ANNUAL REPORT

FA&ROBOT&ROBOMACHINE

FANUC

Contents

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.

Message from the President and CEO and CIO

Aiming for sustainable growth through continuous technological innovation

We have been under the business circumstances characterized mainly by the COVID-19 pandemic crisis, and the ever-lasting trade friction between the U.S. and China. However, even under such circumstances, or all the more in these times, the need for factory automation is expected to increase.
Our products will be vulnerable to such economic environment, it is vital, therefore, that we strive for continuous technological innovation, while adapting to expected changes and maintaining a medium- to long-term perspective, in our management stance.

KPIs such as market share and operating income play an important part in this medium- to long-term perspective. Going forward, however, it will also be vital to closely monitor our capital efficiency, which means how much profit the capital we have invested is generating, and will generate in the future. While focusing on such efficiency and effectiveness of costs and investments, we intend to turn the needs for automation into our medium- to long-term growth through our continuous technological innovation.

We will provide unique value for customers around the world through continuous technological innovation in the field of factory automation. Recognizing that such a commitment will also contribute to the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations, FANUC aims to enhance its corporate value and continue to be a company that is always trusted by our stakeholders.

We would like to ask for your continued understanding and support.

Kenji Yamaguchi
Representative Director, President and CEO and CIO

Basic Principles

“Genmitsu”
(Strict Preciseness)

“Tomei”
(Transparency)

“Strict Preciseness” and “Transparency” are the basic principles of FANUC.

Strict Preciseness
A company will last forever and be sound with strict preciseness.

Transparency
The corruption of an organization and downfall of a company start from a lack of transparency.

The Three Philosophies

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

Reliable
Predictable
Easy to Repair

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

Service First

Conforming to the spirit of “Service First”, FANUC provides lifetime maintenance to its products for as long as they are used by customers, through more than 260 service locations supporting more than 100 countries throughout the world.

Management Policy

1. Basic Policy

FANUC has been consistently pursuing the automation of factories since 1956, when it succeeded in the development of NCs (numerical controls) and SERVO mechanism for the first time in the Japanese private sector.
It has sought to become a tough company which, although it may be small, has the strength of a giant firmly rooted in the ground with an unwavering focus on technology—a goal it set in its early years. It endeavors to walk straight in a "narrow path."
In order to achieve this ideal model, the FANUC Group has set "Strict Preciseness" and "Transparency" as its basic principles. What lies behind these philosophies is the philosophy that a company will last forever and be sound with strict preciseness, and the corruption of an organization and downfall of a company start from a lack of transparency.

FANUC will continue to provide customers with value indispensable for the world through development of products with focus placed on the FA business, which encompasses basic technologies consisting of NCs, servos and lasers, and the ROBOT and ROBOMACHINE businesses where these basic technologies are applied, and the IoT business targeting manufacturing sites.
Based on its starting point as a supplier of production goods, FANUC also offers service, with a policy of not terminating support of FANUC products as long as they are used by customers.
Through such activities, FANUC aims to contribute to the development of manufacturing industries in Japan and overseas by enhancing automation and efficiency in customers' factories, and pursue steady growth in the area of factory automation, which is expected to grow over the medium to long term.

2. Business Policy

one FANUC

This philosophy has two meanings. One is that the three businesses of FA, ROBOT and ROBOMACHINE are united and act as one to jointly provide total solutions for the promotion of automation and robotization efforts in customers' factories, while the other is that the FANUC headquarters and FANUC Group members across the globe are united and act as one to serve customers all over the world.

Reliable, Predictable, Easy to Repair

Founded upon the basics that our products are production goods to be used at manufacturing sites, the FANUC Group will thoroughly implement our philosophy "Reliable" "Predictable" "Easy to Repair" in product development, to minimize downtime in our customers' factories and improve their operating rates.

Service First

We will improve operating rates of customers' factories by providing high-level services pursuant to FANUC's global standard anywhere in the world and "lifetime maintenance" as long as our customers use our products.

3. Management Policy

Reinforcing Corporate Structure

We are working to maintain a strong corporate structure by improving operational efficiency through optimization of expenses and working hours and rationalization of operation, and improving capital efficiency through appropriate investment activity.

Importance of Human Resources

As human resources are the most important factor for a medium- to long-term growth, we will work to create better work environments and further improve motivation.

Pursuit of SDGs

FANUC will proceed with efforts across our business activities including product development, manufacturing, and after-sales services in consideration of contribution to achieving the 17 Sustainable Development Goals (SDGs) adopted by the United Nations.

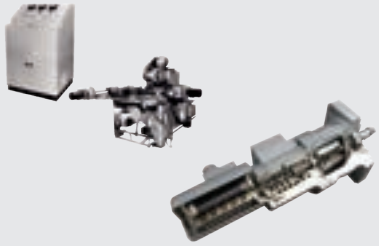
Track Record of Value Creation

Since its early years, the FANUC Group has sought to become a tough company which, although it may be small, has the strength of a giant firmly rooted in the ground. A tough company is a company that always has highly sophisticated technology and is equipped with a robust capital structure. Aiming to achieve this end, the FANUC Group has striven to walk this "narrow path," straight and steadily.

FANUC's History

The history of FANUC began with the numerical control (NC) technology. In 1956, the Company became Japan's first private-sector company to successfully develop NCs and SERVO mechanism, realizing the automation of control of machine tools, which require absolute position accuracy and until then were performed manually, by numerically controlling them. In 1959, the Company developed electro-hydraulic pulse motor, which forms the basis for its SERVO technology, helping the NC business establish a strong market position.

In 1972, the NC division was spun off from Fujitsu Limited to form FANUC CORPORATION. The Company adopted a *keyaki* (zelkova) tree, firmly rooted in the ground and growing powerfully up toward the sky, as its symbol, which represents a wish to grow into a company with strong corporate structure.
In addition to improving the performance of NC and SERVO products, FANUC has since expanded business to products that use the NC technology, developing the NC drilling machine, which was aimed at popularizing NC machine tools, and robots installed with NC that automate wide-ranging work processes.

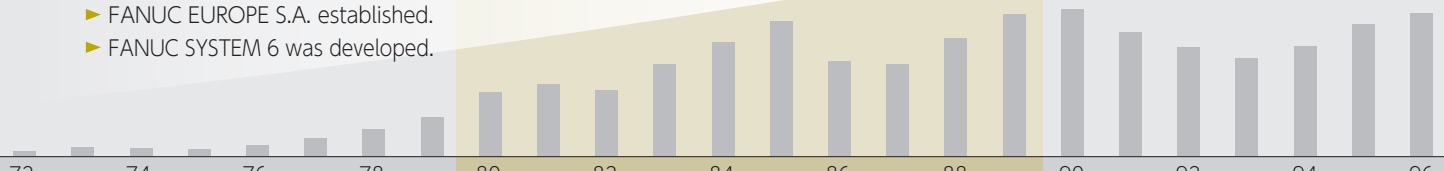


1956 ► First successful development of NCs and SERVO mechanism in Japan (private sector).
1959 ► The first electro-hydraulic pulse motor was developed.
1964 ► FANUC's first CNC, FANUC 250 was developed.
1972 ► FUJITSU FANUC Ltd. was established. (Changed to FANUC CORPORATION in 1982)
► FANUC DRILL was developed.
► FANUC 200A was developed.
1974 ► DC servo motor was licensed from Gettys Manufacturing Co.
1975 ► FANUC TAPE CUT-SERIES A was developed.
► FANUC 2000C/3000C was developed.
1976 ► FANUC SYSTEM 5 was developed.
1977 ► FANUC U.S.A. CORPORATION established.
► FANUC ROBOT MODEL 1 was developed.
1978 ► KOREA NUMERIC CORPORATION jointly established by FANUC and Hwacheon Machinery Works Co.
► FANUC EUROPE S.A. established.
► FANUC SYSTEM 6 was developed.

1980 ► Fuji Factory constructed. Unmanned machining during nights was realized.
1981 ► FANUC ROBOT S-MODEL 1 was developed.
1982 ► GMFanuc Robotics Corporation jointly established in the U.S. by FANUC and General Motors.

► AC SERVO MOTOR was developed.
1983 ► Listed on the first section of the Tokyo Stock Exchange.
1984 ► FANUC AUTOSHOT was developed.
► Relocation of headquarters to the foot of Mt. Fuji.
1985 ► FANUC SYSTEM0 was developed.
1986 ► FANUC TAIWAN LTD established.
► GE Fanuc Automation Corporation jointly established in the U.S. by FANUC and General Electric.
1987 ► FANUC NC LASER-MODEL C1000 was developed.
► FANUC ROBOT S-MODEL 420 was developed.
► FANUC ROBOT ARC Mate was developed.
► FANUC Series15 was developed.
1989 ► Tsukuba Factory completed.

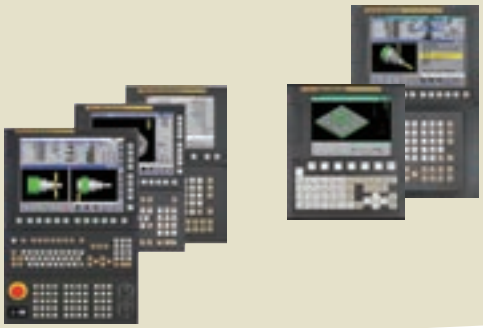
1990 ► FANUC Series16 was developed.
1991 ► Hayato Factory completed. FANUC Series18 was developed.
1992 ► BEIJING-FANUC Mechatronics CO., LTD. jointly established with Beijing Machine Tool Research Institute.
► FANUC INDIA PRIVATE LIMITED established.
► GMFanuc Robotics Corporation reorganized to FANUC 100% subsidiaries, FANUC Robotics North America, Inc. and FANUC Robotics Europe S.A..
► FANUC ROBOT LR Mate was developed.
1996 ► FANUC Series16*i*/18*i*/21*i* was developed.
1997 ► SHANGHAI-FANUC Robotics CO., LTD. jointly established with Shanghai Electric Group Company Limited.



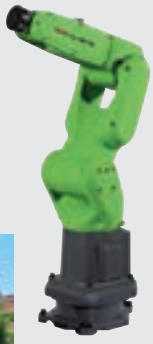
Consolidated from the year ended March 31,1983

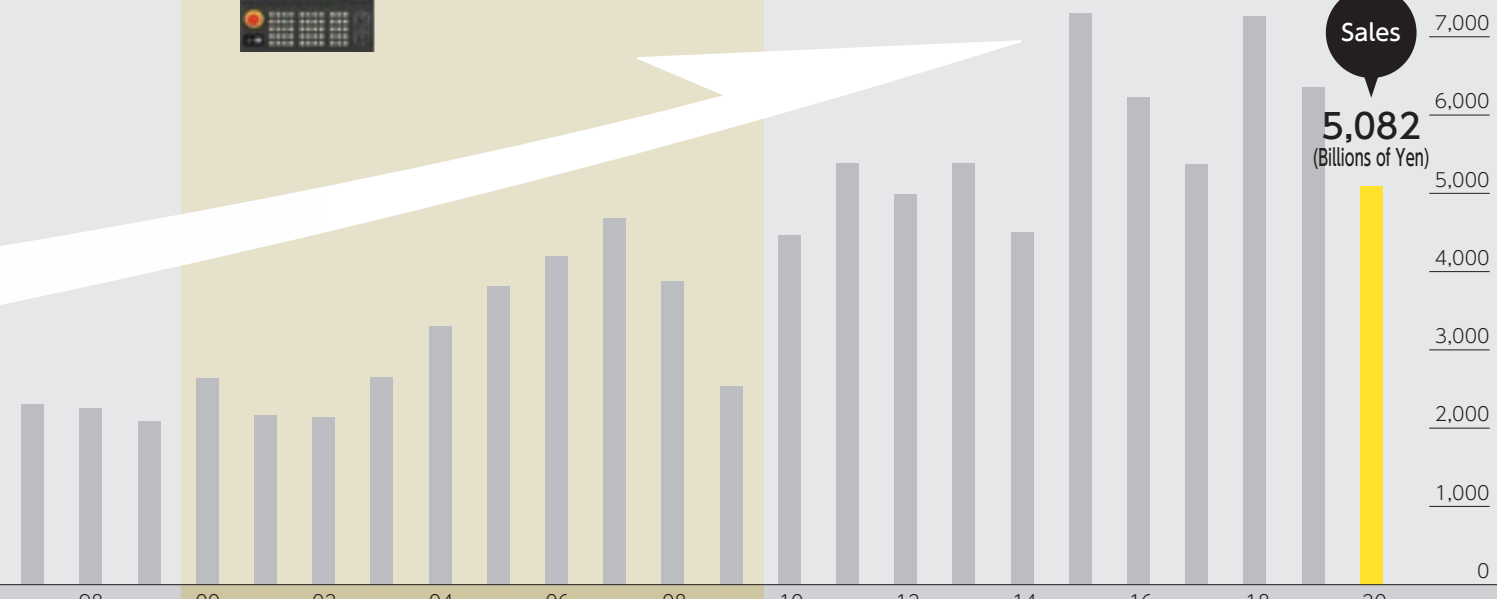
Value Creation	FANUC's Mission	Trust with Society
The value FANUC aims to create is the value for customers. We believe the attitude of seeking such value will lead to enhansed corporate value of our company.	FANUC's business areas are divided into the FA business, comprised of NC, servo, and laser, which are our basic technologies, the ROBOT and ROBOMACHINE businesses, where these basic technologies are applied, and initiatives for IoT and AI for manufacturing sites. The FANUC Group's mission is to help customers automate and robotize their factories by developing products and services focused on the above areas and eventually contribute to the progress of domestic and overseas manufacturing industry.	In order for the company to grow, FANUC needs to build trust with society, in addition to making sole business efforts. Society, as far as it shares interest with us, is our stakeholders which include customers, employees, business partners, creditors, and local communities and shareholders. FANUC always thinks of how it can build trust with these stakeholders.

2000 ► FANUC Series0*i*/0*i* Mate was developed.
► FANUC Robot R-2000*i*A was developed.
2003 ► FANUC Series30*i*/31*i*/32*i* was developed.
2009 ► Joint venture with General Electric was dissolved.
► Delta Robot was developed.



2012 ► European subsidiaries reorganized to FANUC Europe Corporation.
2013 ► Subsidiaries in the Americas reorganized to FANUC America Corporation.
2015 ► Collaborative Robot was developed.
► FANUC FIBER LASER was developed.
2016 ► Mibu Factory completed.
2017 ► FIELD system was developed.
2018 ► FANUC ACADEMY established.





Value Creation Process

The driving force for FANUC is the tough corporate structure it has built by exclusively focusing efforts on the FA, ROBOT, and ROBOMACHINE businesses and the IoT business for manufacturing sites, without blindly seeking business expansion. We aim to create economic as well as social value by promoting automation and robotization of customers' factories through continued technological innovation and helping manufacturers around the world solve social and environmental issues.

Input

Financial capital
- Common stock: ¥69.0 billion
- Operating income: ¥88.3 billion

Manufacturing capital
- Book value of key equipment: ¥524.6 billion
- Capital investment: ¥70.4 billion

Intellectual capital
- Number of patents granted in Japan and overseas: 8,972
- R&D expenses: ¥51.3 billion

Human capital
- Number of consolidated employees: 8,164

Social capital
- Global service network: More than 260 service offices, covering more than 100 countries

Natural capital
- ISO14001 certification: 33 offices
- Energy consumption: 2,662,325 GJ
- Total Water Used: 910.374 Thousands of ㎥

FANUC's Key Products

FA

Basic products
- CNCs, servos, lasers

one innovation fa · robot · robomachine FANUC

ROBOMACHINEs

Applied products
- ROBODRILL, ROBOSHOT, ROBOCUT, ROBONANO

and Concept

ROBOT

Applied products
- Robot

FANUC IoT
Creation of new value
through linking

FIELD system
Platform for manufacturers
that transcends boundaries of manufacturing companies and generations

FANUC AI
Right tools implemented in right places
through sophisticated use of data from production sites

Outcome

Improved customer productivity
- Minimizing down time
- Sophisticated manufacturing
- Products easy-to-use for unskilled workers

Improved work environment in customers' factories
- Liberation from dangerous, dirty, and difficult jobs
- Superior safety

Reduction in environmental load
- Energy saving products/functions
- Shorter processing time
- Smaller, lighter products, fewer components
- Reduction in the amount of harmful substances used

Securing employee diversity
- Female officers: 11.7%
- Officers with non-Japanese nationality: 5.8%
- Female executive employees: 3.2%

Conservation of biological diversity
- Forest conservation activities
- Conservation of rare plant species

Achievement of SDGs Through Creation of New Value

FANUC operates the businesses of FA, ROBOT, and ROBOMACHINE, as well as the IoT business that improves these three businesses. Since its foundation, we have developed a tough corporate structure by focusing on these businesses, without blindly seeking to expand the scale of its business.
And we aim to remain a company trusted by stakeholders by working to provide essential value to not just customers but also to society through persistent technological innovation in all of our businesses and fulfilling our social responsibility through our business activities.
Demand for factory automation is expected to continue to grow. FANUC will continue to aim to achieve SDGs by creating new value and working to resolve environmental issues such as climate change and other social issues including the need to improve work environment.

See our website for more information about sustainability.

FA (Basic products)

FANUC provides basic products that enable factory automation, such as CNCs, which control the operation of machine tools with numerical information, servos, which control speed and position, and laser oscillators, which are used for welding and cutting. In developing these products, we aim to improve productivity in our customers' factories with energy saving, enhanced safety, and higher performance.

Contribution to efforts to achieve 17 SDGs and 169 targets

ROBOT (Applied products)

Various tasks can be automated by applying the basic technologies of CNCs and servos freely controling robot arms. We contribute to improving work environments by releasing workers from dangerous, dirty, and difficult jobs and enhance the stability of product quality by enabling long-hour, consistent, and continuous production. In addition, we contribute to the maintenance and growth of factories around the world by compensating the shrinking labor pool, such as by developing robots that can work in collaboration with humans.

ROBOMACHINE (Applied products)

FANUC is developing compact machining centers, electric injection molding machines, wire-cut electric discharge machines, and ultra-precision machines that apply the basic technologies of CNCs and servos. We contribute to improving the productivity of our customers by pursuing superior machining performance, operating rates, and ease of use.

FA Business

Products: CNCs, servos, lasers

Strengths: FANUC's basic technology
Top-level global market share of CNCs (FANUC estimate)

Business Overview

The FA business is the origin of FANUC and its basic technology. FANUC is the first private-sector company in Japan to have developed numerical control (NC) and servo technologies that control machine tools using numerical information. Until then, highly skilled engineers, who have acquired know-how through many years of training, were indispensable for high-precision processing by machine tools. FANUC made it possible to complement skilled engineers' skills with NCs and servos. Computer-controlled NCs (CNCs) and servos further made it possible to process complex shapes and produce varied items efficiently. Currently, FANUC offers CNCs and servos covering a broad range from simple machine tools to composite machining equipment with complex configurations to industrial machinery.
Further, demand for introduction of robots in machine tools is increasing at machining sites, with an aim to automate processes or labor saving. Believing improved compatibility between machine tools and robots is important, FANUC is developing the functions to enhance it.

Value Created by FA Business

High-machining performance CNCs and high-speed, high-precision servos contribute to improved productivity as they enable more precise, higher-speed machining. We have implemented energy saving features in our servos.
Laser products contribute to improving quality of products of machine users with their high-quality machining capability supported by FANUC's CNCs and servos installed in them.
It is essential to improve operating rates for improving productivity of factories. In order to avoid extended suspension of production lines due to machine trouble or emergency maintenance work, we attach importance to functions and designs for preventive maintenance. Factory operation at high operating rates becomes possible through monitoring of insulation resistance of motors, drops in the numbers of rotations of fan motors for CNCs and servo amplifiers, etc. and conducting preventive maintenance in advance of a halt of the machine.

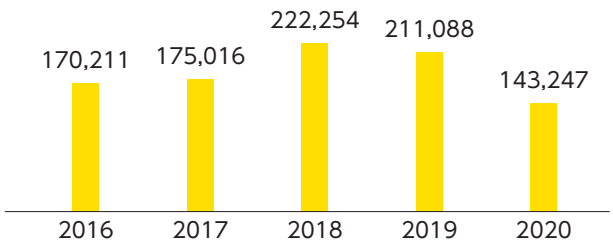
Ensuring Customer Safety

It is important to help operators not used to operating machines use FANUC products safely, as the numbers of people working in the manufacturing industry and highly skilled engineers are expected to decrease. FANUC's products are compliant with safety standards, including the ISO/IEC standards, and certified by accreditation organizations.
In addition, sufficient attentions are paid to safety use as CNCs are equipped with functions to suspend operation upon receiving an alarm in case of operational errors.

Areas of contribution to environmental/social issues

- Measures to address decreases in working population and highly skilled engineers
- Improvement of customers' productivity
- Energy saving in customers' factories
- Waste reduction in customers' factories
- Improvement of work environment in customers' factories

Sales of FA business (Millions of yen)



ROBOT Business

Products: robots

Strengths: Products applied with CNCs and servos, FANUC's basic products
Top-level global market shares (FANUC estimate)

Business Overview

FANUC exclusively targets industrial robots, instead of service, medical, or entertainment robots. We concentrate on helping customers automate or robotize their factories and contributing to improved productivity.
Our industrial robots, which include types for welding, material handling (transportation of articles), assembly, and painting, according to application, are used in wide-ranging industries, including automotive, electronic parts, logistics, food, pharmaceuticals, and cosmetics. FANUC's industrial robots are general-purpose robots and used in many industry sectors.

Value Created by ROBOT Business

Robots help solve a variety of issues society is facing. Robots, which perform strenuous work as programmed even under harsh environment, release workers from dangerous, dirty, and difficult jobs. Robots can also improve productivity and reduce night shift for workers as they can perform precise work over a long time at a certain speed, even at night.
COVID-19 outbreaks occurred in 2020. In such a time, robots can help protect health and safety of people by substituting some workers to allow them to avoid the "Three Cs" (closed spaces, crowded places, close-contact settings).
Introducing Zero Down Time (ZDT), a maintenance and diagnosis function using IoT, can service robots before they break down, helping to avoid extended suspension of a production line just because of trouble in a single robot.
Robots thus not only promote automation and robotization of factories and contribute to improved productivity but also help improve work environment, ultimately achieving improved productivity in labor-intensive industries through technology, a target of SDGs.

Robots for a new age

The market of "collaborative robots," which can work alongside human workers, is growing. As collaborative robots automatically stop safely when touched by humans, they do not require safety fences. By assisting work alongside human workers, operators can avoid strenuous work and workers whose physical power is weak can work safely.
The CRX series, light-weight collaborative robots FANUC announced in December 2019, are a new type of collaborative robots developed to achieve thorough ease of use for customers. As these products are light, you can carry and install them without using a crane. The manual guided teaching feature that allows users to directly move the arm by hands enables intuitive robot operation. Users can design teaching programs in a smartphone-like operation, using drag-and-drop operation on a tablet device they are familiar with. The robots, designed with an aim to create an appearance that coexists with humans, make workers feel safe. They are robots for a new age, equipped with a safety feature that stops itself when touched and maintenance-free, high reliability.


New Collaborative Robot CRX

Targeting Expanding Robot Market

According to statistics by the International Federation of Robotics, the number of industrial robots in operation has increased year by year and is expected to continue to grow. FANUC develops robots that can help solve issues faced by society and as measures to improve productivity of customers' factories and address decreases in working population and highly skilled workers.

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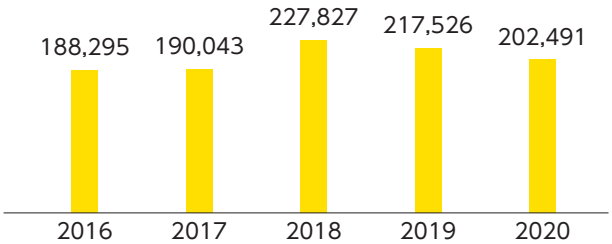
"FANUC Robot R-2000iD/210FH," a product with cables integrated into its arm and featuring a good balance between design and function, won "2019 Nikkan Kogyo Shimbun Best 10 New Products Award/Main Award" and "Nikkei Sangyo Shimbun Award for Excellence in the 2019 Nikkei Superior Products and Services Awards."

Areas of contribution to environmental/social issues

- Measures to address decreases in working population and highly skilled engineers
- Improvement of work environment in customers' factories
- Improvement of customers' productivity
- Energy saving in customers' factories
- Waste reduction and effective use of resources in customers' factories

Sales of ROBOT business (Millions of yen)



ROBOMACHINE Business

Products: ROBODRILLs (compact machining centers), ROBOSHOTs (electric injection molding machines), ROBOCUTs (wire-cut electric discharge machines), and ROBONANOs (ultra-precision machines)

Strengths: Products applied with CNCs and servos, FANUC's basic products
High precision performance, high operating rates, easy to use
Top-level global market share of ROBODRILLs (compact machining centers) (FANUC estimate)
Top-level global market share of ROBOSHOTs (electric injection molding machines) (FANUC estimate)

Business Overview

Products of the ROBOMACHINE business are comprised of machine tools or industrial machinery installed with FANUC's CNCs and servos. They are used for production in factories of machine users. They are all highly compatible with FANUC robots. Factory automation is enhanced through the combination of ROBOMACHINEs and robots.
Machine users can improve quality of their products and shorten the time it takes for machining by using FANUC's highly reliable, high-performance ROBOMACHINE products. The products will contribute to improved productivity of machine users' factories.
Furthermore, a function to monitor the operational status of the entire factory in real time will enable designing of more precise production plans and improvement in operating rates (ROBODRILL-LINKi, ROBOSHOT-LINKi, and ROBOCUT-LINKi).
ROBODRILLs and ROBOSHOTs became eligible for a subsidy for business expenses supporting businesses rationalizing energy use in production equipment, allocated in the fiscal 2019 supplementary budgets in recognition of their energy saving potential. ROBOMACHINE products are used in the production of medical instruments, including syringes and artificial bones, contributing to efforts to achieve a goal among SDGs of securing healthy life.

Value Created by ROBODRILLs

ROBODRILLs are compact machining centers. They are used for machining metal materials, such as iron and aluminum, with tools and for drilling holes.
The products have superior machining performance for their compactness and contribute to making production equipment smaller and saving energy. They improve production efficiency by thoroughly reducing redundancy in machines' operation, and achieve more stable machining through the use of AI thermal displacement compensation function. These features help improve machine users' product quality and productivity.


Impeller for automotive superchargers


Aircraft turbine blades


Wristwatch bezel

Value Created by ROBOSHOTs

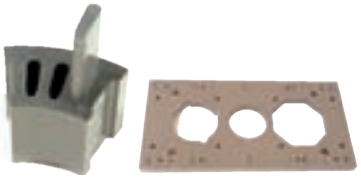
ROBOSHOTs are electric injection molding machines. They form melted plastics, etc. into shapes by casting them into metal molds. Many components used in daily lives, including mobile phone components, auto parts, and medical instruments, are made using injection molding machines.
FANUC's products can perform more precise and stable molding thanks to the highly-rigid and low-friction mechanism and contribute to manufacturing of high value-added precision molded products. AI backflow monitor helps estimate the amount of wear on backflow prevention rings, allowing for replacement of components at optimum timing. This contributes to reducing molding defects and improving operating rates.


Auto headlight


Syringe

Value Created by ROBOCUTs

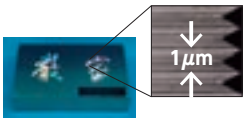
ROBOCUTs are wire-cut electric discharge machines, which use discharge phenomena between wire electrodes and the workpiece to perform machining. They can perform machining on anything from thin boards to ultra-hard materials, which are difficult to process for cutting tools, into complex shapes as long as the material is conductive, regardless of its hardness.
By achieving stable machining through the use of the AI thermal displacement compensation function, these products contribute to improving machine users' product quality. The automatic wire feeding (AWF3) can automatically recover feeding when a wire is accidentally cut and disconnected during machining, thereby enabling unmanned operation for long periods. These features contribute to improving operating rates.


Mold parts for motor cores

Value Created by ROBONANOs

ROBONANOs are ultra-precision machines that challenge the boundaries of machining by realizing a 0.1 nm programming command, combining FANUC's latest CNC and servo control technologies. The machining and lathe types of ROBONANO address nano-level machining needs in the areas of optical electronics, clocks, biotechnology, and healthcare.


Mold for automotive head-up displays



Mold for ornamental holograms

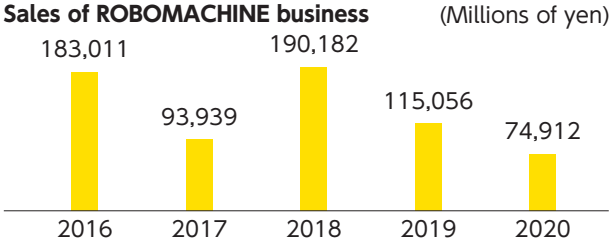

Mold for smartphone lenses

<TOPIC>
FANUC's contribution to the ultra-precision small plastic molded parts market through ROBOSHOTs was highly appraised, and was awarded the "2019 Okochi Memorial Production Prize" for the "development of fully electric injection molding machines for ultra-precision small plastic molded parts" from the Okochi Memorial Foundation.

Areas of contribution to environmental/social issues

- Measures to address decreases in working population and highly skilled engineers
- Improvement of customers' productivity
- Energy saving in customers' factories
- Ensuring healthy life through provision of healthcare products

Sales of ROBOMACHINE business (Millions of yen)



Materiality

Materiality	Risks	Opportunities
Maintain and improve competitiveness	●The emergence of competitive products utilizing new technologies may cause our products to lose their core competence.	●We can maintain our superiority by developing competitive products, enhancing our services, and providing our customers with attractive products. ●Creation of new markets through the use of new technologies also introduces new business oppotunities for FANUC to expand its business domain and grow.
	●Our factory may comes to an almost complete stop, if a large-scale disaster happens in the area where the factory is located.	●We have nearly finished establishing multiple production sites for our CNC (computer numerical control) systems and robots, so that we can continue to serve our customers, even in the event of a large-scale disaster.
Response to environmental issues	●Stricter environmental regulations on resource conservation led by Europe, such as reducing greenhouse gas emissions and managing chemical substance, may lead to increased costs.	●The concept of lifetime maintenance, which embodies our commitment to continue providing maintenance as long as our customers continue to use our products, as well as providing highly dependable, high quality products that are “Reliable, Predictable, Easy to Repair” and minimizing downtime of our customers’ factories by putting “service first”, has helped to reduce waste for our customers around the world.
	●The transition from internal combustion engines to EVs powered by electric motors, driven by measures taken by the automobile industry to combat climate change, may have a major effect on the market environment for our main products in the FA business.	●Leading the development of energy-saving products and products high in energy efficiency will provide opportunities to expand sales of our products in developed markets such as Europe. The transition to EVs will broaden the range of robot applications, and create opportunities to increase product sales. The number of sensors and cameras mounted to EVs will grow, and is expected to stimulate the increase in sales of ROBOSHOTs (electric injection molding machine). Furthermore, the demand for high-precision parts used in EVs and the demand for molds for EV components are both expected to increase. This will boost the demand for machine tools in this sector, leading to a higher demand for CNCs.
Shrinking labor force population	●It may become difficult to hire competent people.	●The rising need for automation in manufacturing sites also represents an opportunity to expand the industrial robot market, and will lead to the development of safe and secure work environments.
Building a governance system	●There is a possibility that correct management decisions will not be made, or that decision-making will be delayed.	●Proper decision-making will be made possible by establishing a governance system under which the roles and responsibilities of the executive bodies (the management) are separated from those the monitoring bodies (the Board of Directors) .

Governance

FANUC recognizes that a company will last forever and be sound with “strict preciseness” and the corruption of an organization and downfall of a company start from a lack of “transparency”. Based on this basic principle of strict preciseness and transparency, FANUC has established a governance system (internal control system), and is striving to fulfill its responsibilities to stakeholders, including customers, employees, shareholders, suppliers, and local communities, and to achieve sustainable growth as a company.

Governance

Promotion Framework

With regard to governance (internal control system), the Compliance Committee, which is chaired by the Representative Director, has been established to deliberate whistleblowing cases, establish countermeasures, and give advice to parties involved. For important matters, the details of each case, along with countermeasures are reported to the Board of Directors and the President & CEO and CIO.

Corporate Governance

Policies

In order for the Board of Directors to fulfill its monitoring functions in sync with the field, Executive Directors shall disclose and explain accurate and timely information from worksites to the Board of Directors. The Board of Directors shall not restrict itself to theoretical discussions, but rather, shall strive to hold discussions that are constructive. In addition, FANUC has established the Nomination and Remuneration Committee, a majority of which comprises Independent Outside Directors, and is chaired by an Independent Outside Director. By increasing the objectivity and transparency of the appointment and evaluation of Directors, this committee ensures the strict preciseness and transparency of monitoring functions of management (the executive functions).

Promotion Framework and Initiatives

FANUC is a company with an Audit & Supervisory Board. We place importance on the opinions of the Audit & Supervisory Board Members at the Board of Directors, while keeping the Directors (the monitoring functions of management) and the management side (executive functions) independent from each other. Four of the twelve members of the Board of Directors are Independent Outside Directors, which account for over one-third of the Board of Directors. In our efforts to promote diversity in the Board of Directors, the Directors include one woman and one foreign national. Three of the five Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members, one of whom is a woman. In addition, the Nomination and Remuneration Committee, the majority of which is comprised of Independent Outside Directors, and is chaired by an Independent Outside Director, has been established to improve the objectivity and transparency of the monitoring of the executive functions.
Evaluation of the effectiveness of the Board of Directors is conducted twice per year at meetings where opinions are exchanged, by receiving opinions and evaluations from Directors (especially Independent Outside Directors) and Audit & Supervisory Board Members. In addition, annual questionnaire surveys, are conducted to find necessary topics related to the evaluation. The Board of Directors deliberates on these topics, as appropriate, and discloses the details of these deliberations in the corporate governance report. Last year, there was a particularly lively exchange of views on strengthening internal governance as well as corporate governance. As a result, on November 1, 2019, a part of the functions of the Legal Department was made independent , to become the new Governance Department.

Directors and Audit & Supervisory Board Members

Directors (12 in total, including 4 outside directors)
Representative Director, Chairman
Dr. Yoshiharu Inaba
Representative Director, President and CEO and CIO
Kenji Yamaguchi
Representative Director, Senior Executive Vice President and CTO
Hiroyuki Uchida (General Manager, ROBOMACHINE Business Division)
Representative Director, Senior Executive Vice President and CFO
Yoshihiro Gonda (General Manager, Corporate Administration Division)
Director, Senior Executive Vice President and CISO
Yutaka Saito (General Manager, IoT Administration Division)
Director, Executive Managing Officer
Dr. Kiyonori Inaba (General Manager, ROBOT Business Division)
Hiroshi Noda (General Manager, FA Business Division)
Director
Michael J. Cicco (President and CEO, FANUC America Corporation)
Kazuo Tsukuda (Outside)
Yasuo Imai (Outside)
Masato Ono (Outside)
Naoko Yamazaki (Outside)

Audit & Supervisory Board Member (5 in total, including 3 outside audit & supervisory board members)
Standing Audit & Supervisory Board Member
Katsuo Kohari
Audit & Supervisory Board Member
Katsuya Mitsumura
Masaharu Sumikawa (Outside)
Hidetoshi Yokoi (Outside)
Mieko Tomita (Outside)

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.

Optional Nomination and Remuneration Committee

With respect to appointment and dismissal and remuneration, etc. of Directors, we have established the Nomination and Remuneration Committee, the majority of which is composed of Independent Outside Directors, to secure the objectivity and transparency, etc. of procedures through the deliberation by this Committee.

Members:
Outside Director Kazuo Tsukuda (chairperson)
Outside Director Yasuo Imai
Outside Director Masato Ono
Outside Director Naoko Yamazaki
Representative Director and Chairman Yoshiharu Inaba
Representative Director, President, CEO and CIO Kenji Yamaguchi

Directors' Remuneration

The system for Directors' remuneration, etc. is as follows.
The upper limit of the total amount was set at the following total amount by resolution of the 37th Ordinary General Meeting of Shareholders of June 28, 2006.
1) Fixed annual aggregate ceiling amount of ¥1 billion
2) Variable aggregate ceiling amount, which is set by multiplication of the consolidated net profit of each half year and 1/25 of the dividend payout ratio (%). (It should be noted, however that the variable amount for the first half of the fiscal year shall be paid in the second half of the relevant fiscal year and that for the second half shall be paid in the first half of following the fiscal year.)

Note: The payout ratio (%) shall be calculated in accordance with the following formula for each half year:
Payout ratio for the first half of the fiscal year (April to September)
= Amount of interim dividend per share for the said period
÷ Consolidated net income per share for the said period × 100
Payout ratio for the second half of the fiscal year (October to March next year)
= Amount of year-end dividend per share for the said fiscal year
÷ (Consolidated net income per share for the said fiscal year
− consolidated net income per share for the first half of the said fiscal year) × 100

Outside Directors and Outside Audit & Supervisory Board Members

Outside Director	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 corporate management, having a deep understanding of the Company's business.
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 13 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.
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, contributing to active discussions at meetings of the Board of Directors based on his many years of experience in management of financial institutions.
Naoko Yamazaki	Naoko Yamazaki has extensive knowledge of advanced aerospace engineering and manned spacecraft systems, including robotic arms, as an engineer. She is well versed in science and technology, as well as risk management including crisis management, and has experienced extremely challenging environments as an astronaut. Based on her wealth of experience and insight, she can be expected to oversee the Company's management and provide useful advice for the improvement of corporate values. Thus her new appointment as Outside Director is proposed.

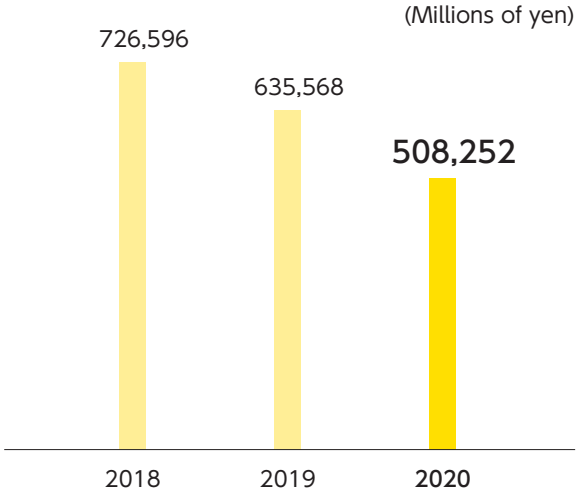
Outside Audit & Supervisory Board Member	Reason for appointment
Masaharu Sumikawa	Masaharu Sumikawa, who has extensive knowledge based on his many years of experience in corporate management in the manufacturing industry, has been providing the Company with advice, etc. from a point of view different from that of the Company while having a deep understanding of the manufacturing industry, contributing greatly not only to statutory audit activities but to the Board of Directors and other meetings that require active and rational discussions.
Hidetoshi Yokoi	Hidetoshi Yokoi has extensive knowledge in the manufacturing field as well as insight built upon his activities at Japan Science and Technology Agency, which tackles various issues in response to the needs of society. As we believe that we can expect him to provide appropriate advice with a broad perspective eyeing society as a whole based on these knowledge and insight, we propose his election as an Outside Audit & Supervisory Board Member.
Mieko Tomita	Mieko Tomita has specialized knowledge and broad insights cultivated as a lawyer. As she can be expected to provide advice from an objective standpoint on strengthening the audits and supervision of the Company's business and corporate governance, as well as maintaining and improving compliance, her appointment as Outside Audit & Supervisory Board Member is proposed.

Financial Highlights (Consolidated)

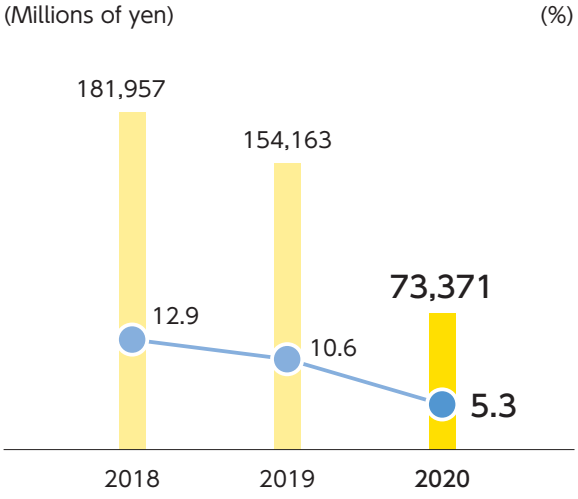
Millions of yen
(except per share amounts)

	2018	2019	2020
Net sales	726,596	635,568	**508,252**
EBITDA	263,794	203,006	**134,250**
EBITDA margin (%)	36.3	31.9	**26.4**
Operating income	229,604	163,297	**88,350**
Operating income ratio (%)	31.6	25.7	**17.4**
Net income attributable to owners of parent	181,957	154,163	**73,371**
Total assets	1,728,227	1,625,340	**1,512,499**
Net assets	1,467,630	1,445,146	**1,362,865**
ROE (%)	12.9	10.6	**5.3**
ROA (%)	11.0	9.2	**4.7**
Cash dividends (¥)	563.20	1,003.11	**300.00**
Payout ratio (%)	60.0	126.1	**78.6**

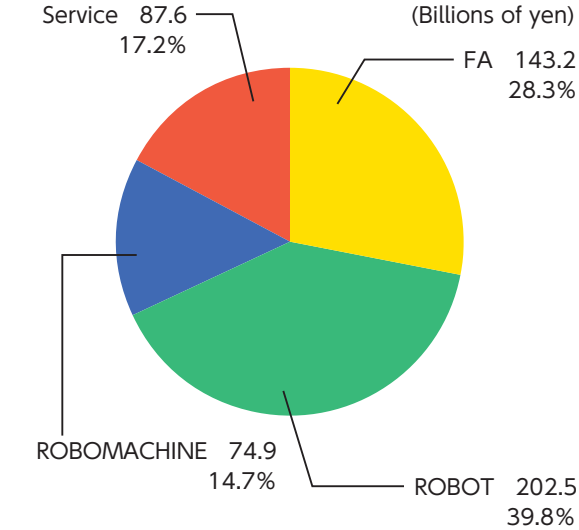
Net sales



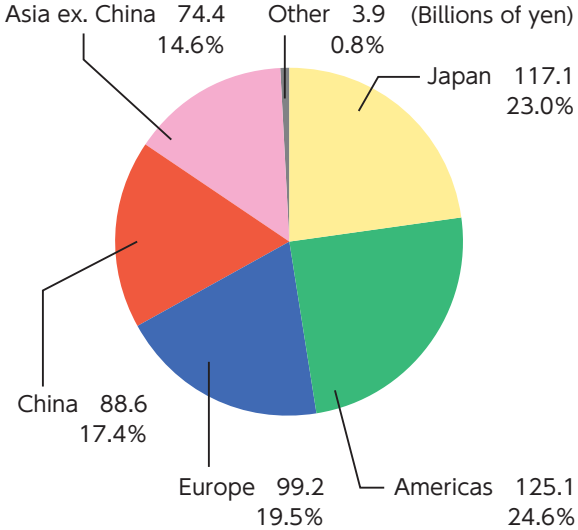
Net income/ROE



Net sales by business division(2020)



Net sales by region(2020)



Business Review and Challenges

Business Review

The overall business environment surrounding the FANUC Group during this period was harsh, due primarily to the cautious approach to capital investments mainly in the Chinese market, stemming from the impact of the trade friction between the United States and China. In addition, as the impact of the coronavirus (COVID-19) became more severe towards the end of the period, the business environment became very difficult and unclear.
Even under these circumstances, in order to continue management from a medium to long-term perspective, the FANUC Group promoted major initiatives consisting mainly of advancing product development featuring superior reliability and maintainability, establishing a manufacturing scheme to achieve high quality and short delivery time, and strengthening the service system that supports our customers' manufacturing activities, by uniting as one group under the slogans; "one FANUC," "Reliable, Predictable, Easy to Repair," and "Service First."
At the same time, to deal with the current strenuous market conditions, we have steadily fortified our corporate structure by reducing expenses and time, and streamlining business operations throughout the Company, as well as reviewing plans for equipment and facility investments according to priority.
During the fiscal year ended March 31, 2020, FANUC posted consolidated net sales totaling ¥508,252 million, down 20.0%, consolidated operating income totaling ¥88,350 million, down 45.9%, and net income attributable to owners of parent ¥73,371 million, down 52.4%, compared with the previous fiscal year.

〔FA Division〕

Demand in the machine tool industry, the primary market for FANUC CNC systems, declined in the Chinese market due mainly to the impact of the trade friction between the United States and China, and demand for machines also dropped in Taiwan, which is heavily dependent on the Chinese market. In the face of the restraining of capital investments, demand declined in Japan and Europe as well. Sales in South Korea, as well as India which had performed solid in the previous period, remained sluggish due mainly to weak domestic demand. Across the world, automobile-related investment, which greatly impacts demand for machines, was stagnant. As a result, net sales of CNC systems of the FANUC Group decreased compared with the previous fiscal year.
With regard to our lasers, although we continued focusing efforts on expanding sales, the competitions with overseas manufacturers has intensified.
The FA Division posted consolidated sales totaling ¥143,247 million, down 32.1% compared with the previous fiscal year, and FA Division sales accounted for 28.3% of consolidated net sales.

〔ROBOT Division〕

In the ROBOT Division, sales in the Americas were solid. In Japan, sales slightly increased for the automobile industry and slightly decreased for the general industries. Sales in China and Europe both for the automobile industry and for the general industries were sluggish. As a result, sales in the ROBOT Division as a whole decreased compared with the previous fiscal year.
The ROBOT Division posted consolidated sales totaling ¥202,491 million, down 6.9% compared with the previous fiscal year. ROBOT Division sales accounted for 39.8% of consolidated net sales.

〔ROBOMACHINE Division〕

As there was almost no short-term demand in the IT-related industry for ROBODRILLs (compact machining centers), we focused on expanding sales in the market for automobile parts. However, as the automobile-related market slowed down in the latter half of the period, sales decreased. In addition, sales of ROBOSHOTs (electric injection molding machines) slightly decreased, although we made persistent efforts to expand sales mainly to automobile parts, IT-related, and medical markets. With regard to ROBOCUTs (wire-cut electric discharge machines), sales also declined, mainly in the Chinese market.
The ROBOMACHINE Division posted consolidated sales totaling ¥74,912 million, down 34.9% compared with the previous fiscal year. ROBOMACHINE Division sales accounted for 14.7% of consolidated net sales.

〔Service Division〕

The Service Division, under our slogan “Service First,” reinforced our service system, increased efficiency through proactive introduction of IT technology, enhanced our service technology and improved our service tools. By maintaining a network of over 260 service offices covering more than 100 countries around the world, we are providing rapid service activities to minimize downtime in our customers’ factories.
The Service Division posted consolidated sales totaling ¥87,602 million, down 4.7% compared with the previous fiscal year. Service Division sales accounted for 17.2% of consolidated net sales.

〔Approaches to IoT and AI〕

In our efforts to support IoT technology, we released the third version of the base software of FIELD system, which is an open platform that connects machines, sensors and other devices of various companies in manufacturing sites, and allows a wide range of companies to participate in the development of application software. This version includes more functions and improves operability and reliability. FIELD system is an IoT product that connects various equipment in manufacturing sites to improve productivity, and its major feature is that it is able to process information in real-time at the edge (on-site in machining and assembly lines) of manufacturing sites.
We also began collaboration with Fujitsu Limited and NTT Communications Corporation targeting the creation of a “Digital Utility Cloud.” This is an initiative to accelerate digital innovation with the aim to streamline overlapping internal operations, which can be seen throughout the machine tool industry, and improving the level of customer services. In order to achieve this objective, the three companies, including FANUC, will develop cloud services that can be used in common by all companies in the industry for the digitization of their businesses.

With regard to AI, we are collaborating with Preferred Networks, Inc. to promote the development of more practical AI functions for use in all products of the FA, ROBOT, ROBOMACHINE, and FIELD system Divisions. For example, the AI servo monitors (FA), AI path control (ROBOT), and AI thermal displacement compensation (ROBODRILL, ROBOCUT) functions that we have recently developed, have already been released in the markets of each product group, where they are contributing to improvements in the operating rate, ease of use, and machining precision of manufacturing equipment in actual manufacturing sites. In addition, our Next-Generation Technology Laboratory is currently developing the next AI functions that will be launched in the market over the next few years, and has begun research on fundamental AI technologies that will lay the foundations for the future. We also utilize AI technologies to make all products of the FA, ROBOT, ROBOMACHINE, and FIELD system Divisions more intelligent, in order to differentiate ourselves from our competitors.

Challenges

As FANUC products are production goods that are significantly affected by economic changes, we continue management from a long-term perspective without being affected by short-term events.
The trade friction between the U.S. and China has prolonged, and with the additional impacts of the global spread of COVID-19, it is anticipated that the situation will remain difficult and unpredictable for some time. On the other hand, the demand for factory automation is expected to grow over the medium to long-term.
In order to adapt to these environmental changes, the FANUC Group will continue to focus on management that is based on a long-term perspective.
Guided by the slogan "one FANUC," the FANUC Group will take maximum advantage of our unique strength in uniting our FA, ROBOT, and ROBOMACHINE Divisions to jointly provide total solutions and take care of customers throughout the world. In particular, we perceive collaboration between CNC machine tools and ROBOTs, and between ROBOMACHINEs and ROBOTs, as one of our key themes, and will develop products accordingly.
In addition, the FANUC Group will adhere to its origins as a producer of production goods to be used at manufacturing sites, and will be thorough in implementing our slogan "Reliable, Predictable, Easy to Repair" in product development, to minimize downtime in our customers' factories and improve their operating rates. Moreover, we will develop products with an even greater focus on ease of use, in order to respond to the increase in demands for factory automation, as acquiring skilled workers becomes more difficult.
Furthermore, we will practice our basic policy of "Service First" in providing high-level maintenance services pursuant to FANUC's global standard anywhere in the world, and "lifetime maintenance" for as long as our customers use our products. In particular, we will continue to focus on "lifetime maintenance," as it is one of the core strengths of the FANUC Group, which is difficult for competitors to imitate.
The FANUC Group believes that IoT and AI are indispensable technologies for FANUC to continue developing and launching highly competitive products to the market. By aggressively adopting these technologies in all areas of FA, ROBOT, and ROBOMACHINE products, we will further promote customers' production efficiency. We will continue to develop IoT technologies, such as the "FIELD system" open platform. With regard to AI technologies, we will develop functions that will be useful in actual manufacturing sites. For technologies that the Company does not possess, we will continue to actively collaborate with other companies, and strive to engage in speedy development.
We will pursue measures to strengthen our corporate structure from a long-term perspective, such as reinforcing product competitiveness, strengthening sales and service activities, promoting automization and robotization in factories, and enhancing administrative efficiency. In addition, as a supplier of production goods, we are establishing multiple production sites and service centers in order to fulfill our responsibilities as a supplier and maintain service activities under any circumstance. Furthermore, we are also fortifying our supply chain by increasing the number of parts suppliers and maintaining appropriate inventory levels for parts.
Along with such activities, the FANUC Group is also striving to maintain its strong corporate structure by reducing expenses and time, and streamlining business operations. In addition, we consider human resources as being most vital for achieving medium and long-term growth. From this perspective, we will work on the key issues of creating better working environments for our employees and further improving employee motivation.
With regard to management, we will focus even more on the fact that FANUC's products can make major contributions to the achievement of SDGs. In addition to the operating income ratio, ordinary income ratio, and ROE, market shares will also be considered to be an important business indicator, and decisions will be made comprehensively with these in mind.
As a pressing issue, the FANUC Group is prioritizing the prevention of COVID-19 infection among its customers, partners, employees, and family members, along with containing its spread, while striving to continue to provide products and services to customers.
The FANUC Group will continue to thoroughly practice our basic principles of "Strict Preciseness" and "Transparency," and promote such measures united as one group in all aspects, in order to gain more customer confidence and trust in the FANUC Group while adapting to dramatic changes in the environment, in our efforts to become a company that will continue forever.
Thank you for your continued support and assistance to FANUC.

Ten-Year Financial Summary

Years ended March 31	2011	2012	2013	2014
Net sales	446,201	538,492	498,395	450,976
EBITDA	203,078	237,300	202,688	182,528
EBITDA margin (%)	45.5	44.1	40.7	40.5
Operating income	189,757	221,834	184,821	164,134
Operating income ratio (%)	42.5	41.2	37.1	36.4
Net income attributable to owners of parent	120,155	138,819	120,484	110,930
Capital investment	9,800	45,719	45,091	13,906
Depreciation and amortization	13,321	15,466	17,867	18,394
Research and development expenses	15,543	20,478	20,148	18,372
Number of employees	4,926	5,198	5,261	5,469
Total assets (Persons)	1,013,000	1,130,625	1,219,113	1,343,904
Net assets	894,494	985,322	1,094,129	1,199,863
ROE (%)	14.1	14.8	11.6	9.7
ROA (%)	12.6	13.0	10.3	8.7
Dividend (¥)	184.13	212.77	184.68	170.06
Dividend payout ratio (%)	30.0	30.0	30.0	30.0

・EBITDA margin = EBITDA / Net sales
・ROE = Net income / Average shareholders' equity
・ROA=Net income / Average total assets

Millions of yen, except for per share data						Thousands of U.S. dollars, except for per share data
2015	2016	2017	2018	2019	**2020**	**2020**
729,760	623,418	536,942	726,596	635,568	**508,252**	**$4,662,862**
319,524	236,673	179,747	263,794	203,006	**134,250**	**1,231,651**
43.8	38.0	33.5	36.3	31.9	**26.4**	**26.4**
297,839	215,567	153,217	229,604	163,297	**88,350**	**810,541**
40.8	34.6	28.5	31.6	25.7	**17.4**	**17.4**
207,599	159,700	127,697	181,957	154,163	**73,371**	**673,128**
26,628	113,315	83,207	116,110	133,106	**70,478**	**646,587**
21,685	21,106	26,530	34,190	39,709	**45,913**	**421,220**
28,105	34,567	42,331	52,956	56,162	**51,315**	**470,779**
5,840	6,327	6,738	7,163	7,866	**8,164**	**8,164**
1,611,626	1,512,895	1,564,769	1,729,080	1,625,340	**1,512,499**	**13,876,138**
1,386,695	1,334,910	1,369,457	1,467,630	1,445,146	**1,362,865**	**12,503,348**
16.1	11.8	9.5	12.9	10.6	**5.3**	**5.3**
14.0	10.2	8.3	11.0	9.2	**4.7**	**4.7**
636.62	490.07	395.18	563.20	1,003.11	**300.00**	**2,752**
60.0	60.0	60.0	60.0	126.1	**78.6**	**78.6**

Financial Section

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2019	**2020**	**2020**
Net sales	¥ 635,568	**¥ 508,252**	**$4,662,862**
Cost of goods sold	369,761	**326,095**	**2,991,697**
Gross profit	265,807	**182,157**	**1,671,165**
Selling, general and administrative expenses	102,510	**93,807**	**860,614**
Operating income	163,297	**88,350**	**810,541**
Other income (expenses):			
Interest income	4,195	**3,861**	**35,412**
Equity in earnings of affiliates	14,243	**8,752**	**80,293**
Other, net	1,724	**1,853**	**17,000**
	20,162	**14,466**	**132,715**
Extraordinary income (loss)			
Gain on transfer of benefit obligation relating to employees' pension fund	25,081	**—**	**—**
Impairment loss	—	**(1,973)**	**(18,100)**
	25,081	**(1,973)**	**(18,100)**
Income before income taxes	208,540	**100,843**	**925,155**
Income taxes:			
Current	48,977	**24,450**	**224,311**
Deferred	4,794	**1,776**	**16,284**
Net income	154,769	**74,617**	**684,550**
Net income attributable to non-controlling interests	606	**1,246**	**11,422**
Net income attributable to owners of parent	¥ 154,163	**¥ 73,371**	**$ 673,128**

			U.S. dollars
Amounts per share of common stock:			
Net income	¥ 795.34	**¥ 381.89**	**$ 3.50**
Cash dividends	1,003.11	**300.00**	**2.75**

Thousand U.S. dollar figures are converted from yen figures that are rounded down to the nearest million yen. Accordingly, the total amount may not be equal to the combined total of individual items.

Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2019	2020	2020
Net income	¥154,769	**¥74,617**	**$684,550**
Other comprehensive income			
Valuation difference on available-for-sale securities	(3,979)	**(4,053)**	**(37,174)**
Foreign currency translation adjustment	(1,946)	**(18,634)**	**(170,954)**
Remeasurements of defined benefit plans	4,780	**7,408**	**67,963**
Share of other comprehensive income of affiliates accounted for using equity method	(4,267)	**(1,961)**	**(17,981)**
Total other comprehensive income	(5,412)	**(17,240)**	**(158,155)**
Comprehensive income	¥149,357	**¥57,377**	**$526,394**
Comprehensive income attributable to:			
Owners of parent	148,906	**56,796**	**521,055**
Non-controlling interests	451	**581**	**5,330**

Thousand U.S. dollar figures are converted from yen figures that are rounded down to the nearest million yen. Accordingly, the total amount may not be equal to the combined total of individual items.

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
As of March 31	2019	2020	2020
ASSETS			
Current assets:			
Cash and bank deposits	¥607,155	**¥405,861**	**$3,723,486**
Receivables, trade:			
Notes and accounts	106,204	**85,266**	**782,247**
Allowance for doubtful accounts	(1,123)	**(831)**	**(7,614)**
Marketable securities	15,000	**126,700**	**1,162,385**
Finished goods	71,042	**65,122**	**597,440**
Work in progress	55,174	**51,979**	**476,871**
Raw materials and supplies	29,930	**25,450**	**233,486**
Other current assets	24,302	**10,833**	**99,376**
Total current assets	907,684	**770,380**	**7,067,706**
Investments	133,477	**134,764**	**1,236,357**
Property, plant and equipment, at cost:			
Land	145,885	**146,085**	**1,340,220**
Buildings	463,312	**458,383**	**4,205,348**
Machinery and equipment	236,778	**292,695**	**2,685,275**
Construction in progress	56,715	**65,458**	**600,522**
Less accumulated depreciation	(328,114)	**(365,485)**	**(3,353,064)**
Property, plant and equipment, net	574,576	**597,136**	**5,478,311**
Intangible assets:			
のれん	—	**—**	**—**
Other intangible assets	9,603	**10,219**	**93,743**
Total intangible assets	9,603	**10,219**	**93,743**
Total assets	¥1,625,340	**¥1,512,499**	**$13,876,137**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Payables, trade	¥36,567	**¥26,974**	**$247,458**
Accrued income taxes	15,007	**9,270**	**85,045**
Warranty reserves	8,215	**8,306**	**76,192**
Other current liabilities	75,278	**56,413**	**517,550**
Total current liabilities	135,067	**100,963**	**926,256**
Long-term liabilities:			
Net defined benefit liability	42,097	**44,652**	**409,642**
Other long-term liabilities	3,030	**4,019**	**36,871**
Total long-term liabilities	45,127	**48,671**	**446,513**
NET ASSETS			
Shareholders' equity:			
Common stock:			
Authorized - 400,000,000 shares			
Issued - 204,031,841 shares	69,014	**69,014**	**633,155**
Capital surplus	96,265	**96,265**	**883,155**
Retained earnings	1,380,439	**1,351,122**	**12,395,614**
Treasury stock, at cost :			
2019 - 10,210,522 shares	(91,040)	**—**	**—**
2020 - 12,205,852 shares	—	**(127,822)**	**(1,172,678)**
Total shareholders' equity	1,454,678	**1,388,579**	**12,739,256**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	9,111	**5,058**	**46,403**
Foreign currency translation adjustment	(6,677)	**(26,608)**	**(244,110)**
Remeasurements of defined benefit plans	(19,337)	**(11,929)**	**(109,431)**
Total accumulated other comprehensive income	(16,903)	**(33,479)**	**(307,146)**
Non-controlling interests	7,371	**7,765**	**71,238**
Total net assets	1,445,146	**1,362,865**	**12,503,348**
Total liabilities and net assets	¥1,625,340	**¥1,512,499**	**$13,876,137**

Thousand U.S. dollar figures are converted from yen figures that are rounded down to the nearest million yen.
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Consolidated Statements of Changes in Net Assets

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2018	¥69,014	¥96,264	¥1,398,977	(¥91,020)	¥13,090	(¥619)	(¥24,117)	¥6,040	¥1,467,630
Restated balance	¥69,014	¥96,264	¥1,398,977	(¥91,020)	¥13,090	(¥619)	(¥24,117)	¥6,040	¥1,467,630
Cash dividends			(173,665)						(173,665)
Net income attributable to owners of parent			154,163						154,163
Change caused by merger			1,121						1,121
Purchase of treasury stock				(187)					(187)
Disposal of treasury stock		6		4					10
Retirement of treasury stock		(6)	(157)	163					–
Change due to tax rate change									–
Change in equity from transactions with non-controlling shareholders									–
Net change except shareholder's equity during the year					(3,979)	(6,058)	4,780	1,331	(3,926)
Balance at March 31, 2019	¥69,014	¥96,264	¥1,380,439	(¥91,040)	¥9,111	(¥6,677)	(¥19,337)	¥7,371	¥1,445,146
Cumulative effects of changes in accounting policies			(63)						(63)
Restated balance	¥69,014	¥96,264	¥1,380,376	(¥91,040)	¥9,111	(¥6,677)	(¥19,337)	¥7,371	¥1,445,082
Cash dividends			(102,541)						(102,541)
Net income attributable to owners of parent			73,371						73,371
Change caused by merger									–
Purchase of treasury stock				(36,875)					(36,875)
Disposal of treasury stock		4		5					9
Retirement of treasury stock		(4)	(84)	88					–
Change due to tax rate change									–
Change in equity from transactions with non-controlling shareholders									–
Net change except shareholder's equity during the year					(4,052)	(19,931)	7,408	394	(16,182)
Balance at March 31, 2020	¥69,014	¥96,264	¥1,351,122	(¥127,822)	¥5,058	(¥26,608)	(¥11,928)	¥7,765	¥1,362,865

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	Non-controlling interests	Total net assets
Balance at March 31, 2019	$633,155	$883,155	$12,664,577	($835,229)	$83,587	($61,256)	($177,403)	$67,623	$13,258,220
Cumulative effects of changes in accounting policies			(577)						(577)
Restated balance	$633,155	$883,155	$12,664,000	($835,229)	$83,587	($61,256)	($177,403)	$67,623	$13,257,633
Cash dividends			(940,743)						(940,743)
Net income attributable to owners of parent			673,128						673,128
Change caused by merger									–
Purchase of treasury stock				(338,302)					(338,302)
Disposal of treasury stock		36		45					82
Retirement of treasury stock		(36)	(770)	807					–
Change due to tax rate change									–
Change in equity from transactions with non-controlling shareholders									–
Net change except shareholder's equity during the year					(37,174)	(182,853)	67,963	3,614	(148,458)
Balance at March 31, 2020	$633,155	$883,155	$12,395,614	($1,172,678)	$46,403	($244,110)	($109,431)	$71,238	$12,503,348

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Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2019年	**2020年**	**2020年**
Cash flows from operating activities			
Income before income taxes	¥208,540	**¥100,843**	**$925,155**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	39,709	**45,913**	**421,220**
Loss on impairment of non-current assets	—	**1,973**	**18,100**
Allowance for doubtful accounts	(200)	**(261)**	**(2,385)**
Net defined benefit liability	(25,320)	**2,762**	**25,330**
Net defined benefit asset	(6,732)	**(7,456)**	**(68,403)**
Interest and dividend income	(5,705)	**(5,305)**	**(48,660)**
Equity in earnings of affiliates, net	(14,243)	**(8,752)**	**(80,293)**
(Increase) decrease in receivables, trade	67,500	**18,358**	**168,412**
(Increase) decrease in inventories	(6,249)	**10,288**	**94,385**
Increase (decrease)in payables, trade	(16,393)	**(8,646)**	**(79,321)**
Other	3,855	**14,118**	**129,522**
Cash generated from operations	244,762	**163,835**	**1,503,064**
Interest and dividends received	13,662	**11,965**	**109,761**
Income taxes paid	(79,985)	**(29,655)**	**(272,055)**
Other	(701)	**(1,273)**	**(11,678)**
Net cash provided by operating activities	177,738	**144,872**	**1,329,091**
Cash flows from investing activities			
Payments into time deposits	(60,142)	**(32,248)**	**(295,844)**
Proceeds from withdrawal of time deposits	67,357	**28,672**	**263,045**
Purchases of property, plant and equipment	(125,324)	**(75,429)**	**(692,009)**
Purchases of investment securities	(244)	**(834)**	**(7,642)**
Other	(4,990)	**(4,480)**	**(41,100)**
Net cash used in investing activities	(123,343)	**(84,319)**	**(773,559)**
Cash flows from financing activities			
Purchases of treasury stock	(183)	**(36,870)**	**(338,247)**
Dividends paid	(173,571)	**(102,546)**	**(940,779)**
Other	886	**(1,310)**	**(12,018)**
Net cash used in financing activities	(172,868)	**(140,726)**	**(1,291,064)**
Effect of exchange rate changes on cash and cash equivalents	(580)	**(12,533)**	**(114,981)**
Net increase (decrease) in cash and cash equivalents	(119,053)	**(92,706)**	**(850,513)**
Cash and cash equivalents at beginning of year	725,903	**607,714**	**5,575,357**
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	864	**—**	**—**
Cash and cash equivalents at end of year	¥607,714	**¥515,008**	**$4,724,834**

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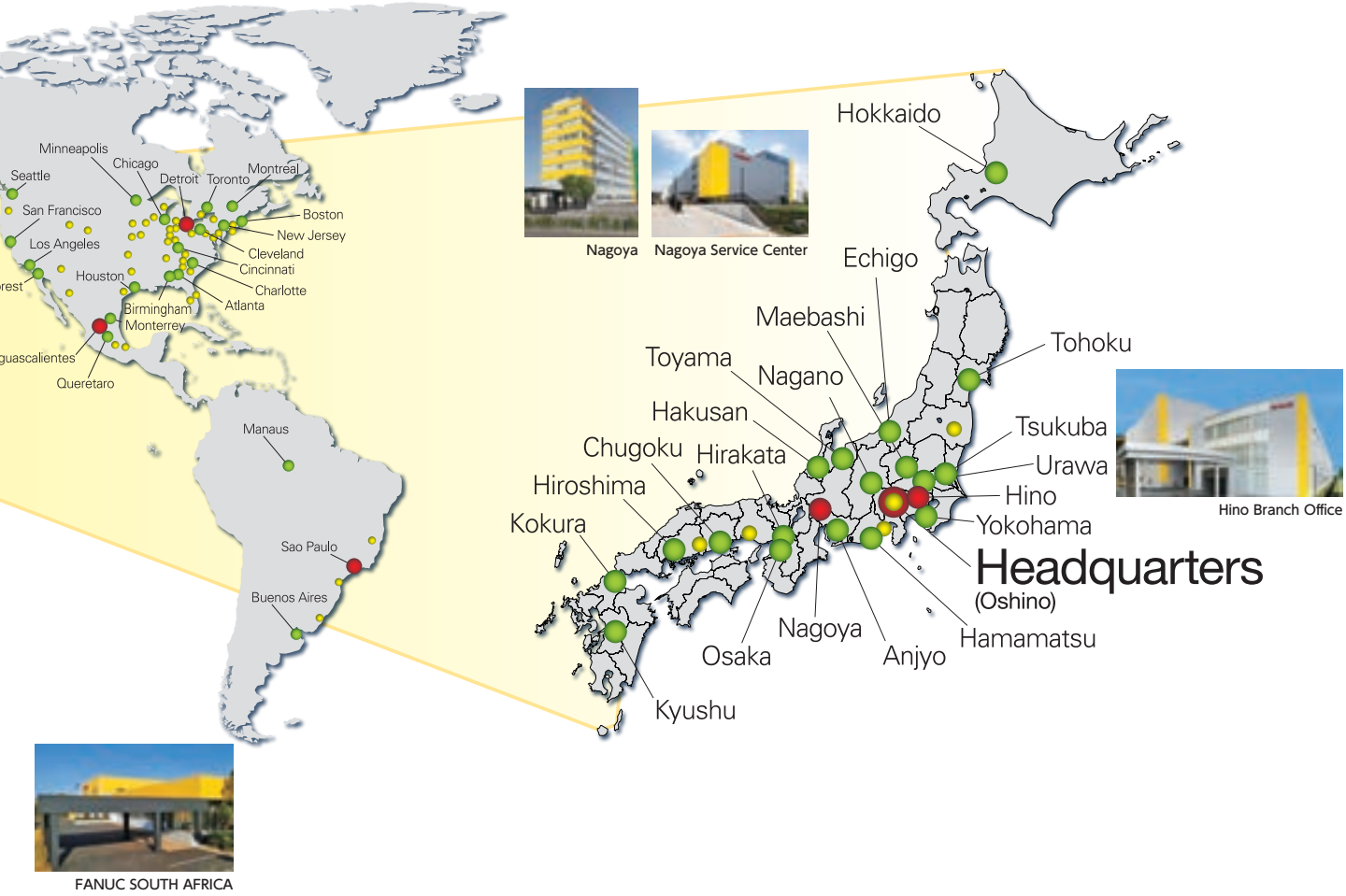

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