

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

# **ANNUAL REPORT 2017**

Year ended March 31, 2017



FANUC's Symbol "Keyaki" - Zelkova tree

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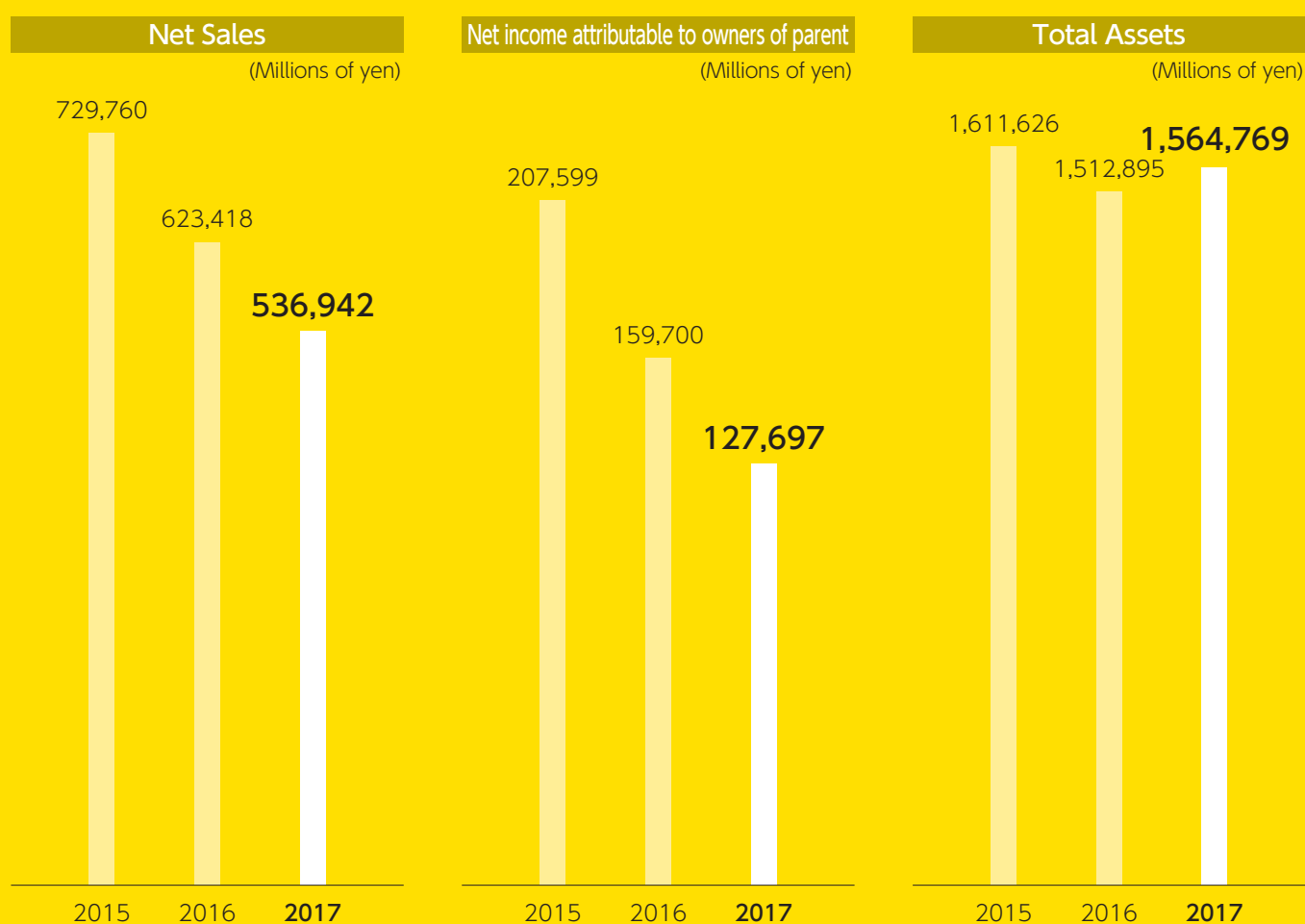
### Forward-looking statements

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)

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2015	2016	2017	2017
For the year:				
Net sales	¥ 729,760	¥ 623,418	¥ 536,942	\$ 4,794,125
Net income attributable to owners of parent	207,599	159,700	127,697	1,140,152
At the year end:				
Total assets	¥ 1,611,626	¥ 1,512,895	¥ 1,564,769	\$13,971,152
Net assets	1,386,695	1,334,910	1,369,457	12,227,295
Per share data:				
Net income	¥ 1,061.02	¥ 816.78	¥ 658.63	\$ 5.88
Cash dividends	636.62	490.07	395.18	3.53

Note: The U.S. dollar amounts shown above and elsewhere in this annual report are converted from yen, for the readers' convenience at the rate of ¥112 = U.S.\$1.00.



## ➔ A Message To Our Shareholders



During this period, the business environment surrounding the FANUC Group was marked by steady demand for capital investment in the Americas, and unchanged levels of demand in Japan and Europe. In China and other Asian economies, signs of recovery were observed from around the end of the period.

Under these circumstances, the FANUC Group strived to earn customer 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, we pushed ahead with initiatives to stabilize and further develop our future business, by proceeding with the adoption of AI technology to our products along with accelerating support for IoT mainly through preparations for the startup of the FIELD system (FANUC Intelligent Edge Link and Drive system).

During the fiscal year ended March 31, 2017, FANUC posted consolidated net sales totaling ¥536,942 million, down 13.9%, consolidated operating income totaling ¥153,217 million, down 28.9%, and consolidated net income totaling ¥127,697 million, down 20.0%, compared with the previous fiscal year.

Going forward, it is anticipated that the US market will remain strong, and continued signs of recovery will be observed in China and other Asian economies. The FANUC Group will firmly address demand, while making all-out efforts to expand sales in Europe.

Despite these trends, however, the situation is expected to remain challenging and unpredictable as a whole, due to foreign exchange movements and concerns over geopolitical risks and other factors.

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

Based on this fundamental approach and the slogan of “one FANUC,” the FANUC Group shall take maximum advantage of our unique strength in uniting our FA, ROBOT and ROBOMACHINE Divisions to jointly provide total solutions and take care of customers throughout the world.

In addition, the FANUC Group will adhere to its origins as a producer of equipment to be used in manufacturing sites, and shall be thorough in implementing our slogan of “Reliable / Predictable / Easy to Repair” in product development, in order 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 shall 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.

FANUC believes that AI and IoT are indispensable technologies in order for FANUC to continue developing and launching highly competitive products in the market. By proactively adopting these technologies in all areas of the FA, ROBOT and ROBOMACHINE products, we will further promote customers’ production efficiency.

United as one group in the promotion of these measures, we will continue to ensure the practice of “Strict Preciseness and Transparency,” the principle of FANUC since its foundation, and make efforts to gain more customer confidence and trust in the FANUC Group and become a company that will last forever.

Thank you for your continued support and assistance to FANUC.

Yoshiharu Inaba  
Chairman & CEO

Kenji Yamaguchi  
President & COO

## ➔ Summary of FANUC Business



### FA Division

#### Main Products

- CNC
- SERVO MOTOR
- LASER

#### Results for Fiscal 2016

Consolidated net sales was ¥175,016 million, up 2.8% compared with the previous fiscal year, accounting for 32.6% of consolidated net sales.

Refer to page 5 for details



### ROBOT Division

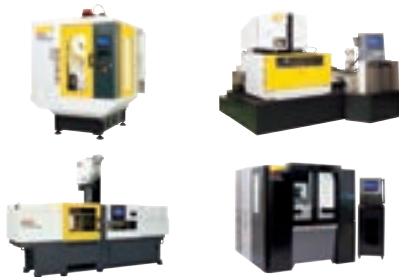
#### Main Products

- Collaborative Robot
- Super Heavy Payload Robot
- Genkotsu-Robot

#### Results for Fiscal 2016

Consolidated net sales was ¥190,043 million, up 0.9% compared with the previous fiscal year, accounting for 35.4% of consolidated net sales.

Refer to page 6 for details



### ROBOMACHINE Division

#### Main Products

- ROBODRILL
- ROBOSHOT
- ROBOCUT
- ROBONANO

#### Results for Fiscal 2016

Consolidated net sales was ¥93,939 million, down 48.7% compared with the previous fiscal year, accounting for 17.5% of consolidated net sales.

Refer to page 7 for details

**Service First** 

### Service Division

#### Results for Fiscal 2016

Consolidated net sales was ¥77,944 million, down 4.8% compared with the previous fiscal year, accounting for 14.5% of consolidated net sales.

## ➔ Business Report

### FA Business Division

The machine tool industry, the primary market for FANUC CNC systems, experienced an increase in short-term demand in China at the beginning of the period and showed signs of an overall recovery trend in China and other Asian economies from around the end of the period, despite continued severe difficulties mainly in Europe. Sales in Japan remained steady.

Due to these circumstances, net sales of CNC systems of the FANUC Group increased compared with the previous fiscal year.

In terms of development, “Fine Surface Technology,” a control technology capable of realizing high-quality machining at a superior level, was developed for the nano CNCs, “FANUC 30i series” that deliver high-speed, high-quality machining, and for FANUC’s global-standard CNCs, “FANUC 0i series.” In addition, “Smart Machine Control,” which performs motor control while monitoring machine conditions and is a group of functions differentiated from conventional motor control, was further enhanced during this period. Furthermore, our CNCs for general industrial machines, the Power Motion series, were given various upgrades and additional functions, including significant enhancement of basic performance and cycle time reduction.

In the servo field, the lineup of the “SYNCHRONOUS BUILT-IN SPINDLE MOTOR BiS-B series” was expanded, and their capabilities including output were enhanced. Furthermore, spindle motors received additional functions related to reduction of machining time and improvement of movement stability, among other changes. In addition, a tool was developed that allows customers to select motors appropriate to their machines’ specifications.

FANUC laser sales were sluggish domestically and abroad.

In terms of development, the lineup of the fiber laser oscillators “FANUC FIBER LASER series” was completed, now with products ranging from 500W to 6000W in output, as a result of adding the 500W and 1000W output models. The models with an output of 1000W or less are highly expected to be applied to laser multi-tasking machines and to expand sales in fields such as 3D additive manufacturing (3D printing) using metal.



CNC Series



SERVO MOTOR, SERVO AMPLIFIER



LASER

## ROBOT Business Division

Sales of robots remained steady in the Americas and Europe, despite a trough in facility investments in the automobile industry, etc. during the first half of this period. In China, the growth of demand was striking. In Japan, sales were favorable mainly with robots for the automobile industry.

New developments included the enhancement of our green “Collaborative Robots,” which do not require a safety fence and enable robots and humans to work together, with the addition of three models of small payload types, which can be expected to expand sales in general industries.

In the multi-purpose intelligent “FANUC Robot R-2000iC series,” which is the culmination of FANUC’s long years of experience and technology, an upside-down mount type 220 kg payload model and a water proof for washing, 210 kg payload model were newly developed to expand the lineup.

Additionally, in the medium-sized intelligent handling “FANUC Robot M-20iB/25 series,” a model with enhanced dustproof, waterproof and rustproof performance was developed. Sales of such robots are expected to expand into various fields including the food and pharmaceutical industries.

With such new products and new functions, the range of application of FANUC robots is anticipated to expand further.



Collaborative Robot



R-2000iC



M-20iB

## ROBOMACHINE Business Division

Sales of the ROBODRILL (compact machining center) remained steady for automobile and motorcycle parts processing, and short-term IT-related demand began to show some movement from the fourth quarter. However, sales declined compared with the previous fiscal year when there was a strong contribution from short-term IT-related demand.

On the development front, the “FANUC ROBODRILL  $\alpha$ -DiB series,” which has a completely new CNC screen, shortens cycle time and has a high performance specification model added to its lineup, was developed as a successor model to the “FANUC ROBODRILL  $\alpha$ -DiA series.” This series has already been well-received by the market.

Demand for the ROBOSHOT (electric injection molding machine) remained unchanged except in the IT-related field, but overall sales decreased slightly as IT-related demand failed to bring about full-fledged recovery.

In the electric injection molding “FANUC ROBOSHOT  $\alpha$ -SiA series,” the horizontal second injection unit called “FANUC ROBOSHOT SI-300HA” was developed. With this model, relatively large-size moldings can be supported, and combining it with the vertical second injection unit, “FANUC ROBOSHOT SI-20A” enables “three components molding.”

This in turn is expected to further broaden the scope of its applications.

Sales of the ROBOCUT (wire-cut electric discharge machine) remained unchanged. The total of accumulated shipment volume surpassed 30,000 units in March 2017.

On the development front, the “FANUC ROBOCUT  $\alpha$ -CiB series” was developed as a successor model to the wire-cut electric discharge machine “FANUC ROBOCUT  $\alpha$ -CiA series.” The basic performance was enhanced and large-size specification models were added to the lineup to enable large die machining, thus expanding the scope of its applications. This series has already been well received by the market.

As for the ROBONANO (ultra precision machine), the ultra precision “FANUC ROBONANO  $\alpha$ -NMiA,” a machining system which adopts FANUC’s latest FA technology, was developed. This machine has greatly improved machining surface accuracy and surface quality compared with the previous model, and the scope of its applications is highly expected to expand commensurate with the expanded machining area of work.



ROBODRILL



ROBOSHOT



ROBOCUT



ROBONANO



## ➔ Management Policy

### Basic Management Policy

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FANUC was the first private company to succeed in the development of NC's and servomechanism in Japan, and ever since this success in 1956, has consistently pursued automation in factories.

With its three pillars consisting of the FA business, which comprises FANUC's basic technology of NC and servos, the ROBOT and ROBOMACHINE businesses which apply this basic technology, FANUC contributes to the manufacturing industry in Japan and overseas by promoting automation and efficiency in manufacturing.

### Three Key Words 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**

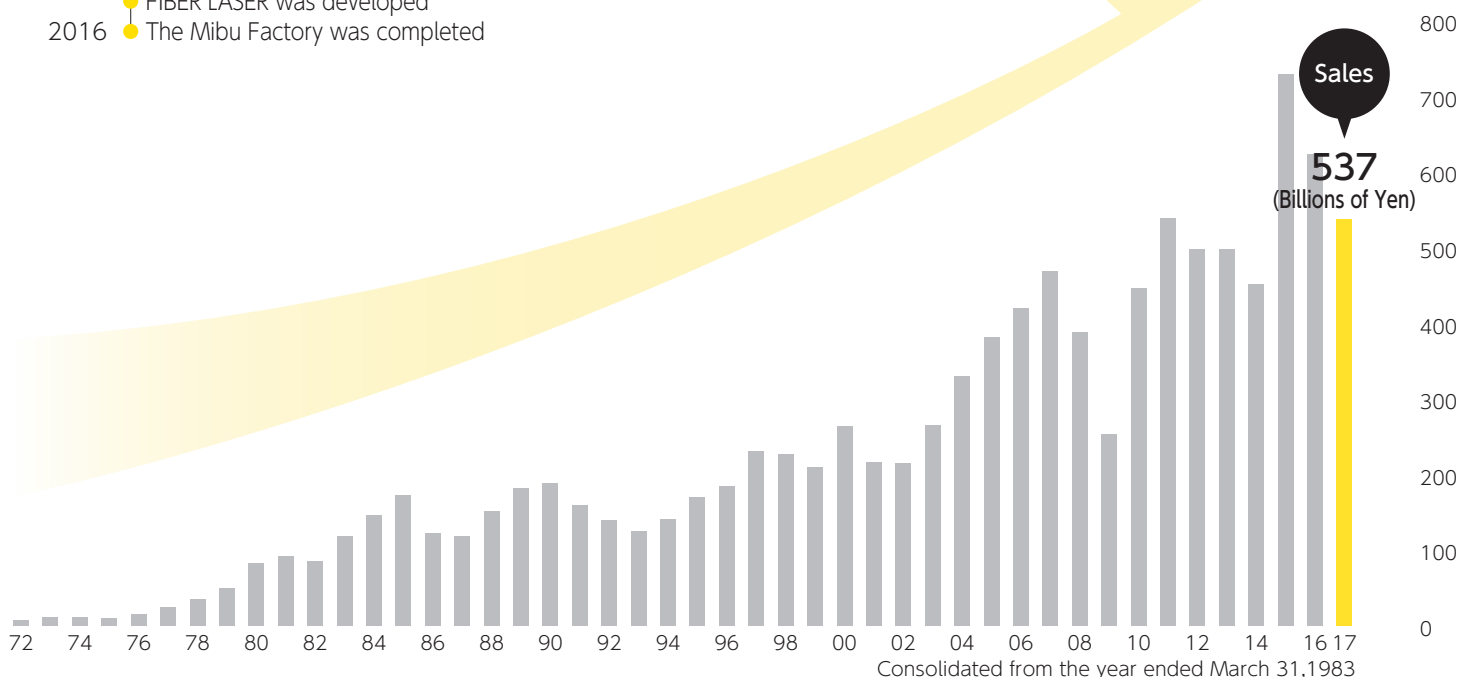
FANUC aims to minimize downtime in all factories all over the world.

***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 250 service locations in 45 countries throughout the world.

## ➔ 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 ● FANUC headquarters was moved to the foot of Mt. Fuji.
- All-electric plastics injection molding machine, "FANUC AUTOSHOT" was developed.
- 1985 ● FANUC series 0 was developed.
- 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 PRIVATE 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 16*i* Series CNC started.
- 2003 ● The commercial production of intelligent ROBOTS started.
- The commercial production of 30*i* Series CNC started.
- 2009 ● The joint venture with General Electric Company was resolved and the joint venture's FA operations in the Americas were transferred to FANUC America Corporation.
- The commercial production of the Genkotsu-Robot, a Parallel Link Robot, started.
- 2012 ● European subsidiaries were reorganized, and FANUC Europe Corporation was established.
- 2013 ● Subsidiaries in North and South America were reorganized, and FANUC America Corporation was established.
- 2015 ● Collaborative ROBOT CR-35*i*A was developed.
- FIBER LASER was developed
- 2016 ● The Mibu Factory was completed



### Fundamental Concept of Corporate Governance

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We ensure the practice of the principle, “preciseness and transparency,” which has been the principle of FANUC since its foundation. 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 “Preciseness and Transparency”

#### 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.

By establishing a specific code of conduct while practicing “preciseness and transparency,” we will make efforts to maintain a high level of awareness of officers and employees of our Group into the future.

### Organizational Structure

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As we are surrounded by a very rapidly changing business environment, unless the Board of Directors understands accurate information about customer and market trends, service status, etc., the Board will not be able to make appropriate managerial decisions. Due to these circumstances, in principle, our directors other than outside directors execute the business of our company, aiming at a system where directors are involved in daily operations themselves, acquire accurate information themselves, and mutually share such information among the members of the Board of Directors. Furthermore, we have chosen to be a company with Audit & Supervisory Board, as an organizational design that can make best use of these characteristics.

### Directors and Audit & Supervisory Board Members

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**Member of the Board** (13 in total, including 3 outside directors)

**Representative Member of the Board, Chairman and CEO**

Dr. Yoshiharu Inaba

**Representative Member of the Board, President and COO**

Kenji Yamaguchi (General Manager, FA Business Division)

**Representative Member of the Board, Senior Executive Vice President and CTO**

Hiroyuki Uchida (General Manager, ROBOMACHINE Business Division)

**Representative Member of the Board, Senior Executive Vice President and CFO**

Yoshihiro Gonda (General Manager, Corporate Administration Division)

**Member of the Board, Executive Vice President**

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

Hiroshi Noda (Vice General Manager (R&D), FA Business Division)

Katsuo Kohari (Vice General Manager (Sales), FA Business Division, General Manager, Service Division)

Shunsuke Matsubara (General Manager, Research & Development Administration Division)

Toshiya Okada (Vice General Manager, Corporate Administration Division, General Manager, Legal Division)

**Member of the Board**

Richard E. Schneider (Chairman, FANUC America Corporation)

Kazuo Tsukuda (Outside)

Yasuo Imai (Outside)

Masato Ono (Outside)

**Audit & Supervisory Board Members** (5 in total, including 3 outside Audit & Supervisory Board Members)

Shunsuke Kimura

Naoki Shimizu

Dr. Takeo Nakagawa (Outside)

Masaharu Sumikawa (Outside)

Hajime Harada (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 10 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 (see the section "Independent Directors/Audit & Supervisory Board Members"). (The Company has never applied for a loan from any bank of Mizuho Financial Group.), it has been over 9 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
Takeo Nakagawa	As Professor Emeritus of the University of Tokyo and a corporate manager, Takeo Nakagawa has been consistently engaged in "monozukuri (manufacturing)." For this reason, he has given us objective and valuable advice from various aspects based on his profound understanding of the Company's business. We believe that we can expect him to continue to play a significant role going forward.
Masaharu Sumikawa	We expect him to provide advice whenever necessary, based on his wide experience, expertise and knowledge he had obtained as a long-serving corporate executive.
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 has reached 13 years as of the end of June 2017, he meets the Company's criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members (see the section "Independent Directors/Audit & Supervisory Board Members") and 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.

## 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 reasons 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	2008	2009	2010	2011
<b>Net sales</b>	¥ 468,399	¥ 388,271	¥ 253,393	¥ 446,201
<b>Operating income</b>	189,564	134,449	55,024	189,757
Operating income as a percentage of net sales	40.5%	34.6%	21.7%	42.5%
<b>Income before income taxes</b>	211,875	149,148	55,826	193,495
<b>Net income attributable to owners of parent</b>	127,030	97,162	37,511	120,155
<b>Current assets</b>	750,328	683,719	623,573	753,992
<b>Current liabilities</b>	104,151	55,725	56,188	89,589
<b>Total assets</b>	1,046,837	970,441	891,651	1,013,000
<b>Net assets</b>	911,395	893,282	812,657	894,494

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

Net income:				
Basic	611.14	467.55	187.75	613.75
Diluted	—	—	—	—
Cash dividends	183.35	140.27	56.33	184.13
Net assets	4,225.39	4,177.28	4,133.89	4,550.71

Note : The U.S. dollar amounts shown above and elsewhere in this annual report are converted from yen, for the readers' convenience, at the rate of ¥112 = U.S.\$1.00.

Millions of yen, except for per share data						Thousands of U.S. dollars, except for per share data
2012	2013	2014	2015	2016	2017	2017
¥ 538,492	¥ 498,395	¥ 450,976	¥ 729,760	¥ 623,418	¥ 536,942	\$ 4,794,125
221,834	184,821	164,134	297,839	215,567	153,217	1,368,008
41.2%	37.1%	36.4%	40.8%	34.6%	28.5%	28.5%
228,578	191,242	174,360	311,951	229,361	168,829	1,507,401
138,819	120,484	110,930	207,599	159,700	127,697	1,140,152
848,669	906,440	1,027,801	1,273,355	1,072,770	1,059,644	9,461,108
115,270	92,973	99,449	172,611	106,116	120,715	1,077,812
1,130,625	1,219,113	1,343,904	1,611,626	1,512,895	1,564,769	13,971,152
985,322	1,094,129	1,199,863	1,386,695	1,334,910	1,369,457	12,227,295
709.20	615.59	566.86	1,061.02	816.78	658.63	5.88
—	—	—	—	—	—	—
212.77	184.68	170.06	636.62	490.07	395.18	3.53
5,013.69	5,565.64	6,102.20	7,049.39	6,825.27	7,031.79	62.78



## ➔ Consolidated Statements of Income

Years ended March 31	Millions of yen			Thousands of U.S. dollars (Note 3)
	2015	2016	2017	2017
<b>Net sales</b>	¥ 729,760	¥ 623,418	¥ 536,942	\$4,794,125
Cost of goods sold (Note 9)	350,746	326,912	303,415	2,709,063
<b>Gross profit</b>	379,014	296,506	233,527	2,085,062
Selling, general and administrative expenses (Note 9)	81,175	80,939	80,310	717,054
<b>Operating income</b>	297,839	215,567	153,217	1,368,008
<b>Other income (expenses):</b>				
Interest income	2,628	2,537	2,343	20,920
Equity in earnings of affiliates	9,886	11,494	10,022	89,482
Other, net (Note 10)	1,598	(237)	3,247	28,991
	14,112	13,794	15,612	139,393
<b>Income before income taxes</b>	311,951	229,361	168,829	1,507,401
<b>Income taxes:</b>				
Current	111,261	66,123	47,736	426,214
Deferred	(8,162)	2,906	(6,684)	(59,679)
<b>Net income</b>	208,852	160,332	127,777	1,140,866
Net income attributable to non-controlling interests	1,253	632	80	714
Net income attributable to owners of parent	¥ 207,599	¥ 159,700	¥ 127,697	\$1,140,152
		Yen		U.S. dollars (Note 3)
<b>Amounts per share of common stock:</b>				
Net income	¥ 1,061.02	¥ 816.78	¥ 658.63	\$ 5.88
Cash dividends	636.62	490.07	395.18	3.53

See notes to the consolidated financial statements.

## ➔ Consolidated Statements of Comprehensive Income

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2015	2016	2017	2017
Net income	¥208,852	¥160,332	¥127,777	\$1,140,866
Other comprehensive income				
Valuation difference on available-for-sale securities	2,370	(3,091)	4,203	37,527
Foreign currency translation adjustment	22,178	(21,866)	(2,076)	(18,536)
Remeasurements of defined benefit plans	(2,736)	(15,337)	(443)	(3,955)
Share of other comprehensive income of affiliates accounted for using equity method	4,687	(2,085)	(4,527)	(40,420)
Total other comprehensive income	26,499	(42,379)	(2,843)	(25,384)
Comprehensive income	¥235,351	¥117,953	¥124,934	\$1,115,482
Comprehensive income attributable to:				
Owners of parent	233,467	117,873	124,774	1,114,054
Non-controlling interests	1,884	80	160	1,428

## ➔ Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars (Note 3)
As of March 31	2016	2017	2017
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and bank deposits	¥686,662	¥629,761	\$5,622,866
Receivables, trade:			
Notes and accounts	100,307	120,787	1,078,455
Allowance for doubtful accounts	(1,568)	(1,287)	(11,491)
Marketable securities	145,000	145,000	1,294,643
Finished goods	52,736	60,580	540,893
Work in progress	39,206	43,892	391,893
Raw materials and supplies	11,124	13,864	123,786
Deferred income taxes (Note 11)	23,107	24,384	217,714
Other current assets	16,196	22,663	202,349
Total current assets	1,072,770	1,059,644	9,461,108
<b>Investments (Note 5)</b>	84,190	94,048	839,714
<b>Property, plant and equipment, at cost:</b>			
Land	131,800	134,400	1,200,000
Buildings	232,538	339,090	3,027,589
Machinery and equipment	154,216	184,809	1,650,080
Construction in progress	85,917	22,015	196,563
Less accumulated depreciation	(252,411)	(273,924)	(2,445,750)
Property, plant and equipment, net	352,060	406,390	3,628,482
<b>Intangible assets:</b>			
Goodwill	—	—	—
Other intangible assets	3,875	4,687	41,848
Total intangible assets	3,875	4,687	41,848
<b>Total assets</b>	¥1,512,895	¥1,564,769	\$13,971,152
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Payables, trade	¥24,815	¥36,011	\$321,527
Accrued income taxes	17,199	22,994	205,304
Warranty reserves	6,676	6,994	62,445
Other current liabilities	57,426	54,716	488,536
Total current liabilities	106,116	120,715	1,077,812
<b>Long-term liabilities:</b>			
Net defined benefit liability (Note 6)	68,346	71,175	635,491
Other long-term liabilities	3,523	3,422	30,554
Total long-term liabilities	71,869	74,597	666,045
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Common stock:			
Authorized - 400,000,000 shares			
Issued - 204,072,715 shares	69,014	69,014	616,196
Capital surplus	96,206	96,208	859,000
Retained earnings	1,269,557	1,307,254	11,671,911
Treasury stock, at cost :			
2016 - 11,300,237 shares	(90,574)	—	—
2017 - 10,216,648 shares	—	(90,677)	(809,616)
Total shareholders' equity	1,344,203	1,381,799	12,337,491
<b>Accumulated other comprehensive income:</b>			
Valuation difference on available-for-sale securities	4,391	8,594	76,732
Foreign currency translation adjustment	5,974	(710)	(6,339)
Remeasurements of defined benefit plans	(26,085)	(26,528)	(236,857)
Total accumulated other comprehensive income	(15,720)	(18,644)	(166,464)
<b>Non-controlling interests</b>	6,427	6,302	56,268
Total net assets	1,334,910	1,369,457	12,227,295
<b>Total liabilities and net assets</b>	¥1,512,895	¥1,564,769	\$13,971,152

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	
<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	
Cumulative effects of changes in accounting policies			(1,452)						(1,452)	
Restated balance	¥69,014	¥96,270	¥1,339,357	(¥312,299)	¥5,112	¥3,138	(¥8,012)	¥5,831	¥1,198,411	
Cash dividends			(46,559)						(46,559)	
Net income			207,599						207,599	
Purchase of treasury stock				(559)					(559)	
Disposal of treasury stock		7		3					10	
Retirement of treasury stock									—	
Change of scope of consolidation			238						238	
Change in equity from transactions with non-controlling shareholders									—	
Net change except shareholder's equity during the year					2,370	26,234	(2,736)	1,687	27,555	
<b>Balance at March 31, 2015</b>	¥69,014	¥96,277	¥1,500,635	(¥312,855)	¥7,482	¥29,372	(¥10,748)	¥7,518	¥1,386,695	
Cumulative effects of changes in accounting policies									—	
Restated balance	¥69,014	¥96,277	¥1,500,635	(¥312,855)	¥7,482	¥29,372	(¥10,748)	¥7,518	¥1,386,695	
Cash dividends			(151,385)						(151,385)	
Net income			159,700						159,700	
Purchase of treasury stock				(17,194)					(17,194)	
Disposal of treasury stock		7		4					11	
Retirement of treasury stock		(78)	(239,393)	239,471					—	
Change of scope of consolidation									—	
Change in equity from transactions with non-controlling shareholders									—	
Net change except shareholder's equity during the year					(3,091)	(23,398)	(15,337)	(1,091)	(42,917)	
<b>Balance at March 31, 2016</b>	¥69,014	¥96,206	¥1,269,557	(¥90,574)	¥4,391	¥5,974	(¥26,085)	¥6,427	¥1,334,910	
Cumulative effects of changes in accounting policies									—	
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	
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 of scope of consolidation									—	
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)	
<b>Balance at March 31, 2017</b>	¥69,014	¥96,208	¥1,307,254	(¥90,677)	¥8,594	(¥710)	(¥26,528)	¥6,302	¥1,369,457	

	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	
<b>Balance at March 31, 2016</b>	\$616,196	\$858,982	\$11,335,330	(\$808,696)	\$39,205	\$53,340	(\$232,902)	\$57,384	\$11,918,839	
Cumulative effects of changes in accounting policies									—	
Restated balance	\$616,196	\$858,982	\$11,335,330	(\$808,696)	\$39,205	\$53,340	(\$232,902)	\$57,384	\$11,918,839	
Cash dividends			(684,134)						(684,134)	
Net income			1,140,152						1,140,152	
Purchase of treasury stock				(120,384)					(120,384)	
Disposal of treasury stock		18		9					27	
Retirement of treasury stock		(18)	(119,437)	119,455					—	
Change of scope of consolidation									—	
Change in equity from transactions with non-controlling shareholders		18							18	
Net change except shareholder's equity during the year					37,527	(59,679)	(3,955)	(1,116)	(27,223)	
<b>Balance at March 31, 2017</b>	\$616,196	\$859,000	\$11,671,911	(\$809,616)	\$76,732	(\$6,339)	(\$236,857)	\$56,268	\$12,227,295	

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	2015	2016	2017	2017
<b>Cash flows from operating activities</b>				
Income before income taxes	¥311,951	¥229,361	¥168,829	\$1,507,401
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	21,685	21,106	26,530	236,875
Allowance for doubtful accounts	223	(536)	(239)	(2,134)
Net defined benefit liability	6,081	21,311	3,178	28,375
Interest and dividend income	(3,665)	(3,909)	(3,789)	(33,830)
Equity in earnings of affiliates, net	(9,886)	(11,494)	(10,022)	(89,482)
(Increase) decrease in receivables, trade	(37,331)	29,207	(17,386)	(155,232)
(Increase) decrease in inventories	(17,712)	1,602	(16,519)	(147,491)
Increase (decrease) in payables, trade	11,723	(13,749)	11,292	100,822
Other	1,266	(21,506)	(6,470)	(57,768)
Cash generated from operations	284,335	251,393	155,404	1,387,536
Interest and dividends received	6,379	10,061	8,562	76,446
Income taxes paid	(68,891)	(121,281)	(43,039)	(384,277)
Other	1,089	460	786	7,017
Net cash provided by operating activities	222,912	140,633	121,713	1,086,722
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment	(21,427)	(102,008)	(87,509)	(781,330)
Purchases of investment securities	(3,355)	(7,830)	(559)	(4,991)
Proceeds from sales of investment securities	1	—	—	—
Other	(145)	(2,839)	(494)	(4,411)
Net cash used in investing activities	(24,926)	(112,677)	(88,562)	(790,732)
<b>Cash flows from financing activities</b>				
Purchases of treasury stock	(549)	(17,253)	(13,481)	(120,366)
Dividends paid	(46,568)	(151,237)	(76,505)	(683,080)
Other	(197)	(1,082)	(281)	(2,509)
Net cash used in financing activities	(47,314)	(169,572)	(90,267)	(805,955)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	16,425	(17,958)	215	1,920
Net increase (decrease) in cash and cash equivalents	167,097	(159,574)	(56,901)	(508,045)
Cash and cash equivalents at beginning of year	823,669	991,236	831,662	7,425,554
Increase in cash and cash equivalents from newly consolidated subsidiaries	470	—	—	—
<b>Cash and cash equivalents at end of year</b>	¥991,236	¥831,662	¥774,761	\$6,917,509

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 ¥112 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2017.

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

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 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 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 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, 2016 and 2017 are summarized as follows. Financial instruments whose fair value is not readily determinable are not included in the table below.

2016	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Fair value	Variance	Carrying amount	Fair value	Variance
Cash and bank deposits	¥686,662	¥686,662	—	\$5,622,866	\$5,622,866	—
Notes and accounts receivables	100,307	100,307	—	1,078,455	1,078,455	—
Marketable securities and investment securities						
Other securities	162,582	162,582	—	1,501,393	1,501,393	—
Notes and accounts payables	(24,815)	(24,815)	—	(321,527)	(321,527)	—
Accrued income taxes	(17,199)	(17,199)	—	(205,304)	(205,304)	—
2017	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Fair value	Variance	Carrying amount	Fair value	Variance
Cash and bank deposits	¥629,761	¥629,761	—	\$5,622,866	\$5,622,866	—
Notes and accounts receivables	120,787	120,787	—	1,078,455	1,078,455	—
Marketable securities and investment securities						
Other securities	168,156	168,156	—	1,501,393	1,501,393	—
Notes and accounts payables	(36,011)	(36,011)	—	(321,527)	(321,527)	—
Accrued income taxes	(22,994)	(22,994)	—	(205,304)	(205,304)	—

### 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, 2016 and 2017, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unlisted stock (consolidated balance sheet amount)	¥48,227	¥49,039	\$437,848

Redemption schedule after fiscal year-end for monetary assets and securities with maturity dates as of March 31, 2016 and 2017 is as follows:

**2016**

	Millions of yen			
	Within 1 year	1 - 5 years	5 - 10 years	Due after 10 years
Cash and bank deposits	¥686,662	—	—	—
Notes and accounts receivables	100,307	—	—	—
Investment securities				
Other securities with maturity				
(1) Government bond	—	—	—	—
(2) Negotiable certificates of deposit	145,000	—	—	—
Total	¥931,969	—	—	—

**2017**

	Millions of yen			
	Within 1 year	1 - 5 years	5 - 10 years	Due after 10 years
Cash and bank deposits	¥ 629,761	—	—	—
Notes and accounts receivables	120,787	—	—	—
Investment securities				
Other securities with maturity				
(1) Government bond	—	—	—	—
(2) Negotiable certificates of deposit	145,000	—	—	—
Total	¥ 895,548	—	—	—

**2017**

	Thousands of U.S. dollars			
	Within 1 year	1 - 5 years	5 - 10 years	Due after 10 years
Cash and bank deposits	\$5,622,866	—	—	—
Notes and accounts receivables	1,078,455	—	—	—
Investment securities				
Other securities with maturity				
(1) Government bond	—	—	—	—
(2) Negotiable certificates of deposit	1,294,643	—	—	—
Total	\$7,995,964	—	—	—

## 5. Other securities and investments

Other securities whose fair value was determinable at March 31, 2016 and 2017 are summarized as follows:

2016		Millions of yen		
	Type of securities	Book value reflected in the balance sheet	Acquisition cost	Net
Other securities with unrealized gain	Equity securities	¥ 17,372	¥ 12,343	¥5,029
	Subtotal	17,372	12,343	5,029
Other securities with unrealized loss	Negotiable certificates of deposit	145,000	145,000	—
	Equity securities	210	288	(78)
	Subtotal	145,210	145,288	(78)
Total		¥ 162,582	¥ 157,631	¥4,951

2017		Millions of yen		
	Type of securities	Book value reflected in the balance sheet	Acquisition cost	Net
Other securities with unrealized gain	Equity securities	¥ 23,098	¥ 12,145	¥10,953
	Subtotal	23,098	12,145	10,953
Other securities with unrealized loss	Negotiable certificates of deposit	145,000	145,000	—
	Equity securities	58	59	(1)
	Subtotal	145,058	145,059	(1)
Total		¥ 168,156	¥ 157,204	¥10,952

2017		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	\$ 206,232	\$ 108,438	\$97,794
	Subtotal	206,232	108,438	97,794
Other securities with unrealized loss	Negotiable certificates of deposit	1,294,643	1,294,643	—
	Equity securities	518	527	(9)
	Subtotal	1,295,161	1,295,170	(9)
Total		\$ 1,501,393	\$ 1,403,608	\$97,785

Other securities sold during the years ended March 31, 2016 and 2017 are not presented since they are insignificant.

Investments at March 31, 2016 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Investments in affiliates	¥46,686	¥47,169	\$421,152
Other securities	19,123	25,026	223,446
Allowance for doubtful accounts	(1)	(2)	(18)
Other	18,382	21,855	195,134
Total	¥84,190	¥94,048	\$839,714

## 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 and defined contribution pension plans.

Information on the pension plans for the years ended March 31, 2016 and 2017 is as follows:

### 1. Defined benefit pension plans

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
PBO at beginning of year	¥147,299	¥178,635	\$1,594,955
Service cost	4,970	6,280	56,071
Interest cost	2,977	1,897	16,938
Actuarial gain or loss	26,248	1,087	9,705
Benefit payments	(3,798)	(2,735)	(24,420)
Accrued past service cost	2,519	—	—
Influence of exchange	(2,366)	(251)	(2,241)
Other	786	816	7,287
PBO at end of year	¥178,635	¥185,729	\$1,658,295

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Fair value of plan assets at beginning of year	¥ 99,765	¥110,289	\$ 984,723
Expected return on plan assets	1,871	1,144	10,214
Actuarial gain or loss	5,610	(2,394)	(21,375)
Employer contribution	7,288	7,263	64,848
Benefit payments	(2,693)	(1,648)	(14,714)
Influence of exchange	(1,505)	(40)	(357)
Other	(47)	(60)	(535)
Fair value of plan assets at end of year	¥110,289	¥114,554	\$1,022,804

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
PBO in savings-type pension plan	¥174,726	¥181,973	\$1,624,759
Fair value of plan assets	(110,289)	(114,554)	(1,022,804)
PBO in non-savings-type pension plan	64,437	67,419	601,955
Net amount of liability and asset recognized in consolidated balance sheets	3,909	3,756	33,536
	68,346	71,175	635,491
Net defined benefit liability	68,346	71,175	635,491
Net amount of liability and asset recognized in consolidated balance sheets	¥ 68,346	¥ 71,175	\$ 635,491

## (4) Components of defined benefit cost

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Service cost	¥4,970	¥ 6,280	\$56,071
Interest cost	2,977	1,897	16,938
Expected return on plan assets	(1,871)	(1,144)	(10,214)
Amortization of actuarial gain or loss	468	2,631	23,491
Amortization of past service cost	937	776	6,929
Other	15	13	115
Defined benefit cost	¥7,496	¥10,453	\$93,330

## (5) Remeasurements of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Past service cost	(¥2,572)	¥91	\$813
Actuarial gain or loss	(18,914)	(1,007)	(8,992)
Total	(¥21,486)	(¥916)	(\$8,179)

## (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
	2016	2017	2017
Unrecognized past service cost	¥2,150	¥2,050	\$18,304
Unrecognized actuarial gain or loss	35,794	36,805	328,616
Total	¥37,944	¥38,855	\$346,920

## (7) Plan assets

### 1) Components of plan assets

The components are as follows:

	2016	2017
Debt securities	74%	72%
Cash and bank deposits	25%	27%
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

	2016	2017
Discount rate	0.5 - 4.1%	0.5 - 4.2%
Expected rate of return on plan assets	0.5 - 3.0%	0.5 - 3.0%
Expected rate of salary increase	2.3 - 4.1%	2.3 - 4.1%

## 2. Defined contribution pension plans

Contribution of consolidated subsidiaries to the plan was ¥865 million for fiscal year 2015, and ¥916 million (\$8,179 thousand) for fiscal year 2016.

## 7. Leases

Future rent payments, including interest, under operating leases subsequent to March 31, 2016 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Due within one year	¥1,021	¥1,327	\$11,848
Due after one year	¥1,048	¥1,498	\$13,375
Total	¥2,069	¥2,825	\$25,223

## 8. Contingent liabilities

Contingent liabilities with respect to guarantees for employees' mortgage loans with banks at March 31, 2016 and 2017 amounted to ¥51 million and ¥36 million (\$321 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, 2015, 2016 and 2017 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2015	2016	2017	2017
	¥28,105	¥34,567	¥42,331	\$377,955

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

Other income (expenses)-Other, net for the years ended March 31, 2015, 2016 and 2017 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2015	2016	2017	2017
Dividend income	¥1,037	¥1,372	¥1,446	\$12,911
Loss on sales and disposal of fixed assets	(906)	(857)	(228)	(2,036)
Exchange gain or loss, net	(43)	(2,090)	517	4,616
Other, net	1,510	1,338	1,512	13,500
Total	¥1,598	(¥ 237)	¥3,247	\$28,991



## 11. Income taxes

Net deferred tax assets at March 31, 2016 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Deferred tax assets:			
Net defined benefit liability	¥21,731	<b>¥23,380</b>	<b>\$208,750</b>
Unrealized profit on inventories and property, plant and equipment	9,380	<b>8,860</b>	<b>79,107</b>
Accrued expenses	5,418	<b>5,567</b>	<b>49,705</b>
Depreciation and amortization	8,222	<b>9,233</b>	<b>82,438</b>
Accrued enterprise taxes	1,169	<b>1,350</b>	<b>12,054</b>
Investment securities	986	<b>837</b>	<b>7,473</b>
Other	9,881	<b>13,414</b>	<b>119,768</b>
Gross deferred tax assets	56,787	<b>62,641</b>	<b>559,295</b>
Valuation allowance	(995)	<b>(847)</b>	<b>(7,563)</b>
Total deferred tax assets	55,792	<b>61,794</b>	<b>551,732</b>
Deferred tax liabilities:			
Undistributed earnings of affiliated companies	(11,729)	<b>(9,628)</b>	<b>(85,964)</b>
Other	(5,674)	<b>(8,798)</b>	<b>(78,554)</b>
Total deferred tax liabilities	(17,403)	<b>(18,426)</b>	<b>(164,518)</b>
Net deferred tax assets	¥38,389	<b>¥43,368</b>	<b>\$387,214</b>

Reconciliation of the statutory income tax rate to the effective income tax rate for the years ended March 31, 2015, 2016 and 2017 was as follows:

	2015	2016	2017
Japanese statutory income tax rate	35.0%	32.3%	<b>30.2%</b>
Tax exemption	(1.6%)	(3.1%)	<b>(5.0%)</b>
Dividend income not taxable	(3.2%)	(4.4%)	<b>(4.0%)</b>
Tax rate difference of foreign subsidiaries	(1.5%)	(0.5%)	<b>0.2%</b>
Elimination of dividends received	3.5%	4.7%	<b>4.2%</b>
Equity in earnings of affiliates	(1.1%)	(1.6%)	<b>(1.8%)</b>
Other	1.9%	2.7%	<b>0.5%</b>
Effective income tax rate	33.0%	30.1%	<b>24.3%</b>

## 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
	2015	2016	2017	2017
Net sales: Unaffiliated customers				
FA	¥206,611	¥170,211	¥175,016	\$1,562,643
ROBOT	¥156,497	¥188,295	¥190,043	\$1,696,813
ROBOMACHINE	¥291,488	¥183,011	¥ 93,939	\$ 838,741
SERVICE	¥ 75,164	¥ 81,901	¥ 77,944	\$ 695,928
Total	¥729,760	¥623,418	¥536,942	\$4,794,125

### Information by region

	Millions of yen			Thousands of U.S. dollars
	2015	2016	2017	2017
Net sales: Unaffiliated customers				
Japan	¥123,593	¥119,228	¥116,598	\$1,041,054
America	¥124,057	¥142,700	¥134,915	\$1,204,598
Europe	¥ 87,970	¥ 94,017	¥ 87,449	\$ 780,795
Asia	¥391,577	¥264,629	¥194,698	\$1,738,375
Other	¥ 2,563	¥ 2,844	¥ 3,282	\$ 29,303
Total	¥729,760	¥623,418	¥536,942	\$4,794,125

## 13. Derivative transactions

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

## 14. Related-party transactions

No related-party transactions were recorded for the years ended March 31, 2016 and 2017.

## 15. Significant subsequent events

(Return of substitutional portion of employees' pension fund)

Upon resolution to return to the National Government the substitutional (future) portion of Employees' Pension Fund at the board of representatives of the FANUC Employees' Pension Fund held on January 25, 2017, FANUC CORPORATION made an application to the Minister of Health, Labor and Welfare in the same month for relief from the payment obligation for the substitutional portion for the future, and has obtained approval as of April 1, 2017. The impact, from return of the substitutional (future) portion, on the financial results for the year ending March 31, 2018 and thereafter is negligible. The Company will carry out the procedures for return of the substitutional (past) portion of the Employees' Pension Fund at a certain period after the above approval. The impact, from return of the substitutional (past) portion, on the financial results is not yet determined at present.

## ➔ NON-CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2015	2016	2017	2017
<b>Net sales</b>	¥554,448	¥457,479	<b>¥399,111</b>	<b>\$3,563,491</b>
Cost of goods sold	283,370	258,083	<b>246,702</b>	<b>2,202,696</b>
<b>Gross profit</b>	271,078	199,396	<b>152,409</b>	<b>1,360,795</b>
Selling, general and administrative expenses	40,651	41,351	<b>44,430</b>	<b>396,697</b>
<b>Operating income</b>	230,427	158,045	<b>107,979</b>	<b>964,098</b>
<b>Other income (expenses):</b>				
Interest income	364	561	<b>559</b>	<b>4,991</b>
Dividend income	32,419	34,879	<b>25,004</b>	<b>223,250</b>
Other, net	1,324	(3,243)	<b>8,191</b>	<b>73,134</b>
	34,107	32,197	<b>33,754</b>	<b>301,375</b>
<b>Income before income taxes</b>	264,534	190,242	<b>141,733</b>	<b>1,265,473</b>
<b>Income taxes:</b>				
Current	88,194	46,989	<b>35,182</b>	<b>314,125</b>
Deferred	(4,987)	3,169	<b>(5,842)</b>	<b>(52,161)</b>
	83,207	50,158	<b>29,340</b>	<b>261,964</b>
<b>Net income</b>	¥181,327	¥140,084	<b>¥112,393</b>	<b>\$1,003,509</b>
		Yen		U.S. dollars
<b>Net income per share:</b>	¥ 926.74	¥ 716.46	<b>¥ 579.70</b>	<b>\$ 5.18</b>

Note: The U.S. dollar amounts are converted from yen, for the readers' convenience, at the rate of ¥112 = U.S.\$1.00.

## ➔ NON-CONSOLIDATED BALANCE SHEETS

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and bank deposits	¥ 487,763	¥ 431,661	\$ 3,854,116
Receivables, trade:			
Notes and accounts	36,763	33,113	295,652
Subsidiaries and affiliates	22,196	39,576	353,357
Allowance for doubtful accounts	(544)	(325)	(2,902)
Marketable securities	145,000	145,000	1,294,643
Inventories	56,888	66,718	595,696
Deferred tax assets	10,135	12,355	110,313
Other current assets	13,564	25,420	226,964
Total current assets	771,765	753,518	6,727,839
<b>Investments and other assets:</b>			
Subsidiaries and affiliates	108,065	108,101	965,188
Deferred tax assets	11,485	13,349	119,188
Other	19,215	25,116	224,249
Total investments and other assets	138,765	146,566	1,308,625
<b>Property, plant and equipment, at cost:</b>			
Land	118,378	120,703	1,077,705
Buildings	206,648	308,735	2,756,563
Machinery and equipment	139,077	168,906	1,508,089
Construction in progress	82,226	18,855	168,348
	546,329	617,199	5,510,705
Accumulated depreciation	(229,167)	(249,472)	(2,227,428)
Property, plant and equipment, net	317,162	367,727	3,283,277
<b>Intangible assets</b>	3,362	4,060	36,250
<b>Total assets</b>	¥ 1,231,054	¥ 1,271,871	\$ 11,355,991
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Payables, trade:			
Accounts	¥ 16,148	¥ 25,830	\$ 230,625
Subsidiaries and affiliates	633	894	7,982
Accrued expenses	32,076	25,689	229,366
Accrued income taxes	14,278	19,972	178,321
Warranty reserves	2,943	2,882	25,729
Other current liabilities	2,944	3,123	27,884
Total current liabilities	69,022	78,390	699,907
<b>Long-term liabilities:</b>			
Allowance for employees' retirement benefits	30,385	35,357	315,688
Asset retirement obligations	2,840	2,845	25,405
Total long-term liabilities	33,225	38,202	341,093
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Common stock:			
Authorized - 400,000,000 shares			
Issued - 204,072,715 shares	69,014	69,014	616,196
Capital surplus	96,057	96,057	857,652
Retained earnings	1,050,085	1,072,478	9,575,696
Treasury stock, at cost	(90,574)	(90,677)	(809,616)
Total shareholders' equity	1,124,582	1,146,872	10,239,928
<b>Valuation and translation adjustment:</b>			
Net unrealized holding gain on other securities	4,225	8,407	75,063
Total net assets	1,128,807	1,155,279	10,314,991
<b>Total liabilities and net assets</b>	¥ 1,231,054	¥ 1,271,871	\$ 11,355,991

# FANUC Global Service Network

FANUC America(Detroit)



FANUC Europe



BEIJING-FANUC



SHANGHAI-FANUC Robotics



TAIWAN FANUC



## ■ The Americas

### FANUC America Corporation

Detroit, U.S.A. Tel.248-377-7000

Chicago, U.S.A. Tel.847-898-5000

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

## ■ Europe

### FANUC Europe Corporation, S.A.

Luxembourg Tel.72-7777-1

CNC, LASER, ROBOT and ROBOMACHINE sales and services; ROBOT system development, manufacture, sales and services

## ■ Asia

### BEIJING-FANUC Mechatronics CO., LTD.

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CNC manufacture, sales and services; LASER sales and services

### SHANGHAI-FANUC Robotics CO., LTD.

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ROBOT system development, manufacture, sales and services; ROBOT and ROBOMACHINE sales and services

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### TAIWAN FANUC CORPORATION

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CNC manufacture, sales and services; LASER, ROBOT and ROBOT system sales and services

### FANUC INDIA PRIVATE LIMITED

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CNC manufacture, sales and services; ROBOT system development, manufacture, sales and services; ROBOT and ROBOMACHINE sales and services, LASER services

### FANUC THAI LIMITED

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CNC, ROBOT, ROBOT system and ROBOMACHINE sales and services; LASER services

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### FANUC SINGAPORE PTE. LTD.

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CNC, LASER, ROBOT and ROBOMACHINE sales and services



FANUC Headquarters



KOREA FANUC



FANUC INDIA



FANUC THAI



FANUC INDONESIA



FANUC SOUTH AFRICA



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CNC, LASER, ROBOT and ROBOMACHINE services

**FANUC OCEANIA PTY. LIMITED**

Sydney, Australia Tel. 2-8822-4600  
CNC, LASER, ROBOT and ROBOMACHINE sales and services

■ **South Africa**

**FANUC SOUTH AFRICA (PROPRIETARY) LIMITED**

Johannesburg, South Africa Tel. 11-392-3610  
ROBOT system development, manufacture, sales and services; CNC, ROBOT, ROBODRILL and ROBOCUT sales and services; LASER services



**FANUC CORPORATION**

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