March 31, 2019	1,625,340	1,445,146	88.5

(Reference) Equity: September 30, 2019: ¥1,345,090 million

March 31, 2019: ¥1,437,775 million

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end Dividends	Full year
	Yen	Yen	Yen	Yen	Yen
FY2018	—	598.19	—	404.92	1,003.11
FY2019	—	125.35	—	—	—
FY2019 (forecast)	—	—	—	—	—

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

Note: The 2nd quarter-end dividends for the year ended March 31, 2019 consist of ordinary dividends of ¥252.87 and special dividends of ¥345.32.

Note: The year-end dividends for the year ended March 31, 2019 consist of ordinary dividends of ¥224.34 and

special dividends of ¥180.58.

Note: The forecasts of year-end dividends for the year ending March 31, 2020 will be disclosed promptly upon their availability.

3. Consolidated Financial Forecasts for the Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)
(% 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	504,500	(20.6)	69,100	(57.7)	80,500	(56.1)	57,900	(62.4)	301.36

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 : Yes
2. Changes in accounting principles other than 1 : No
3. Changes in accounting estimates : No
4. Revisions/restatements : No

Note: For details, please see “3. Other Information (3) Changes in Accounting Principles and Accounting Estimates, and Revisions/Restatements” on Page 10 in Attachment.

(4) Number of shares outstanding (Common shares)

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

	September 30, 2019	204,031,841 shares	March 31, 2019	204,040,771 shares
--	--------------------	-----------------------	----------------	-----------------------
2. Number of treasury stocks

	September 30, 2019	12,127,818 shares	March 31, 2019	10,210,522 shares
--	--------------------	----------------------	----------------	----------------------
3. Average number of shares during the period

	April-September 2019	192,359,131 shares	April-September 2018	193,836,282 Shares
--	----------------------	-----------------------	----------------------	-----------------------

* The report of the quarterly financial results is not subject to audit by certified public accountant or audit firm.

* 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, 2020, will be disclosed promptly upon their availability.

Table of Contents of Accompanying Documents

1. Results of Operations and Financial Position	2
(1) Results of Operations	2
(2) Financial Position	3
(3) Financial Results Forecasts	4
2. Consolidated Quarterly Financial Statements	5
(1) Consolidated Quarterly Balance Sheet	5
(2) Consolidated Quarterly Statement of Income and Consolidated Quarterly Statement of Comprehensive Income	7
Consolidated Quarterly Statement of Income	7
Consolidated Quarterly Statement of Comprehensive Income	8
(3) Consolidated Quarterly Statement of Cash Flow	9
3. Other Information	10
(1) Changes in Significant Subsidiaries during the period	10
(2) Adoption of Simplified and Specifically Applied Accounting Method for Quarterly Consolidated Financial Reporting	10
(3) Changes in Accounting Principles and Accounting Estimates, and Revisions/Restatements	10
(4) Note on Premise of a Going Concern	10
(5) Note on the Substantial Change in Shareholders' Equity	10

1. Results of Operations and Financial Position

(1) Results of Operations

The FANUC Group's results for the second quarter (April to September 2019) are as follows.

In the FA Division, demands for machines in the machine tool industry, the primary market for FANUC CNC systems, declined in the Chinese market due to the impact of the trade friction between the United States and China, and demands for machines also dropped in Taiwan, which is heavily dependent on the Chinese market. Demands in South Korea, as well as India which has performed relatively solid, remained sluggish due to the weak domestic demands and other factors. In the face of the worldwide restraining of capital investments, demands diminished in Europe and Japan as well. With regard to our lasers, although we continued focusing efforts on expanding sales, competition with overseas manufacturers has been intensifying. As a result, net sales in the FA Division declined compared with the corresponding period of the previous fiscal year.

In the Robot Division, although both the automobile industry and the general industries in Japan remained robust, capital investments continued to be sluggish in the automobile industry of the Americas and, in China and Europe, both the automobile industry and the general industries remained cautious about capital investments. As a result, sales in the Robot Division decreased compared with the corresponding period of the previous fiscal year.

In the Robomachine Division, sales of the ROBODRILLs (compact machining centers) decreased compared with the corresponding period of the previous fiscal year when the short-term demand in the IT-related industry still existed, despite our efforts to expand sales of the products mainly for automobile parts industry. Sales of the ROBOSHOTS (electric injection molding machines) also slightly decreased, although we focused efforts on expanding sales mainly to automobile parts and medical markets. With regard to the ROBOCUTs (wire-cut electric discharge machines), sales also declined compared with the corresponding period of the previous fiscal year, mainly in the China market.

Under these circumstances, to continue management from a long-term perspective, the FANUC Group is promoting 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, as IoT initiatives, we installed the FIELD system (FANUC Intelligent Edge Link and Drive system), an open platform for manufacturing sites, at our own factories, and are making efforts to extend functionality and enrich applications (including those made by partner companies), while proceeding with the application of AI technology to our products. In addition, the

furtherance of integration between CNC and robot as well as robot and robomachine is set out as one of our important initiatives. At the same time, we are focusing on the enhancement of product competitiveness, strengthening of sales and service activities, automation and robotization of factories, and rationalization of business operations.

As a result, during the six months from April to September 2019, FANUC posted consolidated net sales totaling ¥260,953 million, down 24.4%, consolidated ordinary income totaling ¥57,090 million, down 49.0%, and consolidated net income totaling ¥40,185 million, down 50.8%, due to recording of impairment loss on idle assets as an extraordinary loss and other factors, compared with the corresponding period of the previous fiscal year.

Looking at the performance by business group, the FA Division posted consolidated sales totaling ¥76,809 million, down 35.8%, the Robot Division posted consolidated sales totaling ¥98,545 million, down 11.5%, the Robomachine Division posted consolidated sales totaling ¥40,804 million, down 40.7%, and the Service Division posted consolidated sales totaling ¥44,795 million, down 1.1%, 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 ¥1,504,237 million, down ¥121,103 million compared with the end of the previous fiscal year.

Total liabilities were ¥151,936 million, down ¥28,258 million compared with the end of the previous fiscal year.

Total net assets were ¥1,352,301 million, down ¥92,845 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 (8,930 shares, ¥88 million) on May 31, 2019 based on the shareholder return policy that we announced on April 24, 2019. (This policy is written in the Consolidated Annual Financial Results for the Year ended March 31, 2019) (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 ¥500,983 million, down ¥106,731 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, 2019 amounted to ¥72,963 million, down ¥46,095 million compared with the same period of the previous fiscal year. This was mainly due to the decrease in income before income taxes.

(Cash flow from investing activities)

Cash used in investing activities during the six months ended September 30, 2019 amounted to ¥52,498 million, down ¥15,546 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, 2019 amounted to ¥114,835 million, up ¥57,867 million compared with the same period of the previous fiscal year. This was mainly due to the increase in the purchases of treasury stock.

(3) Financial Results Forecasts

It is anticipated that the situation will remain difficult and unpredictable in general, due to uncertain factors such as trade policies of countries and foreign exchange fluctuations including the impact of the trade friction between countries and regions.

The present forecast for consolidated financial results for the year ending March 31, 2020 is as follows:

For the fiscal year 2019 (April 1, 2019 through March 31, 2020)

(Millions of yen)

	Previous forecast (released on July 29, 2019)	New forecast	Comparison with Previous forecast (%)
Net sales	524,200	504,500	(3.8)
Operating income	71,300	69,100	(3.1)
Ordinary income	81,000	80,500	(0.6)
Net income	60,300	57,900	(4.0)

Note: The currency rate applied to the period from October 1, 2019 to March 31, 2020 is averaged at 100 yen/US dollar and 115 yen/Euro.

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	March 31, 2019	September 30, 2019
Assets		
Current assets		
Cash and bank deposits	607,155	390,211
Notes and accounts receivables, trade	106,204	94,952
Marketable securities	15,000	125,000
Finished goods	71,042	68,314
Work in progress	55,174	51,952
Raw materials and supplies	29,930	28,851
Other current assets	24,302	10,968
Allowance for doubtful accounts	(1,123)	(873)
Total current assets	907,684	769,375
Noncurrent assets		
Property, plant and equipment		
Buildings	301,179	312,798
Land	145,885	144,650
Other, net	127,512	136,861
Total property, plant and equipment	574,576	594,309
Intangible assets	9,603	9,949
Investments and other assets		
Investment securities	86,674	85,157
Others	47,259	45,899
Allowance for doubtful accounts	(456)	(452)
Total investments and other assets	133,477	130,604
Total noncurrent assets	717,656	734,862
Total assets	1,625,340	1,504,237

(Millions of yen)

	March 31, 2019	September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payables, trade	36,567	26,044
Accrued income taxes	15,007	12,711
Warranty reserves	8,215	8,311
Other current liabilities	75,278	58,711
Total current liabilities	135,067	105,777
Long-term liabilities		
Net defined benefit liability	42,097	42,136
Other long-term liabilities	3,030	4,023
Total long-term liabilities	45,127	46,159
Total liabilities	180,194	151,936
Net assets		
Shareholders' equity		
Common stock	69,014	69,014
Capital surplus	96,265	96,265
Retained earnings	1,380,439	1,342,054
Treasury stock, at cost	(91,040)	(126,721)
Total shareholders' equity	1,454,678	1,380,612
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,111	9,407
Foreign currency translation adjustment	(6,677)	(26,947)
Remeasurements of defined benefit plans	(19,337)	(17,982)
Total accumulated other comprehensive income	(16,903)	(35,522)
Non-controlling interests	7,371	7,211
Total net assets	1,445,146	1,352,301
Total liabilities and net assets	1,625,340	1,504,237

**(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, 2018	Six months ended September 30, 2019
Net sales	344,951	260,953
Cost of goods sold	196,621	164,390
Gross profit	148,330	96,563
Selling, general and administrative expenses	49,902	47,539
Operating income	98,428	49,024
Non-operating income		
Interest income	2,016	2,059
Dividends income	1,014	1,008
Equity in earnings of affiliates	8,068	4,888
Foreign exchange gains	3,136	—
Miscellaneous income	1,488	1,614
Total non-operating income	15,722	9,569
Non-operating expenses		
Removal expenses of noncurrent assets	1,284	684
Foreign exchange losses	—	485
Miscellaneous expenses	831	334
Total non-operating expenses	2,115	1,503
Ordinary income	112,035	57,090
Extraordinary losses		
Impairment loss	—	1,973
Total extraordinary losses	—	1,973
Income before income taxes	112,035	55,117
Income taxes-current	34,108	14,205
Income taxes-deferred	(3,991)	87
Total taxes and others	30,117	14,292
Net income	81,918	40,825
Net income attributable to non-controlling interests	225	640
Net income attributable to owners of parent	81,693	40,185

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net income	81,918	40,825
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,311)	296
Foreign currency translation adjustment	10,813	(18,792)
Remeasurements of defined benefit plans	672	1,355
Share of other comprehensive income of affiliates accounted for using equity method	(2,404)	(2,091)
Total other comprehensive income	7,770	(19,232)
Comprehensive income for the six months ended September 30	89,688	21,593
Comprehensive income attributable to:		
Owners of parent	89,314	21,566
Non-controlling interests	374	27

(3) Consolidated Quarterly Statement of Cash Flow

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Income before income taxes	112,035	55,117
Depreciation and amortization	17,869	22,209
Impairment loss	—	1,973
Increase (decrease) in allowance for doubtful accounts	(214)	(222)
Increase (decrease) in net defined benefit liability	677	319
Decrease (increase) in net defined benefit asset	—	455
Interest and dividend income	(3,030)	(3,067)
Equity in (earnings) losses of affiliates, net	(8,068)	(4,888)
(Increase) decrease in receivables, trade	56,883	9,195
(Increase) decrease in inventories	(6,648)	2,944
Increase (decrease) in payables, trade	(10,496)	(9,393)
Other	(1,647)	4,115
Subtotal	157,361	78,757
Interest and dividends received	11,014	9,721
Income taxes paid	(48,874)	(15,943)
Other	(443)	428
Net cash provided by operating activities	119,058	72,963
Cash flows from investing activities		
Payments into time deposits	(22,510)	(14,413)
Proceeds from withdrawal of time deposits	22,294	14,228
Purchases of property, plant, and equipment	(65,312)	(49,432)
Other	(2,516)	(2,881)
Net cash used in investing activities	(68,044)	(52,498)
Cash flows from financing activities		
Purchases of treasury stock	(107)	(35,769)
Dividends paid	(57,746)	(78,439)
Other	885	(627)
Net cash used in financing activities	(56,968)	(114,835)
Effect of exchange rate changes on cash and cash equivalents	7,415	(12,361)
Net increase (decrease) in cash and cash equivalents	1,461	(106,731)
Cash and cash equivalents at beginning of period	725,903	607,714
Cash and cash equivalents at end of period	727,364	500,983

3. Other Information

(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:

(Changes in Accounting Principles)

Subsidiaries which adopt the International Financial Reporting Standards have adopted IFRS 16 Leases (hereinafter referred to as "IFRS 16") since the three months ended June 30, 2019. As a result, lessees have recorded all leases, in principle, as assets and liabilities in the balance sheet. The adoption of IFRS 16 is subject to transitional treatment, and the cumulative effect of the change in the accounting policy was recorded in retained earnings at the beginning of the three months ended June 30, 2019.

The impact of the adoption of this accounting standard on the consolidated quarterly financial statements is immaterial.

(4) Note on Premise of a Going Concern: None

(5) Note on the Substantial Change in Shareholders' Equity:

As resolved at the Board of Directors' meetings held on April 24 and July 29, 2019, the Company repurchased 1,923,000 shares of its common stock. As a result, including the increase resulting from the repurchase of shares less than one unit, its treasury stock increased by ¥35,681 million during the six months ended September 30, 2019, and was ¥126,721 million as of September 30, 2019.