

**FA&ROBOT&ROBOMACHINE**  
**FANUC**

# ANNUAL REPORT **2014**

Year ended March 31, 2014



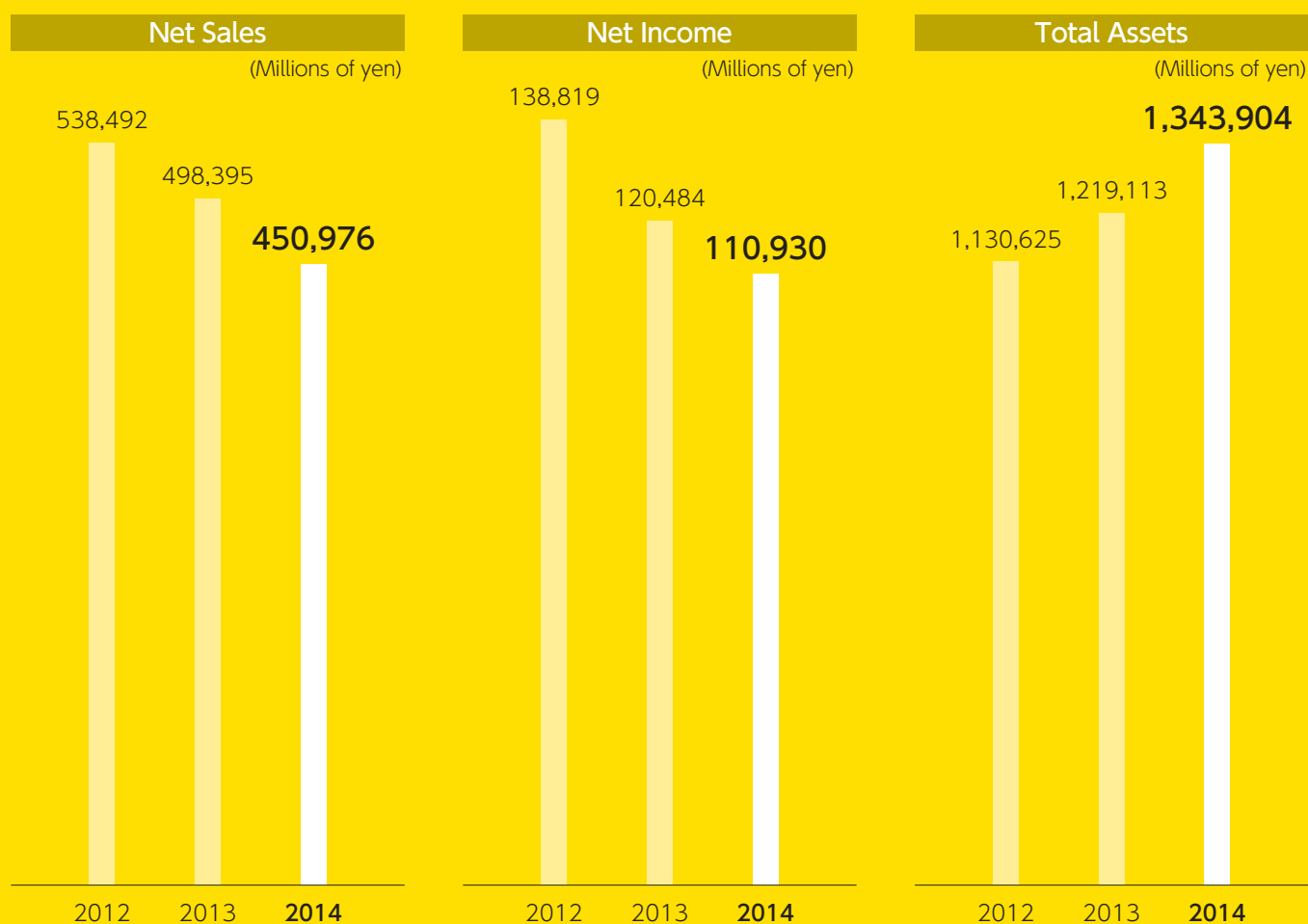
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## ➔ Financial Highlights (Consolidated)

	Millions of yen			Thousands of U.S. dollars
Years ended March 31	2012	2013	2014	2014
For the year:				
Net sales	¥ 538,492	¥ 498,395	¥ 450,976	\$ 4,378,408
Net income	138,819	120,484	110,930	1,076,990
At the year end:				
Total assets	¥ 1,130,625	¥ 1,219,113	¥ 1,343,904	\$13,047,612
Net assets	985,322	1,094,129	1,199,863	11,649,155
Per share data:				
	Yen			U.S. dollars
Net income	¥ 709.20	¥ 615.59	¥ 566.86	\$ 5.50
Cash dividends	212.77	184.68	170.06	1.65

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 ¥103 = U.S. \$1.00.



## ➔ A Message from the President

The business environment surrounding the FANUC Group was generally unfavorable in the first half of the year with the slow recovery of the Chinese market and stagnant Japanese and European markets, despite lively activity in some areas such as the U.S. market, which remained robust. Business gradually picked up in the second half as markets recovered due to the effects of the depreciation of the yen and increase in facility investments in the manufacturing industry.

Amidst such a climate, the FANUC Group set up a new scheme in which business divisions were established for each product line consisting of FA, ROBOTS and ROBOMACHINES. The relevant research laboratories and sales force were placed under the supervision of each division, which is headed by a general manager who oversees the entire division. FANUC applies this back-to-basics approach, whereby research laboratories collaborate closely with sales staff, focusing on the markets of individual products, to understand customers' requirements quickly and correctly and immediately reflect these in product development. The new organizational structure contributes to the further promotion of high performance and intelligence of products while sticking to the basics of high reliability in research and development. As for manufacturing, FANUC continues to enhance productivity through robotization. Through such activities, maximum efforts are made to improve competitiveness.



During the year ended March 31, 2014, FANUC posted consolidated net sales totaling ¥450,976 million (down 9.5%), consolidated ordinary income totaling ¥174,360 million (down 8.8%), and consolidated net income totaling ¥110,930 million (down 7.9%). (Percentages in parentheses are comparisons with the previous fiscal year)

For the year ending March 31, 2015, it is anticipated that the first half will show good results due to the increase in short-term demands from the IT industry, but in the second half, the special demands are expected to subside, and there is also concern about the slowdown in emerging economies, obscuring the outlook for the entire year.

Under the scheme of the three business

divisions of FA, ROBOT and ROBOMACHINE, the FANUC Group, together with its overseas affiliated companies, will as a whole strive to speedily and accurately identify customer needs, so as to further enhance product development capabilities and facilitate the higher performance and intelligence of our highly reliable products. Production efficiency will be pursued as well, through robotization in manufacturing. By continuing such steadfast efforts, we will increase shares and sales, while retaining a strong company constitution.

Thank you for your continued support.

President and Chief Executive Officer  
**Yoshiharu Inaba**

## ➔ Summary of FANUC Business

### FA Division

#### Main Products

- CNC
- Servo Motors
- LASER Oscillators

#### Results for Fiscal 2013

Consolidated sales was ¥222,643 million (up 11.3% from the previous fiscal year), accounting for 40.2% of consolidated net sales.



Refer to page 5 for details

### Robot Division

#### Main Products

- Genkotsu-Robots
- Learning Robots
- Arc Welding Robots

#### Results for Fiscal 2013

Consolidated sales was ¥146,866 million (up 23.3% from the previous fiscal year), accounting for 32.6% of consolidated net sales.



Refer to page 6 for details

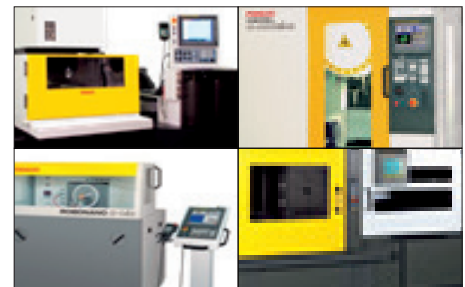
### Robomachine Division

#### Main Products

- ROBODRILL
- ROBOSHOT
- ROBOCUT
- ROBONANO

#### Results for Fiscal 2013

Consolidated sales was ¥81,467 million (up 54.5% from the previous fiscal year), accounting for 18.0% of consolidated net sales.



Refer to page 7 for details

## ➔ Business Report

### FA Business Division

The machine tool industry, the primary market for FANUC CNC systems, generally remained in a difficult condition domestically and abroad. In the second half of the period, however, demand picked up due to factors including depreciation of the yen, and sales of FANUC CNC systems, which had continued to face difficult conditions, also showed moderate signs of recovery.

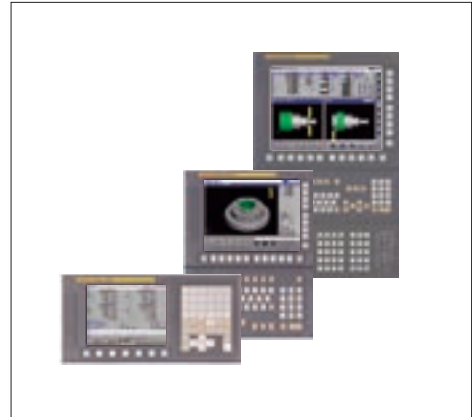
New developments in FANUC CNC include the “FANUC Series 0*i*-MODEL F”, with greatly enhanced basic performance and improved operability and reliability. This series is the successor of the FANUC Series 0*i*-MODEL D, which is renowned throughout the world as a global standard CNC. Furthermore, addition of new functions and enhancements were made to the FANUC Series 30*i*/31*i*/32*i*/35*i*-MODEL B, one of the world’s highest class performance CNCs, and the Power Motion *i*-MODEL A, a CNC for general industrial machinery.

With regards to Servo, new servo motor models, the  $\alpha i$  and  $\beta i$  Series, were introduced, which can accommodate axis feeds of all kinds of machine tools with improvements in feeding smoothness and water resistance. Furthermore, the “SERVO HRV+ Control” was newly developed, which realizes high quality and high precision in machining dies and parts.

The all-in-one servo amplifier,  $\beta i$ SVSP-B, with 3 axes for servos and 1 axis for spindles, was also developed to be used with the Series 0*i*-MODEL F. Improvements in machining performance, operability rate, and usability made possible system configuration which is highly cost effective.

FANUC laser sales remained stagnant domestically and abroad, but showed signs of recovery in the second half of the period.

New developments in laser included the enhancement of control functions, such as enhancements in power-saving functions of the high-performance, high-functionality, and high-reliability CO<sub>2</sub> laser oscillator, “FANUC Laser C series.”



Series0*i*-MODEL F



$\alpha i$  series SERVO



FANUC LASER C4000*i*-MODEL C



## ROBOT Business Division

The sales of robots in the domestic automobile industry was negatively affected by the slump in facility investments in this industry, but increased for general industries. Regarding overseas markets, sales remained in good condition in the U.S. market and clear signs of recovery could be seen in the second half of the period in European markets which had been weak. There was also robust activity in the Chinese market.

In terms of development, the highly reliable, cost-effective and intelligent FANUC Robot R-2000*i*B Series, which received high evaluation worldwide was upgraded to the R-2000*i*C Series. Speed and operability have been improved in the new series, which remains compatible with the preceding series. This upgrade significantly improves productivity.

The Bin Picking Robot was also enhanced with the development of a hand that can automatically pick up parts of various shapes and sizes. In addition to its existing function of 3D area sensor, it can also avoid interfering work nearby when picking up items. The variety of parts that can be picked up automatically has been expanded.

Furthermore, new models with more axes and arm lengths were developed for the "Genkotsu - Robot Series", offering more expandability in work requiring posture changes or assembly applications. These are contributing to expansion into the food and pharmaceutical markets.

New developments include a variety of new models and new features of the multi-purpose mini robot, LR Mate 200*i*D which can adapt to diverse work environments. Utilization of these robots are anticipated in a wide range of manufacturing sites, and they are currently actively used in the delivery and assembly of automobile parts in unfavorable environments.



R-2000*i*C



Bin Picking Robot



Genkotsu-Robot

## ROBOMACHINE Business Division

The sales of ROBODRILL (small machining center) was stable in the Japanese market and was in good condition overseas, yet compared to last year where there was a momentary rise in demand from a segment in the IT industry, annual sales decreased sharply. Amidst such circumstances, from the end of the current fiscal year, there was another substantial increase in demand from the IT industry, and a temporary and short-term rise in sales became apparent.

In terms of development, functionalities were expanded to satisfy overseas safety regulations and a wider range of customer needs.

The sales of ROBOSHOT, an electric injection molding machine, increased steadily both in Japan and abroad.

New developments in FANUC ROBOSHOT included the completion of the “FANUC ROBOSHOT $\alpha$ -SiA series”, a lineup of electric injection molding machines. The  $\alpha$ -S250iA with ultra-high speed injection specifications, optimal for molding light-guiding plates (IT related parts), was also developed as a high-end machine.

The sales of the ROBOCUT, a wire-cut electric discharge machine, also increased steadily both in Japan and abroad.

New developments included the “FANUC ROBOCUT CCR” which is a high precision and compact turntable for the “FANUC ROBOCUT  $\alpha$ -CiA series.” With this turntable, machining of a wide range of parts, such as medical equipment, is made possible.

As to the ROBONANO, an ultra precision nano machine, sales activities were reinforced for expansion into overseas markets, and progress has been made. In terms of development, development of functionalities were made to satisfy overseas safety regulations and to enhance operatability.



FANUC ROBODRILL  $\alpha$ -D21MiA5



FANUC ROBOSHOT  $\alpha$ -S250iA



FANUC ROBOCUT  $\alpha$ -C600iA

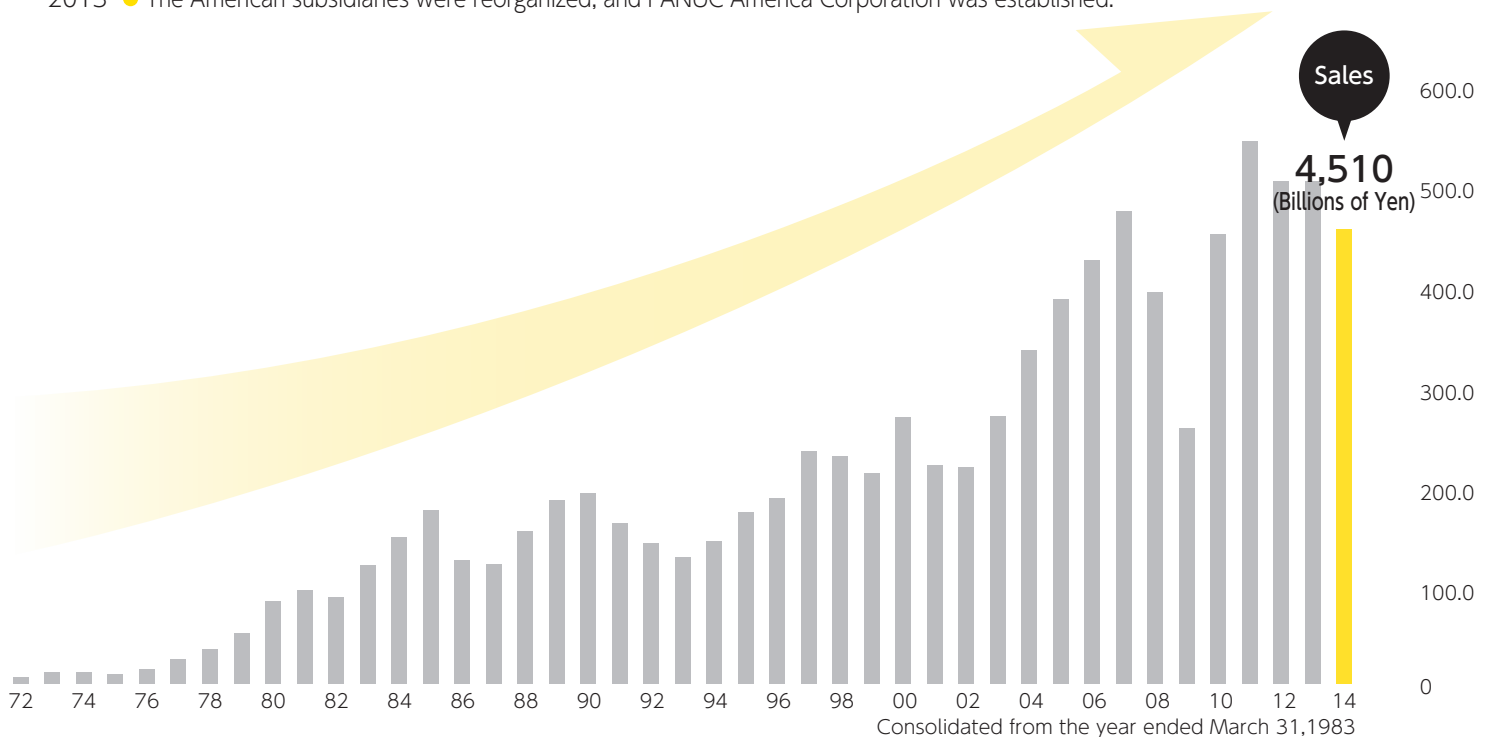


FANUC ROBONANO  $\alpha$ -0iB



## ➔ History of FANUC

- 1956 ● The first NC and SERVO systems in the Japanese private sector were developed successfully.
- 1959 ● The first electro-hydraulic pulse motor was developed.
- 1972 ● FANUC was established.
- CNC was introduced.
- NC Drill was developed.
- 1974 ● ROBOTS were developed and installed in FANUC factories.
- The production and sale of DC SERVO MOTORS were started under GETTYS MANUFACTURING., INC license.
- 1975 ● Wire-cut electric discharge machine was completed.
- 1977 ● FANUC USA CORPORATION was established.
- The commercial production and shipment of ROBOTS started (ROBOT-MODEL1).
- 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.
- 1984 ● The headquarters were moved to the foot of Mt. Fuji.
- All-electric plastics injection molding machine, "FANUC AUTOSHOT" was developed.
- 1985 ● FANUC series 0 completed development.
- 1986 ● FANUC TAIWAN Corporation was established.
- GE Fanuc Automation Corporation was jointly established in the U.S.A. by FANUC and General Electric.
- Digital SERVO was completed.
- 1987 ● CO<sub>2</sub> LASER was developed.
- 1989 ● The Tsukuba Factory was constructed.
- 1992 ● GMFanuc Robotics Corporation was restructured to FANUC's wholly owned share holding company, FANUC Robotics Corporation, together with its subsidiaries.
- BEIJING-FANUC Mechatronics CO., LTD was jointly established by FANUC and the Beijing Machine Tool Research Institute.
- FANUC INDIA LIMITED was established.
- 1997 ● SHANGHAI-FANUC Robotics CO., LTD. was jointly formed in China by FANUC and Shanghai Mechanical & Electric Industrial Investment Corp.
- 1999 ● The commercial production of 16i Series CNC started.
- 2003 ● The commercial production of intelligent ROBOTS started.
- The commercial production of 30i Series CNC started.
- 2009 ● The joint venture with General Electric Company was resolved and joint venture's FA operations in the Americas were transferred to FANUC America Corporation.
- The commercial production of Parallel Link "Genkotsu ROBOTS" started.
- 2012 ● The European subsidiaries were reorganized, and FANUC Europe Corporation was established.
- 2013 ● The American subsidiaries were reorganized, and FANUC America Corporation was established.



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## ➔ Ten-Year Financial Summary

Years ended March 31	2005	2006	2007	2008
<b>Net sales</b>	¥ 330,345	¥ 381,074	¥ 419,560	¥ 468,399
<b>Operating income</b>	120,210	140,589	162,930	189,564
Operating income as a percentage of net sales	36.4%	36.9%	38.8%	40.5%
Income before income taxes and minority interests	124,774	150,832	179,412	211,875
<b>Net income</b>	75,764	90,438	106,756	127,030
<b>Current assets</b>	556,638	637,566	675,944	750,328
<b>Current liabilities</b>	81,671	82,433	100,810	104,151
<b>Total assets</b>	799,575	903,410	951,664	1,046,837
<b>Net assets</b>	696,988	795,228	820,556	911,395

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

Net income:				
Basic	339.09	420.01	499.83	611.14
Diluted	—	—	—	—
Cash dividends	45.00	96.00	150.00	183.35
Net assets	3,167.70	3,614.17	3,816.91	4,225.39

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 ¥103 = U.S.\$1.00.

Millions of yen except for per share data						Thousands of U.S. dollars, except for per share data
2009	2010	2011	2012	2013	2014	2014
¥ 388,271	¥ 253,393	¥ 446,201	¥ 538,492	¥ 498,395	¥ 450,976	\$ 4,378,408
134,449	55,024	189,757	221,834	184,821	164,134	1,593,534
34.6%	21.7%	42.5%	41.2%	37.1%	36.4%	36.4%
149,148	55,826	193,495	228,578	191,242	174,360	1,692,816
97,162	37,511	120,155	138,819	120,484	110,930	1,076,990
683,719	623,573	753,992	848,669	906,440	1,027,801	9,978,650
55,725	56,188	89,589	115,270	92,973	99,449	965,525
970,441	891,651	1,013,000	1,130,625	1,219,113	1,343,904	13,047,612
893,282	812,657	894,494	985,322	1,094,129	1,199,863	11,649,155
467.55	187.75	613.75	709.20	615.59	566.86	5.50
—	—	—	—	—	—	—
140.27	56.33	184.13	212.77	184.68	170.06	1.65
4,177.28	4,133.89	4,550.71	5,013.69	5,565.64	6,102.20	59.24

## ➔ Consolidated Statements of Income

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2012	2013	2014	2014
<b>Net sales</b>	¥ 538,492	¥ 498,395	¥ 450,976	\$4,378,408
Cost of goods sold (Note 9)	262,120	258,670	227,189	2,205,719
<b>Gross profit</b>	276,372	239,725	223,787	2,172,689
Selling, general and administrative expenses (Note 9)	54,538	54,904	59,653	579,155
<b>Operating income</b>	221,834	184,821	164,134	1,593,534
<b>Other income (expenses):</b>				
Interest income	1,912	1,952	2,300	22,330
Equity in earnings (loss) of affiliates	3,499	2,932	5,452	52,932
Other, net (Note 10)	1,333	1,537	2,474	24,020
	6,744	6,421	10,226	99,282
<b>Income before income taxes and minority interests</b>	228,578	191,242	174,360	1,692,816
<b>Income taxes:</b>				
Current	92,831	69,133	62,036	602,291
Deferred	(3,695)	1,120	812	7,884
<b>Income before minority interests</b>	139,442	120,989	111,512	1,082,641
Minority interests in income of consolidated subsidiaries	623	505	582	5,651
<b>Net income</b>	¥ 138,819	¥ 120,484	¥ 110,930	\$1,076,990
		Yen		U.S. dollars
<b>Amount per share of common stock:</b>				
Net income	¥ 709.20	¥ 615.59	¥ 566.86	\$ 5.50
Cash dividends	212.77	184.68	170.06	1.65

See notes to the consolidated financial statements.

## ➔ Consolidated Statements of Comprehensive Income

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2012	2013	2014	2014
Income before minority interests	¥139,442	¥120,989	¥111,512	\$1,082,641
Other comprehensive income				
Valuation difference on available- for-sale securities	(390)	982	2,171	21,077
Foreign currency translation adjustment	(6,504)	24,683	26,987	262,010
Share of other comprehensive income of affiliates accounted for using equity method	42	2,033	5,597	54,340
Total other comprehensive income	(6,852)	27,698	34,755	337,427
Comprehensive income	¥132,590	¥148,687	¥146,267	\$1,420,068
Comprehensive income attributable to:				
Owners of parent	132,074	147,644	145,139	1,409,117
Minority interests	516	1,043	1,128	10,951



## ➔ Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
As of March 31	2013	2014	2014
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	¥727,753	¥823,670	\$7,996,796
Receivables, trade:			
Accounts and notes	81,318	91,698	890,272
Allowance for doubtful accounts	(1,628)	(1,920)	(18,641)
Finished goods	37,053	43,857	425,796
Work in progress	27,724	35,559	345,233
Raw materials and supplies	7,407	8,079	78,437
Deferred income taxes (Note 11)	19,035	20,706	201,029
Other current assets	7,778	6,152	59,728
Total current assets	906,440	1,027,801	9,978,650
<b>Investments (Note 5)</b>	39,105	49,417	479,777
<b>Property, plant and equipment, at cost:</b>			
Land	116,452	117,543	1,141,194
Buildings	214,329	224,764	2,182,175
Machinery and equipment	125,631	140,998	1,368,913
Construction in progress	21,889	6,395	62,087
Less accumulated depreciation	(213,480)	(227,227)	(2,206,087)
Property, plant and equipment, net	264,821	262,473	2,548,282
<b>Intangible assets:</b>			
Goodwill	8,286	3,689	35,816
Other intangible assets	461	524	5,087
Total intangible assets	8,747	4,213	40,903
<b>Total assets</b>	¥1,219,113	¥1,343,904	\$13,047,612
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Payables, trade	¥22,044	¥26,192	\$254,291
Accrued income taxes	30,637	30,787	298,903
Warranty reserves	4,937	5,409	52,515
Other current liabilities	35,355	37,061	359,816
Total current liabilities	92,973	99,449	965,525
<b>Long-term liabilities:</b>			
Allowance for employees' retirement benefits (Note 6)	28,172	—	—
Net defined benefit liability (Note 6)	—	40,456	392,777
Other long-term liabilities	3,839	4,136	40,155
Total long-term liabilities	32,011	44,592	432,932
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Common stock:			
Authorized - 400,000,000 shares			
Issued - 239,508,317 shares	69,014	69,014	670,039
Capital surplus	96,268	96,270	934,660
Retained earnings	1,261,572	1,340,809	13,017,563
Treasury stock, at cost :			
2013 - 43,796,678 shares	(311,636)	—	—
2014 - 43,836,033 shares	—	(312,299)	(3,032,030)
Total shareholders' equity	1,115,218	1,193,794	11,590,232
<b>Accumulated other comprehensive income:</b>			
Valuation difference on available-for-sale securities	2,941	5,112	49,631
Foreign currency translation adjustment	(28,899)	3,138	30,466
Remeasurements of defined benefit plans	—	(8,012)	(77,786)
Total accumulated other comprehensive income	(25,958)	238	2,311
<b>Minority interests</b>	4,869	5,831	56,612
Total net assets	1,094,129	1,199,863	11,649,156
<b>Total liabilities and net assets</b>	¥1,219,113	¥1,343,904	\$13,047,612

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	Minority interests	Total net assets
<b>Balance at March 31, 2011</b>	¥69,014	¥96,261	¥1,082,997	(¥311,094)	¥2,349	(¥48,723)	—	¥3,690	¥894,494
Cash dividends			(41,566)						(41,566)
Net income			138,819						138,819
Purchase of treasury stock				(304)					(304)
Disposal of treasury stock		4		4					8
Change of scope of consolidation			306						306
Net change excluding shareholder's equity during the year					(390)	(6,354)		309	(6,435)
<b>Balance at March 31, 2012</b>	¥69,014	¥96,265	¥1,180,556	(¥311,394)	¥1,959	(¥55,077)	—	¥3,999	¥985,322
Cash dividends			(39,468)						(39,468)
Net income			120,484						120,484
Purchase of treasury stock				(246)					(246)
Disposal of treasury stock		3		4					7
Net change excluding shareholder's equity during the year					982	26,178		870	28,030
<b>Balance at March 31, 2013</b>	¥69,014	¥96,268	¥1,261,572	(¥311,636)	¥2,941	(¥28,899)	—	¥4,869	¥1,094,129
Cash dividends			(31,086)						(31,086)
Net income			110,930						110,930
Change caused by merger			(607)						(607)
Purchase of treasury stock				(665)					(665)
Disposal of treasury stock		2		2					4
Net change excluding shareholder's equity during the year					2,171	32,037	(8,012)	962	27,158
<b>Balance at March 31, 2014</b>	¥69,014	¥96,270	¥1,340,809	(¥312,299)	¥5,112	¥3,138	(¥8,012)	¥5,831	¥1,199,863

Thousands of U.S. dollars									
	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	Minority interests	Total net assets
<b>Balance at March 31, 2013</b>	\$670,039	\$934,641	\$12,248,272	(\$3,025,592)	\$28,553	(\$280,573)	—	\$47,272	\$10,622,612
Cash dividends			(301,806)						(301,806)
Net income			1,076,990						1,076,990
Change caused by merger			(5,893)						(5,893)
Purchase of treasury stock				(6,456)					(6,456)
Disposal of treasury stock		19		19					38
Net change excluding shareholder's equity during the year					21,078	311,039	(77,786)	9,340	263,671
<b>Balance at March 31, 2014</b>	\$670,039	\$934,660	\$13,017,563	(\$3,032,030)	\$49,631	\$30,466	(\$77,786)	\$56,612	\$11,649,156

See notes to the consolidated financial statements.

## ➔ Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars	
Years ended March 31	2012	2013	2014	2014
<b>Cash flows from operating activities</b>				
Income before income taxes and minority interests	¥228,578	¥191,242	¥174,360	\$1,692,816
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	15,466	17,867	18,394	178,582
Increase (decrease) in allowance for doubtful accounts	30	(865)	123	1,194
(Decrease) increase in allowance for employees' retirement benefits	1,433	1,401	(28,475)	(276,456)
Increase (decrease) in net defined benefit liability	—	—	40,090	389,223
Interest and dividend income	(2,563)	(2,767)	(3,590)	(34,854)
Equity in earnings of affiliates, net	(3,499)	(2,932)	(5,452)	(52,932)
(Increase) decrease in receivables, trade	(19,282)	20,004	(4,418)	(42,893)
(Increase) decrease in inventories	(16,521)	19,948	(9,488)	(92,117)
Increase (decrease) in payables, trade	9,501	(10,021)	2,159	20,961
Other	10,139	8,751	(3,189)	(30,961)
Cash generated from operations	223,282	242,628	180,514	1,752,563
Interest and dividends received	4,063	4,495	5,596	54,330
Income taxes paid	(84,218)	(88,735)	(61,262)	(594,777)
Other	1,096	460	711	6,903
Net cash provided by operating activities	144,223	158,848	125,559	1,219,019
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment	(43,959)	(44,445)	(16,623)	(161,388)
Proceeds from sales of investment securities	2,277	5	541	5,252
Other	(415)	476	(386)	(3,747)
Net cash used in investing activities	(42,097)	(43,964)	(16,468)	(159,883)
<b>Cash flows from financing activities</b>				
Purchases of treasury stock	(295)	(240)	(661)	(6,417)
Dividends paid	(41,551)	(39,426)	(31,100)	(301,942)
Other	(206)	(172)	(168)	(1,631)
Net cash used in financing activities	(42,052)	(39,838)	(31,929)	(309,990)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(3,931)	15,636	17,633	171,194
Net increase (decrease) in cash and cash equivalents	56,143	90,682	94,795	920,340
Cash and cash equivalents at beginning of year	583,486	637,069	727,751	7,065,543
Cash and cash equivalents resulting from consolidation of subsidiaries	(2,560)	—	—	—
Increase (decrease) in cash and cash equivalents caused by merger between consolidated and non-consolidated subsidiaries	—	—	1,123	10,903
<b>Cash and cash equivalents at end of year</b>	<b>¥637,069</b>	<b>¥727,751</b>	<b>¥823,669</b>	<b>\$7,996,786</b>

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 in accordance to 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 Act 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 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 its subsidiaries except for those that are low in significance. Significant intercompany accounts transactions have been eliminated in consolidation.

The investments in unconsolidated subsidiaries and affiliated companies over which the Company exerts substantial influence are, except for those that are low in significance, accounted for under the equity method.

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 at the time of purchase as 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 as of the balance sheet date. Foreign exchange gain or loss upon 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 exchange rates as of their respective balance sheet dates except for shareholders' equity which is translated at historical rates. Differences arising from translation are reflected as "foreign currency translation adjustments" as a part 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

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 as well as overhead manufacturing costs including depreciation.

Finished goods are stated principally at cost (method of reducing book value due to decline in profitability) 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 performance. In addition, they are calculated with reference to current information concerning specific issues.

**(i) Retirement benefits**

The Company adopted the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, issued on May 17, 2012; hereinafter the "Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012; hereinafter the "Guidance") from the current

fiscal year (except for provisions described in Section 35 of the Standard and in Section 67 of the Guidance.), whereby the method has been changed to where retirement benefit obligation, net of plan assets, is recorded as net defined benefit liability, and unrecognized actuarial gain or loss and unrecognized past service cost are recorded as net defined benefit liability.

Concerning the application of the "Accounting Standards for Retirement Benefits", based on the provisional treatment set out in Section 37 of the Standard, the effects of such changes in the current fiscal year have been reflected in remeasurements of defined benefit plans.

The straight-line basis is applied as the method for attributing the expected retirement benefits to periods up to the current fiscal year for the calculation of 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 (10-11 years) within 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 (10-11 years) within 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 customers. Export sales are recognized as of the date of shipment.

**(k) Income taxes**

Deferred income taxes are recognized by the asset and liability method, whereby 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 be eliminated.

#### (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

As prescribed by the Companies Act of Japan, a minimum of 10% from the amount expended as appropriation of surplus shall be allotted to legal retained earnings until the sum of legal capital surplus and legal retained earnings is equivalent to 25% of capital stock. In addition, the part of the sum of legal capital surplus and legal retained earnings that exceeds 25% of capital stock can be distributed as dividends upon resolution at a shareholder's meeting.

### 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 consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥103 = U.S.\$1.00, the rate of exchange prevailing on March 31, 2014.

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

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

Receivables such as trade notes and trade accounts are exposed to customer credit risk and receivables in foreign currencies that arises from overseas operations are exposed to the market risk of fluctuation in foreign currency exchange rates. Investment securities, which mainly consist of stocks in business partners, are exposed to the risk of market price fluctuations.

Payables such as trade notes and trade accounts are mostly 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 in accordance 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 the market price and the financial condition of the issuer with respect to its securities and continuously reviews the investments made in each company, taking into account its relationship with the counterparty.



## 5. Other securities and investments

Other securities whose fair value was determinable at March 31, 2013 and 2014 are summarized as follows:

2013		Millions of yen		
	Type of securities	Book value reflected in the balance sheet	Acquisition cost	Net
Other securities with unrealized gain	Equity securities	¥6,459	¥3,280	¥3,179
	Subtotal	6,459	3,280	3,179
Other securities with unrealized loss	Equity securities	18	19	(1)
	Bonds	82	82	—
	Subtotal	100	101	(1)
Total		¥6,559	¥3,381	¥3,178

2014		Millions of yen		
	Type of securities	Book value reflected in the balance sheet	Acquisition cost	Net
Other securities with unrealized gain	Equity securities	<b>¥9,414</b>	<b>¥3,299</b>	<b>¥6,115</b>
	Subtotal	<b>9,414</b>	<b>3,299</b>	<b>6,115</b>
Other securities with unrealized loss	Equity securities	—	—	—
	Bonds	<b>1</b>	<b>1</b>	—
	Subtotal	<b>1</b>	<b>1</b>	—
Total		<b>¥9,415</b>	<b>¥3,300</b>	<b>¥6,115</b>

2014		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	<b>\$91,398</b>	<b>\$32,029</b>	<b>\$59,369</b>
	Subtotal	<b>91,398</b>	<b>32,029</b>	<b>59,369</b>
Other securities with unrealized loss	Equity securities	—	—	—
	Bonds	<b>10</b>	<b>10</b>	—
	Subtotal	<b>10</b>	<b>10</b>	—
Total		<b>\$91,408</b>	<b>\$32,039</b>	<b>\$59,369</b>

Other securities sold during the years ended March 31, 2013 and 2014 are not presented since they are insignificant.

Investments at March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Investments in affiliates	¥25,144	<b>¥32,252</b>	<b>\$313,126</b>
Other securities	6,635	<b>9,491</b>	<b>92,146</b>
Allowance for doubtful accounts	(1)	(1)	(10)
Other	7,327	<b>7,675</b>	<b>74,515</b>
Total	¥39,105	<b>¥49,417</b>	<b>\$479,777</b>

## 6. Retirement benefits

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

Certain overseas consolidated subsidiaries also provide defined benefit pension plans.

Information on the defined benefit pension plans for the year ended March 31, 2013 is as follows:

	Millions of yen
	2013
Projected benefit obligation	(¥111,128)
Fair value of plan assets	83,921
Projected benefit obligation in excess of plan assets	(27,207)
Unrecognized net actuarial loss	1,922
Unrecognized past service cost	(1,064)
Subtotal	(¥26,349)
Prepaid pension cost	1,823
Allowance for employees' retirement benefits	(¥28,172)

Pension cost related to the plans for the year ended March 31, 2013 are as follows:

	Millions of yen
	2013
Service cost	¥3,390
Interest cost	2,560
Expected return on plan assets	(1,361)
Amortization of net actuarial loss	967
Amortization of past service cost	(309)
Net pension cost	¥5,247

The Group's assumptions for the year ended March 31, 2013 which were used in determining pension costs and allowance for employees' retirement benefits shown above, are as follows:

	2013
Discount rate	2.0%-4.81%
Expected rate of return on plan assets	1.5%-3.0%
Method of allocation of retirement benefit cost	Flat allocation
Period for amortization of past service cost	10-12 years
Period for amortization of actuarial loss	10-12 years

Notes have been changed from the year ended March 31, 2014 due to the adopting of "Accounting Standard for Retirement Benefits" and "Guidance on Accounting Standard for Retirement Benefits" revised on May 17, 2012.

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

Certain overseas consolidated subsidiaries also provide defined benefit pension plans and/or defined contribution pension plans.

Information on the pension plans for the year ended March 31, 2014 is as follows;

## 1. Defined Benefit Pension Plans

### (1) Changes in the projected benefit obligation (PBO)

	Millions of yen	Thousands of U.S. dollars
	2014	2014
PBO at beginning of year	¥111,128	\$1,078,913
Service cost	3,711	36,029
Interest cost	2,756	26,757
Actuarial gain or loss	8,809	85,524
Benefit payments	(2,141)	(20,786)
Influence of exchange	2,524	24,505
Other	1,554	15,087
PBO at end of year	¥128,341	\$1,246,029

### (2) Changes in the fair value of plan assets

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Fair value of plan assets at beginning of year	¥83,921	\$814,767
Expected return on plan assets	1,501	14,573
Actuarial gain or loss	(1,294)	(12,563)
Employer contribution	3,618	35,126
Benefit payments	(1,247)	(12,107)
Influence of exchange	1,410	13,689
Other	(24)	(233)
Fair value of plan assets at end of year	¥87,885	\$853,252

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

	Millions of yen	Thousands of U.S. dollars
	2014	2014
PBO in savings-type pension plan	¥124,484	\$1,208,582
Fair value of plan assets	(87,885)	(853,252)
	36,599	355,330
PBO in non-savings-type pension plan	3,857	37,447
Net amount of liability and asset recognized in consolidated balance sheets	40,456	392,777
Net defined benefit liability	40,456	392,777
Net amount of liability and asset recognized in consolidated balance sheets	¥ 40,456	\$ 392,777

## (4) Components of pension cost

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥ 3,711	\$ 36,029
Interest cost	2,756	26,757
Expected return on plan assets	(1,501)	(14,573)
Amortization of actuarial gain or loss	(173)	(1,679)
Amortization of past service cost	(302)	(2,932)
Other	13	126
Defined benefit cost	¥ 4,504	\$ 43,728

## (5) Remeasurements of defined benefit plans

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

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized actuarial gain or loss	¥ (749)	\$ (7,272)
Unrecognized past service cost	13,370	129,806
Total	¥12,621	\$122,534

## (6) Plan assets

## 1) Components of plan assets

The components are as follows:

	2014
Debt securities	80%
Cash and deposits	19%
Other	1%
Total	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 plan assets.

(7) Actuarial assumptions

	2014
Discount rate	1.5 - 4.4%
Expected rate of return on plan assets	1.5 - 3.0%

2. Defined Contribution Pension Plans

Contributions of consolidated subsidiaries to the plan are ¥523 million (\$5,078 thousand).

## 7. Leases

Future rent payments, including interest, under operating leases subsequent to March 31, 2013 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Due within one year	¥270	¥ 577	\$ 5,602
Due after one year	¥688	¥ 849	\$ 8,243
Total	¥958	¥1,426	\$ 13,845

## 8. Contingent liabilities

Contingent liabilities with respect to guarantees for employees' mortgage loans with banks at March 31, 2013 and 2014 amounted to 132 million and 104 million (\$1,010 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, 2012, 2013 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2014
	¥20,478	¥20,148	¥18,372
			\$178,369

## 10. Other income (expenses)-Other, net

Other, net for the years ended March 31, 2012, 2013 and 2014 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2012	2013	2014	2014
Dividend income	¥ 651	¥ 815	¥1,290	\$12,524
Loss on sales and disposal of fixed assets	(185)	(281)	(163)	(1,582)
Exchange gain or loss, net	(600)	34	222	2,156
Profit on sales of investment securities	—	—	—	—
Loss on devaluation of securities	—	—	—	—
Miscellaneous, net	1,467	969	1,125	10,922
Total	¥1,333	¥1,537	¥2,474	\$24,020

## 11. Income taxes

Net deferred tax assets at March 31, 2013 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Deferred tax assets:			
Allowance for employees' retirement benefits	¥ 9,234	—	—
Net defined benefit liability	—	¥ 13,432	\$ 130,408
Intercompany profit on inventories and property, plant and equipment	6,514	7,554	73,340
Depreciation	5,553	6,070	58,932
Accrued enterprise taxes	1,895	2,210	21,456
Investment securities	1,146	1,146	11,126
Other	12,037	12,257	119,000
Gross deferred tax assets	36,379	42,669	414,262
Valuation allowance	(1,157)	(1,157)	(11,233)
Total deferred tax assets	35,222	41,512	403,029
Deferred tax liabilities:			
Undistributed earnings of affiliated companies	(10,270)	(13,072)	(126,913)
Other	(2,836)	(3,732)	(36,233)
Total deferred tax liabilities	(13,106)	(16,804)	(163,146)
Net deferred tax assets (liabilities)	¥ 22,116	¥ 24,708	\$ 239,883



## 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 CNC's and servo motors in all of its products. For this reason, the decision is made, taking 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 decision by the entire group for investment. Thus, the segment information is not stated herein.

(Additional Information)

From the current fiscal year, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, effective March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, effective March 21, 2008) have been applied.

### Relevant Information

#### Information by product and service

Net sales: External customers	Millions of yen			Thousands of U.S. dollars
	2012	2013	2014	2014
FA	¥267,585	¥200,118	¥222,643	\$2,161,583
ROBOT	¥114,785	¥119,149	¥146,866	\$1,425,883
ROBOMACHINE	¥156,122	¥179,128	¥ 81,467	\$ 790,942
Total	¥538,492	¥498,395	¥450,976	\$4,378,408

#### Information by region

Net sales: External customers	Millions of yen			Thousands of U.S. dollars
	2012	2013	2014	2014
Japan	¥126,780	¥107,213	¥105,706	\$1,026,272
America	¥ 75,398	¥ 84,334	¥103,012	\$1,000,116
Europe	¥ 65,771	¥ 55,051	¥ 71,981	\$ 698,845
Asia	¥268,124	¥249,783	¥168,015	\$1,631,214
Other	¥ 2,419	¥ 2,014	¥ 2,262	\$ 21,961
Total	¥538,492	¥498,395	¥450,976	\$4,378,408

### **13. Derivatives**

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The Group does not enter into any derivative contracts.

### **14. Related-party transactions**

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No related-party transactions were recorded for the years ended March 31, 2013 and 2014.

## ➔ NON-CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2012	2013	2014	2014
<b>Net sales</b>	¥464,108	¥407,289	<b>¥324,469</b>	<b>\$3,150,184</b>
Cost of goods sold	233,739	216,747	176,679	1,715,330
<b>Gross profit</b>	230,369	190,542	<b>147,790</b>	<b>1,434,854</b>
Selling, general and administrative expenses	29,862	27,921	25,596	248,505
<b>Operating income</b>	200,507	162,621	<b>122,194</b>	<b>1,186,349</b>
<b>Other income (expenses):</b>				
Interest income	166	212	275	2,670
Dividend income	22,646	8,597	9,932	96,427
Other, net	1,324	972	1,027	9,971
	24,136	9,781	11,234	109,068
<b>Income before income taxes</b>	224,643	172,402	<b>133,428</b>	<b>1,295,417</b>
<b>Income taxes:</b>				
Current	83,284	60,881	45,984	446,447
Deferred	(662)	339	446	4,330
	82,622	61,220	46,430	450,777
<b>Net income</b>	¥142,021	¥111,182	<b>¥ 86,998</b>	<b>\$ 844,640</b>

Net income per share of common stock:	Yen			U.S. dollars
	¥ 725.57	¥ 568.06	¥ 444.56	\$ 4.32

Note: The U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥103 = U.S.\$1.00.

## ➔ NON-CONSOLIDATED BALANCE SHEETS

As of March 31	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	¥ 587,931	¥ 634,111	\$ 6,156,417
Receivables, trade:			
Accounts and notes	38,285	39,688	385,320
Subsidiaries and affiliates	15,863	18,888	183,379
Allowance for doubtful accounts	(539)	(545)	(5,291)
Inventories	39,628	50,699	492,223
Deferred income taxes	8,692	8,336	80,932
Other current assets	5,006	3,681	35,738
Total current assets	694,866	754,858	7,328,718
<b>Investments and long-term loans:</b>			
Subsidiaries and affiliates	108,539	107,337	1,042,107
Deferred income taxes	11,265	10,251	99,524
Other	6,663	9,586	93,068
Total investments and long-term loans	126,467	127,174	1,234,699
<b>Property, plant and equipment, at cost:</b>			
Land	106,836	106,945	1,038,301
Buildings	194,148	202,592	1,966,913
Machinery and equipment	113,439	127,476	1,237,631
Construction in progress	21,736	6,153	59,738
	436,159	443,166	4,302,583
Accumulated depreciation	(195,690)	(206,938)	(2,009,107)
Property, plant and equipment, net	240,469	236,228	2,293,476
<b>Intangible assets</b>	268	263	2,554
<b>Total assets</b>	¥ 1,062,070	¥ 1,118,523	\$ 10,859,447
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Payables, trade:			
Accounts	¥ 16,684	¥ 19,684	\$ 191,107
Subsidiaries and affiliates	578	823	7,990
Accrued expenses	16,305	13,279	128,922
Accrued income taxes	28,061	26,863	260,806
Warranty reserves	1,970	2,012	19,534
Other current liabilities	2,284	2,374	23,049
Total current liabilities	65,882	65,035	631,408
<b>Long-term liabilities:</b>			
Allowance for employees' retirement benefits	25,403	25,410	246,699
Asset retirement obligations	2,796	2,825	27,427
Total long-term liabilities	28,199	28,235	274,126
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Common stock:			
Authorized - 400,000,000 shares			
Issued - 239,508,317 shares	69,014	69,014	670,039
Capital surplus	96,119	96,122	933,223
Retained earnings	1,111,551	1,167,462	11,334,583
Treasury stock, at cost	(311,636)	(312,299)	(3,032,029)
Total shareholders' equity	965,048	1,020,299	9,905,816
<b>Valuation and translation adjustments:</b>			
Net unrealized holding gain on other securities	2,941	4,954	48,097
Total net assets	967,989	1,025,253	9,953,913
<b>Total liabilities and net assets</b>	¥ 1,062,070	¥ 1,118,523	\$ 10,859,447

Note: The U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥103 = U.S.\$1.00.





SHANGHAI-FANUC Robotics  
Shanghai, China



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TAIWAN FANUC FA  
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**FANUC CORPORATION**

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