

(TRANSLATION)

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**Supplementary Materials to the Notice of Convocation of
The 54th Ordinary General Meeting of Shareholders**

1. Matters Related to Business Report
2. Consolidated Statement of Changes in Net Assets
3. Notes to the Consolidated Financial Statements
4. Non-Consolidated Statement of Changes in Net Assets
5. Notes to the Non-Consolidated Financial Statements

FANUC CORPORATION

1. Matters Related to Business Report

(1) Directors of the Company

Overview of the limitation of liability agreements

The Company has entered into agreements with Outside Directors, Kazuo Tsukuda, Naoko Yamazaki, Hiroto Uozumi, Yasuo Imai, Hidetoshi Yokoi and Mieko Tomita, limiting their liability for damages as defined under Article 423, Paragraph 1 of the Companies Act, in accordance with Article 427, Paragraph 1 of the Companies Act. The amount of the limit of liabilities for damages under such agreement shall be the amount of the minimum limit stipulated by laws and regulations.

(2) Accounting Auditor

1) Name of Accounting Auditor Ernst & Young ShinNihon LLC

2) Amount of fees, etc. paid to the Accounting Auditor in the fiscal year under review

- | | |
|--|----------------|
| (a) Amount of fees, etc. as Accounting Auditor: | 45 million yen |
| (b) Total amount of cash and other proprietary benefits payable by the Company and its subsidiaries: | 45 million yen |

Notes 1. The amount of auditing fees is not distinguished under the auditing agreement concluded between the Company and the Accounting Auditor with respect to audits under the Companies Act and the audits under the Financial Instruments and Exchange Act. Therefore, the amount in (a) represents the sum of the fees for such audits.

2. The overseas subsidiaries of the Company are subject to audits by audit firms other than the Accounting Auditor of the Company.

3. The reason for the approval by the Audit and Supervisory Committee of the amount of fees, etc. paid to the Accounting Auditor

In addition to obtaining the necessary documents and receiving reports from the Directors, the related internal divisions and the Accounting Auditor, the Audit and Supervisory Committee examined the audit plans and the status of audit execution of the previous fiscal year as well as the basis for calculating the estimated fees, etc. for the fiscal year under review based on the “Practical Guidelines on Cooperation with Accounting Auditors” released by the Japan Audit & Supervisory Board Members Association, and has determined that the fee levels are reasonable and has consented to the amount of fees, etc.

3) Policy of determining dismissal or non-reappointment of the Accounting Auditor

The Company shall propose non-reappointment of the Accounting Auditor to the general meeting of shareholders by resolution of the Audit and Supervisory Committee, as a general rule, in cases where it is deemed difficult for the Accounting Auditor to execute audits in an appropriate manner, in addition to dismissal of the Accounting Auditor by the Audit and Supervisory Committee based on the provisions of Article 340 of the Companies Act.

(3) System to ensure the appropriateness of business activities (internal control system)

An overview of the resolution by the Board of Directors of the system to ensure the appropriateness of business activities is as follows.

1) System to ensure that duties of the Company’s Directors and employees are performed in compliance with laws and regulations and the Company’s Articles of Incorporation :

Education on laws and regulations and the Articles of Incorporation and other internal rules shall be provided to the Directors and employees and other measures shall be taken to ensure that duties of Directors and employees are performed in compliance with laws and regulations and the Articles of Incorporation.

- 2) Rules and other systems concerning management of the Company's exposure to the risk of loss :
The Company has established a Risk Management Committee and has created risk management policies in order to handle potential risks which may obstruct the continuation of the Company's business, increase in the Company's value, or sustainable development of the Company's activities, and shall engage in appropriate risk management under the supervision of the Board of Directors. Furthermore, the Internal Audit Department, which directly reports to the President of the Company, shall conduct internal audits regarding the status of risk management.
- 3) System to ensure that duties of the Company's Directors are performed efficiently :
The Managing Officer System shall be introduced to ensure that duties of the Directors will be performed efficiently according to the internal rules providing for the organizational structure, division of duties, official authority, etc.
- 4) System for the storage and management of information concerning the performance of duties of the Company's Directors :
Information concerning the performance of duties of the Directors shall be recorded and stored in accordance with the internal rules. Directors shall be able to access such information at any time.
- 5) System to ensure the appropriateness of operations in the corporate group consisting of the Company and its subsidiaries :
The Company will strive to enhance corporate governance in our corporate group by thoroughly disseminating the group's code of conduct applied to our corporate group. Regarding important matters pertaining to the management of the Company's subsidiaries, prior approval shall be requested or a report shall be submitted to the Company, according to the "FANUC Group Company Regulations." Each subsidiary shall individually endeavor to implement proper and efficient management, but as the parent company, the Company shall provide guidance and supervision through relevant departments including the Internal Audit Department, in order to enforce the effectiveness of the corporate group's risk management and compliance, as deemed necessary.
- 6) Matters concerning employees who are to assist the Audit and Supervisory Committee in its duties and matters concerning the effectiveness of instructions to such employees :
 - (i) The Secretariat of the Audit and Supervisory Committee shall be established to assist in the duties of the Committee.
 - (ii) The employees belonging to the Secretariat of the Audit and Supervisory Committee shall assist in the duties of the Audit and Supervisory Committee according to the instructions of the Committee. Further, when an employee belonging to the Secretariat of the Audit and Supervisory Committee receives any instruction from the Committee relating to its duties, he/she shall be free from the command and control of any Director or employee other than the Directors who are the Audit and Supervisory Committee Members with respect to such work so instructed.
 - (iii) The employees belonging to the Secretariat of the Audit and Supervisory Committee have a confidentiality obligation regarding the content of instructions given by the Committee or a member of the Committee.
- 7) Matters concerning the independence of the employees who are to assist the Audit and Supervisory Committee :
 - (i) The Audit and Supervisory Committee (or if the Committee nominates a specific member of the Committee, such member of the Committee) shall be consulted in advance regarding personnel affairs such as recruitment, transfer, performance appraisal, etc., of the employees belonging to the Secretariat of the Audit and Supervisory Committee.
 - (ii) Directors and employees shall pay attention not to impede the independence of the employees belonging to the Secretariat of the Audit and Supervisory Committee.
- 8) System for reporting to the Audit and Supervisory Committee :
 - (i) Directors and employees shall provide an appropriate report promptly upon any request for reporting on matters relating to the execution of business made by the Audit and Supervisory Committee or any member of the Committee nominated by the Committee.

- (ii) Directors and employees shall immediately report the details of any matter they discover which may seriously affect the business or financial conditions of the Company or its subsidiaries to the Audit and Supervisory Committee or any member of the Committee nominated by the Committee.
 - (iii) No person who provides a report as under (i) or (ii) above shall be treated disadvantageously due to such reporting.
- 9) System to otherwise ensure that auditing by the Audit and Supervisory Committee will be carried out effectively :
- (i) The Audit and Supervisory Committee or any member of the Committee nominated by the Committee shall have meetings with the Company's Directors (other than the Audit and Supervisory Committee Members) as appropriate to exchange opinions on the management policy, any issues to be dealt with by the Company, major risks surrounding the Company, enhancement of the environment for auditing by the Audit and Supervisory Committee, important audit issues, etc.
 - (ii) Directors and employees may not reject a request by the Audit and Supervisory Committee or any member of the Committee nominated by the Committee for expenses to consult with attorneys, certified accountants and other external experts or to entrust any investigation, appraisal or other affairs as necessary for them to carry out audits, unless such expenses so requested are deemed unnecessary for the performance of duties of the Audit and Supervisory Committee or the member of the Committee nominated by the Committee.
- (4) Overview of the operation status of the system to ensure the appropriateness of business activities (internal control system)
- 1) Compliance system
The Company 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 these basic principles of "Strict Preciseness and Transparency," the Company has established the FANUC Code of Conduct and by widely communicating this Code of Conduct, it strives to raise the employee's awareness of compliance. The Company has also established a whistle-blowing system where employees, etc., can whistleblow without fear of consequences.
 - 2) Risk management system
The Company has established a Risk Management Committee to identify and evaluate risks that could obstruct the continuation of the Company's business, increase in the Company's value, or sustainable development of the Company's activities. By also sharing the contents of discussions of the Risk Management Committee with the Outside Directors and the Audit and Supervisory Committee, the Company strives to ensure the effectiveness of risk management.
 - 3) Management of group companies
Regarding important matters pertaining to the management of the group companies, the Company's subsidiaries are required to request for prior approval by the Company or report to the Company, in accordance with the FANUC Group Company Regulations. The Company also strives to raise awareness of compliance among the subsidiaries, by applying the FANUC Code of Conduct to the subsidiaries and widely communicating the content to the employees and executives of the subsidiaries. Additionally, a whistle-blowing system where employees, etc. of the subsidiaries can whistleblow without fear of consequences is introduced to the subsidiaries.
 - 4) Execution of duties by Directors
The Company has introduced the Managing Officer System, and Directors efficiently execute their duties based on internal rules that stipulate organizational structure, duties of organizations, duties and authorities of management, and other relevant matters. As a Company with an Audit and Supervisory Committee, the Company is working to further strengthen the supervisory functions of the Board of Directors and speed up management decision-making, such as by developing and refining relevant rules.
 - 5) Execution of duties by the Audit and Supervisory Committee
The Audit and Supervisory Committee gathers necessary information as appropriate in collaboration with the Accounting Auditor and the Internal Audit Department to efficiently carry out audit operations.

2. Consolidated Statement of Changes in Net Assets
(From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2022	69,014	96,082	1,441,559	(105,950)	1,500,705
Changes during the year					
Dividends of surplus			(96,484)		(96,484)
Net income attributable to owners of parent			170,587		170,587
Purchase of treasury stock				(24,439)	(24,439)
Disposal of treasury stock		183		183	366
Net change except shareholders' equity during the year					–
Total changes during the year	–	183	74,103	(24,256)	50,030
Balance at March 31, 2023	69,014	96,265	1,515,662	(130,206)	1,550,735

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2022	15,204	36,087	(16,187)	35,104	14,070	1,549,879
Changes during the year						
Dividends of surplus						(96,484)
Net income attributable to owners of parent						170,587
Purchase of treasury stock						(24,439)
Disposal of treasury stock						366
Net change except shareholders' equity during the year	(1,486)	31,850	(827)	29,537	(1,891)	27,646
Total changes during the year	(1,486)	31,850	(827)	29,537	(1,891)	77,676
Balance at March 31, 2023	13,718	67,937	(17,014)	64,641	12,179	1,627,555

3. Notes to the Consolidated Financial Statements

Notes to significant accounting policies for preparation of consolidated financial statements

1. Scope of consolidation

Number of consolidated subsidiaries and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 37

Names of major consolidated subsidiaries:

FANUC America Corporation	FANUC Europe Corporation
KOREA FANUC CORPORATION	TAIWAN FANUC CORPORATION
FANUC INDIA PRIVATE LIMITED	SHANGHAI-FANUC Robomachine CO., LTD.
FANUC PERTRONICS LTD	FANUC SERVO LTD

Among the subsidiaries, some companies such as FANUC KOSAN LTD are not included in the scope of consolidation.

The total amounts in terms of total assets, net sales, net income or loss (amount proportional to equity) and retained earnings (amount proportional to equity) of these unconsolidated subsidiaries are immaterial, as such, and do not materially impact the consolidated financial statements as a whole.

2. Application of equity method

Number of equity method affiliates: 2

Names of the companies: BEIJING-FANUC Mechatronics CO., LTD.
SHANGHAI-FANUC Robotics CO., LTD.

The net income or loss (amount proportional to equity) and retained earnings (amount proportional to equity) of these unconsolidated subsidiaries and affiliated companies that are not accounted for by the equity method (such as FANUC KOSAN LTD) are immaterial, as such, and do not materially impact the consolidated financial statements as a whole.

3. Accounting policies

(1) Valuation standards and valuation methods of significant assets

(a) Securities

Available-for-sale securities

(Securities other than shares, etc. that do not have a market price)

Stated at fair value (Differences in valuation are included directly in net assets and the cost of securities sold is calculated by the moving average method.)

(Shares, etc. that do not have a market price)

Stated at cost based on the moving average method.

(b) Inventories

Stated principally at cost by the specific identification method or at cost by the average method (the method of writing down book value in accordance with decreased profitability).

(2) Depreciation method of significant depreciable assets

(a) Property, plant and equipment

Property, plant and equipment are depreciated principally by the declining-balance method. However, for the Company and its domestic consolidated subsidiaries, buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.

(b) Intangible assets

Intangible assets are amortized principally by the straight-line method. Software for internal use is amortized over its internal estimated useful life (5 years) using the straight-line method.

(3) Basis of recording significant provisions

(a) Allowance for doubtful accounts

The Company records allowance for doubtful accounts to prepare for possible losses on receivables or loans based on the historical default rates for ordinary receivables and on estimates of collectability for specific doubtful receivables.

(b) Warranty reserves

The Company records warranty reserves to allocate the accrual of warranty costs of the Company's goods to the net sales of the period based on historical experience. Additionally, necessary amounts are estimated individually for specific cases.

(4) Other important matters forming the basis of preparation of the consolidated financial statements

(a) Method of accounting for retirement benefits

- Method of attributing the projected retirement benefits to periods

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.

- Method of amortization of actuarial differences and past service cost

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 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.

(b) Significant revenue and expense recognition standards

The details of the main performance obligations in the major divisions related to revenue from contracts with customers of the Company and the Company's consolidated subsidiaries and the timing at which the Company typically satisfies these performance obligations are as follows.

(i) FA division, ROBOT division and ROBOMACHINE division

In the FA division, ROBOT division and ROBOMACHINE division, the Company mainly develops, manufactures and sells products such as CNC systems (CNC and servo motors), lasers, robots (including robot systems), and robomachines (ROBODRILLS (compact machining centers), ROBOSHOTS (electric injection molding machines), and ROBOCUTs (wire electrical-discharge machines)).

Regarding the sale of these products, excluding export transactions, revenue is recognized mainly when the customer accepts the product because it is judged that the customer gains control over the product and the performance obligations are deemed satisfied when the products are transferred to and accepted by the customer. For export transactions, revenue is recognized when risk is transferred to the customer based on trade conditions, etc. because it is judged that the customer gains control over the product and the performance obligations are deemed satisfied when risk ownership is transferred to the customer based on trade conditions, etc.

In the ROBOT division, at certain consolidated subsidiaries, robots are manufactured and sold based on contracts with customers who have set multiple milestones to measure the progress of performance obligations, such as product development, design and installation, and revenue is recognized over a period of time according to the achievement status of these milestones agreed upon in the contract with the customer.

(ii) Service division

In the service division, the Company provides maintenance services and maintenance contracts for products such as CNC systems (CNC and servo motors), lasers, robots (including robot systems), and robomachines (ROBODRILLS (compact machining centers), ROBOSHOTS (electric injection molding machines), and ROBOCUTs (wire electrical-discharge machines)).

Regarding maintenance services, the Company has determined that it is a performance obligation to complete maintenance based on contracts with customers and make Company products available to customers, and revenue is mainly recognized when maintenance services are accepted by the customer.

Regarding maintenance contracts, the Company has determined that it is a performance obligation to provide customers with maintenance services that are always available based on the contract, and revenue is recognized evenly over the period of the maintenance contract for the transaction amount in the contract with the customer.

(c) Basis for the translation of foreign currency denominated assets and liabilities into Japanese yen

Monetary assets and liabilities denominated in foreign currency are translated into Japanese yen at the spot exchange rate on the closing date and translation differences are recognized as profit or loss in the corresponding fiscal year. Assets and liabilities of overseas subsidiaries and associates are translated into Japanese yen at the spot exchange rate on the closing date while revenue and expenses are translated into Japanese yen at the average exchange rate for the period and exchange differences are included in foreign currency translation adjustment under net assets.

Notes to accounting estimates

Impairment of property, plant and equipment and intangible assets

1. Amount recorded in the consolidated financial statements for the fiscal year under review
Given a significant decline in the market price of the land of Headquarters offices (carrying amount in the consolidated balance sheet: 79,716 million yen), which is categorized into jointly used assets, the Company has determined that there is an indication of impairment for jointly used assets.
2. Other information that contributes to understanding of accounting estimates
Since there is an indication of impairment for jointly used assets, the Company conducted a test to determine whether an impairment loss related to jointly used assets needs to be recognized with a larger unit that covers jointly used assets and multiple asset groups related to the jointly used assets. As a result of the test, the total amount of undiscounted future cash flows was found to exceed the carrying amount, and thus no impairment loss was recognized.
Although the assumptions used for these estimates are the best estimates at this point, uncertain economic conditions and the Group's business standing in the future may have a material impact on estimated future cash flows.

Notes to the consolidated balance sheet

1. Accumulated depreciation of property, plant and equipment: 479,693 million yen
2. Guaranteed obligations: 1 million yen
The Company guarantees the obligations of employee mortgage loans.

Notes to consolidated statement of changes in net assets

1. Class and number of shares outstanding as of March 31, 2023
Common share: 201,909,397 shares

Note: On April 1, 2023, the Company performed a 5 for 1 stock split of common share. However, the number of shares stated above is the number before the stock split.

2. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2022	Common share	45,975	239.68 yen	March 31, 2022	June 30, 2022
Meeting of the Board of Directors held on October 27, 2022	Common share	50,509	264.02 yen	September 30, 2022	December 1, 2022
Total		96,484			

(2) Dividends for which the record date falls in the fiscal year under review while the effective date will be in the next fiscal year

The Company will present the following proposal on dividends for common stock at the Ordinary General Meeting of Shareholders to be held on June 29, 2023.

1. Total amount of payout: 51,770 million yen
2. Dividend per share: 271.64 yen
3. Record date: March 31, 2023
4. Effective date: June 30, 2023

The source of dividends is expected to be retained earnings.

Note: On April 1, 2023, the Company performed a 5 for 1 stock split of common share. However, dividends with the record date March 31, 2023 are based on the number of shares before the stock split.

Notes to financial instruments

1. Status of financial instruments

(1) Basic policy to manage financial instruments

The Group relies on its resources to finance operations and does not raise funds from external resources. In addition, the Group does not enter into any derivative contracts.

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

Deposits denominated in foreign currencies are exposed to the risk of exchange fluctuations. 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 certificates of deposits, which are easily convertible into cash and within three months, and thus are exposed to an 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 due within one year.

(3) Risk management for financial instruments

1) Credit risk (Risk of default, etc. of customers)

The Group, in accordance with the rules on receivables management, periodically monitors the status of key customers and manages the due dates and the balances of receivables by customer, to ensure early detection and mitigation of any concerns over collection associated with the deterioration of their financial position.

2) Market risk (Risk of fluctuation of exchanges rates, etc.)

The Group regularly monitors each yen equivalent of deposits denominated in foreign currencies to manage the market risk.

The Group regularly monitors the market price and the financial condition of the issuer (business partner) with respect to its investment securities and continuously reviews the holding status by taking into account its relationship with the business partner.

2. Fair value of financial instruments

The carrying amounts on the consolidated balance sheet, the fair values, and the difference thereof, as of March 31, 2023 are summarized as follows.

(Millions of yen)

	Carrying amount in the consolidated balance sheet (*)	Fair value (*)	Variance
Marketable securities and investment securities			
Available-for-sale securities	50,444	50,444	—
Assets total	50,444	50,444	—

*1 “Cash and bank deposits,” “notes receivables,” “accounts receivables,” “notes and accounts payables” and “accrued income taxes” are omitted because they comprise cash and short-term instruments whose carrying amount approximates its fair value.

*2 Securities other than shares, etc. that do not have a market price are not included in “Marketable securities and investment securities.” The carrying amounts of the relevant financial instruments are as follows.

(Millions of yen)

Classification	Fiscal year under review
Unlisted stocks	125,756

Redemption schedule of monetary claims and securities with maturities after the consolidated closing date

(Millions of yen)

	Within 1 year	1-5 years	5-10 years	Due after 10 years
Cash and bank deposits	512,528	–	–	–
Notes receivables	24,824	–	–	–
Accounts receivables	137,961	–	–	–
Marketable securities and investment securities				
Available-for-sale securities with maturity	16,700	–	–	–
Total	692,013	–	–	–

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

Financial instruments measured at fair value

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities				
Equity securities	30,868	–	–	30,868
Negotiable certificates of deposits	–	16,700	–	16,700
Other	2,876	–	–	2,876
Assets total	33,744	16,700	–	50,444

Note. A description of the valuation techniques and inputs used in the fair value measurements

Marketable securities and investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1. On the other hand, marketable securities held by the Company are negotiable certificates of deposits (NCD), and as their fair values approximate their carrying amounts due to their short maturities, the carrying amounts are used as fair values. Therefore, their fair value is classified as Level 2.

Notes to revenue recognition

1. Disaggregation of revenue from contracts with customers

(Millions of yen)

	Division				Total
	FA	ROBOT	ROBOMACHINE	Service	
Japan	65,856	20,473	16,885	22,033	125,247
Americas	7,666	134,251	11,300	46,231	199,448
Europe	22,174	70,839	22,471	31,158	146,642
China	68,623	113,630	60,616	2,773	245,642
Asia (other than China)	84,837	13,633	19,668	8,482	126,620
Others	957	4,158	1,848	1,394	8,357
Revenue from contracts with customers	250,113	356,984	132,788	112,071	851,956
Sales to external customers	250,113	356,984	132,788	112,071	851,956

Note. Sales by region are classified by country or region based on the location of customers.

Revenue generated from contracts with customers disaggregated by the time of revenue recognition is as follows.

(Millions of yen)

	Division				Total
	FA	ROBOT	ROBOMACHINE	Service	
Goods or services transferred at a point in time	250,112	344,435	130,595	98,281	823,423
Goods or services transferred over time	1	12,549	2,193	13,790	28,533
Revenue from contracts with customers	250,113	356,984	132,788	112,071	851,956
Sales to external customers	250,113	356,984	132,788	112,071	851,956

2. Useful information in understanding revenue from contracts with customers

(1) FA division, ROBOT division and ROBOMACHINE division

In the FA division, ROBOT division and ROBOMACHINE division, the Company mainly develops, manufactures and sells products such as CNC systems (CNC and servo motors), lasers, robots (including robot systems), and robomachines (ROBODRILLS (compact machining centers), ROBOSHOTS (electric injection molding machines), and ROBOCUTs (wire electrical-discharge machines)).

Regarding the sale of these products, excluding export transactions, revenue is recognized mainly when the customer accepts the product because it is judged that the customer gains control over the product and the performance obligations are deemed satisfied when the products are transferred to and accepted by the customer. For export transactions, revenue is recognized when risk is transferred to the customer based on trade conditions, etc. because it is judged that the customer gains control over the product and the performance obligations are deemed satisfied when risk ownership is transferred to the customer based on trade conditions, etc.

In the ROBOT division, at certain consolidated subsidiaries, robot systems are manufactured and sold based on contracts with customers who have set multiple milestones to measure the progress of performance obligations, such as product development, design and installation, and revenue is recognized over a period of time according to the achievement status of these milestones agreed upon in the contract with the customer.

In the FA division, ROBOT division and ROBOMACHINE division, there are no contracts that includes variable consideration because the transaction price is decided at the time the contract is made. The consideration for the transaction is received within approximately two months after the acceptance of products is completed, and no significant financial factors are adjusted for the receivables based on the contract with the customer.

Moreover, in the product sales contracts in the FA division, ROBOT division and ROBOMACHINE division, the Company has a product warranty obligation to repair or replace a product free of charge for issues caused by product defects that occur within a certain period of time after the product is accepted (varies by product and region, but generally within one to two years). As this warranty obligation provides the customer with a guarantee that the product will function as intended in accordance with the specifications set forth in the contract with the customer, it is not identified as a separate performance obligation and is recognized as warranty reserves. If, in addition to the warranty that the product complies with the agreed specifications, an extended warranty is provided, a separate paid maintenance contract is concluded, and revenue is recognized evenly over the period of the maintenance contract in the service division.

(2) Service division

In the service division, the Company provides maintenance services and maintenance contracts for products such as CNC systems (CNC and servo motors), lasers, robots (including robot systems), and robomachines (ROBODRILLS (compact machining centers), ROBOSHOTS (electric injection molding machines), and ROBOCUTs (wire electrical-discharge machines)).

Regarding maintenance services, the Company has determined that it is a performance obligation to complete maintenance based on contracts with customers and make the Company's products available to customers, and revenue is mainly recognized when maintenance services are accepted by the customer.

Regarding maintenance contracts, the Company has determined that it is a performance obligation to provide customers with maintenance services that are always available based on the contract, and revenue is recognized evenly over the period of the maintenance contract for the transaction amount in the contract with the customer.

In the service division, there are no contracts that include variable consideration because the transaction price is fixed at the start of revenue recognition. The consideration for the transaction is received within approximately two months after the acceptance of maintenance service is completed or the maintenance contract is concluded, and no significant financial factors are adjusted for the receivables based on the contract with the customer.

3. Information in understanding the amount of revenue for the fiscal year under review and the following fiscal years

(1) Balance of contract liabilities, etc.

(Millions of yen)

	Fiscal year under review (March 31, 2023)
Receivables from contracts with customers (beginning balance)	150,195
Receivables from contracts with customers (ending balance)	162,785
Contract liabilities (beginning balance)	20,903
Contract liabilities (ending balance)	22,442

Mainly in the FA division, ROBOT division and ROBOMACHINE division, contract liabilities relate to advance payments (included in "other current liabilities" in current liabilities) received from the customer at the time of ordering for a sales contract where revenue is recognized at the time of the customer's acceptance. In the service division, regarding maintenance contracts with customers where revenue is recognized over the period of the maintenance contract, contract liabilities relate to advance payments for the maintenance contract period received from the customer based on the contract to receive the transaction price for the maintenance contract period in a lump sum at the time the contract is made. Contract liabilities are reversed upon recognition of revenue.

Of the amount of revenue recognized in the fiscal year under review, the amount included in the balance of contract liabilities at the beginning of the period is 18,408 million yen.

(2) Transaction price allocated to the remaining performance obligations

The Company and its consolidated subsidiaries have applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations, and do not disclose contracts with an original expected duration of one year or less. These performance obligations are mainly related to maintenance contracts in the service division. The total transaction price allocated to the remaining performance obligations and the time frame the Company expects to recognize the amount of revenue are as follows.

(Millions of yen)	
Period	Fiscal year under review (March 31, 2023)
Within 1 year	10,133
Over 1 year	7,495
Total	17,628

Notes to per share information

Net assets per share	1,695.19 yen
Net income per share	178.55 yen

Note: On April 1, 2023, the Company performed a 5 for 1 stock split of common share.

“Net assets per share” and “Net income per share” were calculated assuming that the stock split was performed at the beginning of the fiscal year under review.

Significant subsequent events

(The stock split and the partial amendment to the Articles of Incorporation due to the stock split)

On April 1, 2023, the Company performed the stock split in accordance with the resolution of the Board of Directors meeting held on January 27, 2023.

(1) Purpose of the stock split

The stock split aims to reduce the minimum investment price for the Company’s stock, increase the liquidity of the stocks, and to further expand the investor base.

(2) Overview of the stock split

[1] Stock split method

On March 31, 2023, the record date of the stock split, each common share owned by shareholders listed or recorded in the shareholder registry split into five shares.

[2] Increase in the number of shares as a result of the stock split

Total number of shares outstanding as of March 31, 2023	201,909,397 shares
Increase in the number of shares as a result of the stock split	807,637,588 shares
Number of shares outstanding after the stock split	1,009,546,985 shares
Number of authorized shares after the stock split	2,000,000,000 shares

[3] Stock split schedule

Date of public notice of the record date	March 16, 2023
Record date	March 31, 2023
Effective date	April 1, 2023

(3) Partial amendment to the Articles of Incorporation

[1] Reason for the amendment

Due to the stock split described above, the Company has amended the total number of shares authorized to be issued stipulated in Article 5 of the Articles of Incorporation effective April 1, 2023, by a resolution of the Board of Directors held on January 27, 2023, pursuant to the Paragraph 2 of Article 184, of the Companies Act.

[2] Details of the amendment

The details of the amendment are as follows.

(Changes are underlined.)

Before the amendment	After the amendment
Article 5 (Total Number of Shares Authorized to Be Issued) The total number of shares authorized to be issued by the Company shall be <u>four hundred million (400,000,000)</u> shares.	Article 5 (Total Number of Shares Authorized to Be Issued) The total number of shares authorized to be issued by the Company shall be <u>two billion (2,000,000,000)</u> shares.

[3] Amendment schedule

Effective date of amendment to the Articles of Incorporation

April 1, 2023

(4) Others

[1] Change in common stock

The above stock split shall not change the Company's common stock.

[2] Dividend

The above stock split shall be effective as of April 1, 2023. The year-end dividend for the year ended March 31, 2023 shall be paid based on the number of shares before the stock split.

(Cancellation of treasury shares)

At the meeting of the Board of Directors held on April 26, 2023, the Company resolved to cancel treasury shares in accordance with Article 178 of the Companies Act.

- | | |
|---|---|
| (1) Types of shares to be cancelled: | Company common shares |
| (2) Number of shares to be cancelled: | 6,472,996 shares
(Ratio of total number of issued shares prior to cancellation: 0.64%) |
| (3) Scheduled date of cancellation: | May 31, 2023 |
| (4) Total number of issued shares after cancellation: | 1,003,073,989 shares |

4. Non-Consolidated Statement of Changes in Net Assets
(From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at April 1, 2022	69,014	96,057	87	96,144
Changes during the year				
Reversal of reserve for reduction entry				
Dividends of surplus				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			183	183
Net change except shareholders' equity during the year				
Total changes during the year	–	–	183	183
Balance at March 31, 2023	69,014	96,057	270	96,327

	Shareholders' equity					
	Retained earnings					
	Legal retained earnings	Other retained earnings				Total retained earnings
Reserve for research and development		Reserve for reduction entry	General reserve	Retained earnings brought forward		
Balance at April 1, 2022	8,252	311,800	33	303,580	452,307	1,075,972
Changes during the year						
Reversal of reserve for reduction entry			(1)		1	–
Dividends of surplus					(96,484)	(96,484)
Net income					190,643	190,643
Purchase of treasury stock						
Disposal of treasury stock						
Net change except shareholders' equity during the year						
Total changes during the year	–	–	(1)	–	94,160	94,159
Balance at March 31, 2023	8,252	311,800	32	303,580	546,467	1,170,131

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at April 1, 2022	(105,950)	1,135,180	14,843	14,843	1,150,023
Changes during the year					
Reversal of reserve for reduction entry		–			–
Dividends of surplus		(96,484)			(96,484)
Net income		190,643			190,643
Purchase of treasury stock	(24,439)	(24,439)			(24,439)
Disposal of treasury stock	183	366			366
Net change except shareholders' equity during the year			(1,432)	(1,432)	(1,432)
Total changes during the year	(24,256)	70,086	(1,432)	(1,432)	68,654
Balance at March 31, 2023	(130,206)	1,205,266	13,411	13,411	1,218,677

5. Notes to the Non-Consolidated Financial Statements

Notes to significant accounting policies

1. Valuation standards and valuation methods of securities

Shares of subsidiaries and affiliates

Stated at cost based on the moving average method

Available-for-sale securities

(Securities other than shares, etc. that do not have a market price)

Stated at fair value (Differences in valuation are included directly in net assets and the cost of securities sold is calculated by the moving average method.)

(Shares, etc. that do not have a market price)

Stated at cost based on the moving average method.

2. Valuation standards and valuation methods of inventories

Finished goods and work in progress: Stated at cost by the specific identification method or at cost by the average method (the method of writing down book value in accordance with decreased profitability.)

Raw materials: Stated at cost determined by the most recent purchase price method.

Supplies: Stated at cost determined by the first-in-first-out method.

3. Depreciation method of noncurrent assets

(1) Property, plant and equipment

Property, plant and equipment are depreciated by the declining-balance method. However, buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.

(2) Intangible assets

Intangible assets are amortized by the straight-line method. Software for internal use is amortized over its internal estimated useful life (5 years) using the straight-line method.

4. Basis for recording provisions

(1) Allowance for doubtful accounts

The Company records allowance for doubtful accounts to prepare for possible losses on receivables or loans based on the historical default rates for ordinary receivables and on estimates of collectability for specific doubtful receivables.

(2) Warranty reserves

The Company records warranty reserves to allocate the accrual of warranty costs of the Company's goods to the net sales of the period based on historical experience. Additionally, necessary amounts are estimated individually for specific cases.

(3) Allowance for employees' retirement benefits

The Company records a provision for retirement benefits to provide retirement benefits to employees based on the projected amount of retirement benefit obligations and pension assets at the end of the fiscal year under review.

Allowance for employees' retirement benefits and defined benefit cost are accounted for as follows.

1) Method of attributing the projected retirement benefits to periods

The benefit formula basis is applied as the method for attributing the expected retirement benefits to period of service for the calculation of the retirement benefit obligation.

2) Method of amortization of actuarial differences and past service cost

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 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.

The accounting treatment of unrecognized actuarial differences and unrecognized past service cost is different from that used in the Group's consolidated balance sheet.

5. Revenue and expense recognition standards

The details of the main performance obligations in the major divisions related to revenue from contracts with customers of the Company and the Company's consolidated subsidiaries and the timing at which the Company typically satisfies these performance obligations are as follows.

(1) FA division, ROBOT division and ROBOMACHINE division

In the FA division, ROBOT division and ROBOMACHINE division, the Company mainly develops, manufactures and sells products such as CNC systems (CNC and servo motors), lasers, robots (including robot systems), and robomachines (ROBODRILLS (compact machining centers), ROBOSHOTS (electric injection molding machines), and ROBOCUTs (wire electrical-discharge machines)).

Regarding the sale of these products, excluding export transactions, revenue is recognized mainly when the customer accepts the product because it is judged that the customer gains control over the product and the performance obligations are deemed satisfied when the products are transferred to and accepted by the customer. For export transactions, revenue is recognized when risk is transferred to the customer based on trade conditions, etc. because it is judged that the customer gains control over the product and the performance obligations are deemed satisfied when risk is transferred to the customer based on trade conditions, etc.

(2) Service division

In the service division, the Company provides maintenance services and maintenance contracts for products such as CNC systems (CNC and servo motors), lasers, robots (including robot systems), and robomachines (ROBODRILLS (compact machining centers), ROBOSHOTS (electric injection molding machines), and ROBOCUTs (wire electrical-discharge machines)).

Regarding maintenance services, the Company has determined that it is a performance obligation to complete maintenance based on contracts with customers and make the Company's products available to customers, and revenue is mainly recognized when maintenance services are accepted by the customer. Regarding maintenance contracts, the Company has determined that it is a performance obligation to provide customers with maintenance services that are always available based on the contract, and revenue is recognized evenly over the period of the maintenance contract for the transaction amount in the contract with the customer.

Notes to accounting estimates

Impairment of property, plant and equipment and intangible assets

1. Amount recorded in the non-consolidated financial statements for the fiscal year under review
Given a significant decline in the market price of the land of Headquarters offices (carrying amount in the non-consolidated balance sheet: 79,716 million yen), which is categorized into jointly used assets, the Company has determined that there is an indication of impairment for jointly used assets.
2. Other information that contributes to understanding of accounting estimates
Same as "2. Other information that contributes to understanding of accounting estimates" in "Notes to accounting estimates, Notes to the Consolidated Financial Statements."

Notes to non-consolidated balance sheet

1. Accumulated depreciation of property, plant and equipment: 431,437 million yen
2. Balance of Guaranteed obligations: 1 million yen
The Company guarantees the obligations of employee mortgage loans.
3. Monetary receivables from and payables to subsidiaries and associates
Short-term monetary receivables: 61,686 million yen
Short-term monetary payables: 2,095 million yen
Long-term monetary receivables: 968 million yen

Notes to non-consolidated statement of income

Transactions with subsidiaries and affiliates	
Sales to subsidiaries and affiliates:	467,873 million yen
Purchases from subsidiaries and affiliates:	14,255 million yen
Non-operating transactions with subsidiaries and affiliates:	102,859 million yen

Notes to non-consolidated statement of changes in net assets

Class and number of shares of treasury stock at the end of the fiscal year under review

Common share: 11,325,339 shares

Note: On April 1, 2023, the Company performed a 5 for 1 stock split of common share. However, the number of shares stated above is the number before the stock split.

Notes to tax effect accounting

1. Breakdown of major causes for deferred tax assets and deferred tax liabilities

Deferred tax assets

Allowance for employees' retirement benefits	11,281 million yen
Depreciation	14,643 million yen
Accrued enterprise taxes	1,123 million yen
Accrued expenses	5,781 million yen
Investment securities	390 million yen
Other	<u>9,009 million yen</u>
Gross deferred tax assets	42,227 million yen
Valuation allowance	<u>(1,703) million yen</u>
Total deferred tax assets	40,524 million yen

Deferred tax liabilities

Prepaid pension costs	(880) million yen
Valuation difference on available-for-sale securities	(4,582) million yen
Other	<u>(37) million yen</u>
Total deferred tax liabilities	<u>(5,499) million yen</u>
Net deferred tax assets	35,025 million yen

Notes to related-party transactions

Subsidiaries and affiliated companies

Type	Company name or name	Ratio of voting rights ownership (owned)	Relationship with related party	Details of the transaction	Transaction amount (Millions of yen)	Account	Balance as of March 31, 2023 (Millions of yen)
Subsidiary	FANUC America Corporation	(Ownership) Direct 100%	Sales of the Company's products	Sales of FA, Robots, and Robomachines (note)	94,464	Accounts receivable, trade	7,913
Subsidiary	FANUC Europe Corporation	(Ownership) Direct 100%	Sales of the Company's products	Sales of FA, Robots, and Robomachines (note)	87,372	Accounts receivable, trade	18,742
Affiliate	BEIJING-FANUC Mechatronics CO., LTD.	(Ownership) Direct 50%	Sales of the Company's products	Sales of FA (note)	69,959	Accounts receivable, trade	5,463
Affiliate	SHANGHAI -FANUC Robotics CO., LTD.	(Ownership) Direct 50%	Sales of the Company's products	Sales of Robots (note)	102,877	Accounts receivable, trade	21,986

Business conditions and the policy for the determination of business conditions

Note. Transaction prices are determined by taking into account general market prices.

Officers and major individual shareholders

Type	Company name or name	Ratio of voting rights ownership (owned)	Relationship with related party	Details of the transaction	Transaction amount (Millions of yen)	Account	Balance as of March 31, 2023 (Millions of yen)
Officer	Yoshiharu Inaba	(Owned) Direct 0.0	Representative Director, Chairman of the Company	In-kind contribution of monetary compensation claims (note)	45	—	—
	Kenji Yamaguchi	(Owned) Direct 0.0	Representative Director, President of the Company	In-kind contribution of monetary compensation claims (note)	45	—	—
	Yoshihiro Gonda	(Owned) Direct 0.0	Senior Executive Vice President of the Company	In-kind contribution of monetary compensation claims (note)	27	—	—

Business conditions and the policy for the determination of business conditions

Note. They are in-kind contributions of monetary compensation claims based on the restricted stock remuneration system.

The details of the allotment of restricted stock are determined after thorough consideration of various factors such as contributions made by eligible Directors and Managing Officers, and the policy from determining details of remuneration, etc. for individual Directors and Managing Officers of the Company.

Notes to revenue recognition

Useful information in understanding revenue from contracts with customers

(1) FA division, ROBOT division and ROBOMACHINE division

In the FA division, ROBOT division and ROBOMACHINE division, the Company mainly develops, manufactures and sells products such as CNC systems (CNC and servo motors), lasers, robots (including robot systems), and robomachines (ROBODRILLS (compact machining centers), ROBOSHOTs (electric injection molding machines), and ROBOCUTs (wire electrical-discharge machines)).

Regarding the sale of these products, excluding export transactions, revenue is recognized mainly when the customer accepts the product because it is judged that the customer gains control over the product and the performance obligations are deemed satisfied when the products are transferred to and accepted by the customer. For export transactions, revenue is recognized when risk is transferred to the customer based on trade conditions, etc. because it is judged that the customer gains control over the product and the performance obligations are deemed satisfied when risk ownership is transferred to the customer based on trade conditions, etc.

In the FA division, ROBOT division and ROBOMACHINE division, there are no contracts that includes variable consideration because the transaction price is decided at the time the contract is made. The consideration for the transaction is received within approximately two months after the acceptance of products is completed, and no significant financial factors are adjusted for the receivables based on the contract with the customer.

Moreover, in the product sales contracts in the FA division, ROBOT division and ROBOMACHINE division, the Company has a product warranty obligation to repair or replace a product free of charge for issues caused by product defects that occur within a certain period of time after the product is accepted (varies by product and region, but generally within one to two years). As this warranty obligation provides the customer with a guarantee that the product will function as intended in accordance with the specifications set forth in the contract with the customer, it is not identified as a separate performance obligation and is recognized as warranty reserves. If, in addition to the warranty that the product complies with the agreed specifications, an extended warranty is provided, a separate paid maintenance contract is concluded, and revenue is recognized evenly over the period of the maintenance contract in the service division.

(2) Service division

In the service division, the Company provides maintenance services and maintenance contracts for products such as CNC systems (CNC and servo motors), lasers, robots (including robot systems), and robomachines (ROBODRILLS (compact machining centers), ROBOSHOTs (electric injection molding machines), and ROBOCUTs (wire electrical-discharge machines)).

Regarding maintenance services, the Company has determined that it is a performance obligation to complete maintenance based on contracts with customers and make the Company's products available to customers, and revenue is mainly recognized when maintenance services are accepted by the customer.

Regarding maintenance contracts, the Company has determined that it is a performance obligation to provide customers with maintenance services that are always available based on the contract, and revenue is recognized evenly over the period of the maintenance contract for the transaction amount in the contract with the customer.

In the service division, there are no contracts that include variable consideration because the transaction price is fixed at the start of revenue recognition. The consideration for the transaction is received within approximately two months after the acceptance of maintenance service is completed or the maintenance contract is concluded, and no significant financial factors are adjusted for the receivables based on the contract with the customer.

Notes to per share information

Net assets per share	1,278.89 yen
Net income per share	199.54 yen

Note: On April 1, 2023, the Company performed a 5 for 1 stock split of common share.

“Net assets per share” and “Net income per share” were calculated assuming that the stock split was performed at the beginning of the fiscal year under review.

Significant subsequent events

(The stock split and the partial amendment to the Articles of Incorporation due to the stock split)

On April 1, 2023, the Company performed the stock split in accordance with the resolution of the Board of Directors meeting held on January 27, 2023.

(1) Purpose of the stock split

The stock split aims to reduce the minimum investment price for the Company’s stock, increase the liquidity of the stocks, and to further expand the investor base.

(2) Overview of the stock split

[1] Stock split method

On March 31, 2023, the record date of the stock split, each common share owned by shareholders listed or recorded in the shareholder registry split into five shares.

[2] Increase in the number of shares as a result of the stock split

Total number of shares outstanding as of March 31, 2023	201,909,397 shares
Increase in the number of shares as a result of the stock split	807,637,588 shares
Number of shares outstanding after the stock split	1,009,546,985 shares
Number of authorized shares after the stock split	2,000,000,000 shares

[3] Stock split schedule

Date of public notice of the record date	March 16, 2023
Record date	March 31, 2023
Effective date	April 1, 2023

(3) Partial amendment to the Articles of Incorporation

[1] Reason for the amendment

Due to the stock split described above, the Company has amended the total number of shares authorized to be issued stipulated in Article 5 of the Articles of Incorporation effective April 1, 2023, by a resolution of the Board of Directors held on January 27, 2023, pursuant to the Paragraph 2 of Article 184, of the Companies Act.

[2] Details of the amendment

The details of the amendment are as follows.

(Changes are underlined.)

Before the amendment	After the amendment
Article 5 (Total Number of Shares Authorized to Be Issued) The total number of shares authorized to be issued by the Company shall be <u>four hundred million (400,000,000)</u> shares.	Article 5 (Total Number of Shares Authorized to Be Issued) The total number of shares authorized to be issued by the Company shall be <u>two billion (2,000,000,000)</u> shares.

[3] Amendment schedule

Effective date of amendment to the Articles of Incorporation

April 1, 2023

(4) Others

[1] Change in common stock

The above stock split shall not change the Company's common stock.

[2] Dividend

The above stock split shall be effective as of April 1, 2023. The year-end dividend for the year ended March 31, 2023 shall be paid based on the number of shares before the stock split.

(Cancellation of treasury shares)

At the meeting of the Board of Directors held on April 26, 2023, the Company resolved to cancel treasury shares in accordance with Article 178 of the Companies Act.

- | | |
|---|---|
| (1) Types of shares to be cancelled: | Company common shares |
| (2) Number of shares to be cancelled: | 6,472,996 shares
(Ratio of total number of issued shares prior to cancellation: 0.64%) |
| (3) Scheduled date of cancellation: | May 31, 2023 |
| (4) Total number of issued shares after cancellation: | 1,003,073,989 shares |