

(TRANSLATION)

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Consolidated Quarterly Financial Results

(based on Japanese standards)

For the nine months ended December 31, 2019

January 29, 2020

Company name: FANUC CORPORATION Stock exchange listing: Tokyo Stock Exchange
Stock code: 6954 URL: <https://www.fanuc.co.jp/eindex.html>
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Scheduled date of filing quarterly report: February 7, 2020
Scheduled date of commencing of dividend payments: -
Availability of supplementary briefing material on quarterly financial results: Available
Schedule of quarterly financial results briefing session: Scheduled

1. Consolidated Financial Results for the Nine Months Ended December 31, 2019 (April 1, 2019 – December 31, 2019)

(1) Consolidated Results of Operations

(% represents changes from the previous corresponding Nine-month period.)

Nine months ended December 31	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2019	386,473	(22.1)	68,614	(48.8)	79,704	(47.1)	56,522	(56.1)
2018	496,112	(7.4)	134,101	(20.8)	150,537	(18.9)	128,751	(5.5)

Note: Consolidated comprehensive income: April-December 2019 ¥49,060 million (59.9)%
April-December 2018 ¥122,484 million (25.1)%

Nine months ended December 31	Net income per share	Net income per share (diluted)
	Yen	Yen
2019	294.07	—
2018	664.23	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2019	1,503,103	1,355,634	89.7
March 31, 2019	1,625,340	1,445,146	88.5

(Reference) Equity: December 31, 2019: ¥1,347,774 million

March 31, 2019: ¥1,437,775 million

2. Dividends

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

Note: We have not changed the forecasts of dividends from the latest ones.

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

Note: The year-end dividends for the year ended March 31, 2019 consist of ordinary dividends of ¥224.34 and special dividends of ¥180.58.

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

3. Consolidated Financial Forecasts for the Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)
(% represents changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal period	506,700	(20.3)	80,600	(50.6)	91,900	(49.9)	65,900	(57.3)	343.00

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

*Notes

(1) Changes in Significant Subsidiaries during the period
(changes in specific subsidiaries that caused change in scope of consolidation) : No

(2) Adoption of Simplified and Specifically Applied Accounting Method for Quarterly Consolidated Financial Reporting : No

(3) Changes in Accounting Principles and Accounting Estimates, and Revisions/Restatements

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

Note: For details, please see “3. Other Information (3) Changes in Accounting Principles and Accounting Estimates, and Revisions/Restatements” on Page 8 in Attachment.

(4) Number of shares outstanding (Common shares)

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

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

	December 31, 2019	12,131,377 shares	March 31, 2019	10,210,522 shares
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3. Average number of shares during the period

	April-December 2019	192,206,650 shares	April-December 2018	193,835,133 shares
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* The report of the quarterly financial results is not subject to audit by certified public accountant or audit firm.

* Any forecasts described in this report are subject to uncertain factors such as supply and demand trends, industry competition, economic conditions, and others in major markets. Actual results may differ from these forecasts. The forecasts of the year-end dividends for the year ending March 31, 2020, will be disclosed promptly upon their availability.

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1. Results of Operations and Financial Position

(1) Results of Operations

The FANUC Group's consolidated results for the first three quarters (from April 1 to December 31, 2019) are as follows.

In the FA Division, demand for machines in the machine tool industry, the primary market for FANUC CNC systems, declined in the Chinese market due to the impact of the trade friction between the United States and China, and demand for machines also dropped in Taiwan, which is heavily dependent on the Chinese market. Demand in South Korea, as well as India which had performed relatively solid, remained sluggish due to weak domestic demand primarily for automobiles, and other factors. In the face of the worldwide restraining of capital investments, demand declined in Europe and Japan as well. Across the world, automobile-related investment, which greatly impacts demand for machines, was stagnant, despite strength in some fields including aerospace, medical, and construction materials. With regard to our lasers, although we continued focusing efforts on expanding sales, competition with overseas manufacturers has been intensifying. As a result, net sales in the FA Division declined compared with the corresponding period of the previous fiscal year.

In the Robot Division, although sales increased both for the automobile industry and for the general industries in Japan and remained solid in the Americas, sales in China and Europe both for the automobile industry and for the general industries remained sluggish. As a result, sales in the Robot Division decreased compared with the corresponding period of the previous fiscal year.

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

Under these circumstances, to continue management from a medium to long-term perspective, the FANUC Group is promoting initiatives that allow our customers to build and maintain a highly reliable, maintainable, efficient, and innovative production system without anxiety through our products and services, by uniting as one group under the slogans "one FANUC," "Reliable" "Predictable" "Easy to Repair," and "Service First." Furthermore, as IoT initiatives, we installed the FIELD systems (FANUC Intelligent Edge Link and Drive system), an open platform for manufacturing sites, at our own factories, and are making efforts to extend functionality and enrich applications (including those made by partner companies), while proceeding with the application of AI technology to our products. In addition, the furtherance of integration among CNC, Robot, and Robomachine is set out as one of our important initiatives. Amid the current harsh market condition we are steadily strengthen our corporate structure by focusing on the enhancement of product competitiveness, strengthening of sales and service activities, automation and robotization of factories, and by reducing expenses and worktime, rationalizing of business operations and reviewing equipment installation plans according to urgency and necessity.

As a result, during the nine months from April to December 2019, FANUC posted consolidated net sales totaling ¥386,473 million, down 22.1%, consolidated ordinary income totaling ¥79,704 million, down 47.1%, and consolidated net income totaling ¥56,522 million, down 56.1%, due to recording of impairment loss on

idle assets as an extraordinary loss and other factors, compared with the corresponding period of the previous fiscal year.

Looking at the performance by business group, the FA Division posted consolidated sales totaling ¥109,412 million, down 34.4%, the Robot Division posted consolidated sales totaling ¥152,502 million, down 8.8%, the Robomachine Division posted consolidated sales totaling ¥57,967 million, down 38.1%, and the Service Division posted consolidated sales totaling ¥66,592 million, down 2.9%, compared with the corresponding period of the previous fiscal year.

(Note): “Net income” in “Results of Operations and Financial Position” means “Net income attributable to owners of parent” in the Consolidated Statement of Income.

(2) Financial Position

Total assets were ¥1,503,103 million, down ¥122,237 million compared with the end of the previous fiscal year.

Total liabilities were ¥147,469 million, down ¥32,725 million compared with the end of the previous fiscal year.

Total net assets were ¥1,355,634 million, down ¥89,512 million compared with the end of the previous fiscal year.

We cancelled our treasury shares exceeding 5% of the total number of issued shares (8,930 shares, ¥88 million) on May 31, 2019 based on the shareholder return policy that we announced on April 24, 2019. (This policy is written in the Consolidated Annual Financial Results for the Year ended March 31, 2019) (There was no effect on the amount of total net assets.)

(3) Financial Results Forecasts

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

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

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

(Millions of yen)

	Previous forecast (released on October 28, 2019)	New forecast	Comparison with Previous forecast (%)
Net sales	504,500	506,700	0.4
Operating income	69,100	80,600	16.6
Ordinary income	80,500	91,900	14.2
Net income	57,900	65,900	13.8

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

2. Consolidated Quarterly Financial Statements
(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	March 31, 2019	December 31, 2019
Assets		
Current assets		
Cash and bank deposits	607,155	392,973
Notes and accounts receivables, trade	106,204	95,214
Marketable securities	15,000	126,700
Finished goods	71,042	65,094
Work in progress	55,174	52,787
Raw materials and supplies	29,930	25,715
Other current assets	24,302	9,912
Allowance for doubtful accounts	(1,123)	(950)
Total current assets	907,684	767,445
Noncurrent assets		
Property, plant and equipment		
Buildings	301,179	310,750
Land	145,885	146,787
Other, net	127,512	139,533
Total property, plant and equipment	574,576	597,070
Intangible assets	9,603	9,721
Investments and other assets		
Investment securities	86,674	86,262
Others	47,259	43,057
Allowance for doubtful accounts	(456)	(452)
Total investments and other assets	133,477	128,867
Total noncurrent assets	717,656	735,658
Total assets	1,625,340	1,503,103

(Millions of yen)

	March 31, 2019	December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payables, trade	36,567	29,730
Accrued income taxes	15,007	5,271
Warranty reserves	8,215	8,654
Other current liabilities	75,278	57,515
Total current liabilities	135,067	101,170
Long-term liabilities		
Net defined benefit liability	42,097	42,358
Other long-term liabilities	3,030	3,941
Total long-term liabilities	45,127	46,299
Total liabilities	180,194	147,469
Net assets		
Shareholders' equity		
Common stock	69,014	69,014
Capital surplus	96,265	96,265
Retained earnings	1,380,439	1,334,332
Treasury stock, at cost	(91,040)	(126,796)
Total shareholders' equity	1,454,678	1,372,815
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,111	9,639
Foreign currency translation adjustment	(6,677)	(17,170)
Remeasurements of defined benefit plans	(19,337)	(17,510)
Total accumulated other comprehensive income	(16,903)	(25,041)
Non-controlling interests	7,371	7,860
Total net assets	1,445,146	1,355,634
Total liabilities and net assets	1,625,340	1,503,103

**(2) Consolidated Quarterly Statement of Income and
Consolidated Quarterly Statement of Comprehensive Income**

Consolidated Quarterly Statement of Income

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	496,112	386,473
Cost of goods sold	285,487	246,931
Gross profit	210,625	139,542
Selling, general and administrative expenses	76,524	70,928
Operating income	134,101	68,614
Non-operating income		
Interest income	3,087	2,958
Dividends income	1,365	1,260
Equity in earnings of affiliates	11,235	6,756
Miscellaneous income	3,764	1,923
Total non-operating income	19,451	12,897
Non-operating expenses		
Removal expenses of noncurrent assets	1,616	822
Foreign exchange losses	-	471
Miscellaneous expenses	1,399	514
Total non-operating expenses	3,015	1,807
Ordinary income	150,537	79,704
Extraordinary income		
Gain on transfer of benefit obligation relating to employees' pension fund	25,081	-
Total extraordinary income	25,081	-
Extraordinary losses		
Impairment loss	-	1,973
Total extraordinary losses	-	1,973
Income before income taxes	175,618	77,731
Income taxes-current	41,035	17,878
Income taxes-deferred	5,507	2,387
Total taxes and others	46,542	20,265
Net income	129,076	57,466
Net income attributable to non-controlling interests	325	944
Net income attributable to owners of parent	128,751	56,522

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net income	129,076	57,466
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,423)	528
Foreign currency translation adjustment	956	(7,009)
Remeasurements of defined benefit plans	1,997	1,827
Share of other comprehensive income of affiliates accounted for using equity method	(3,122)	(3,752)
Total other comprehensive income	(6,592)	(8,406)
Comprehensive income for the nine months ended December 31	122,484	49,060
Comprehensive income attributable to:		
Owners of parent	122,186	48,384
Non-controlling interests	298	676

3. Other Information

(1) Changes in Significant Subsidiaries during the period
(changes in specific subsidiaries that caused change in scope of consolidation):

None

(2) Adoption of Simplified and Specifically Applied Accounting Method
for Quarterly Consolidated Financial Reporting:

None

(3) Changes in Accounting Principles and Accounting Estimates, and
Revisions/Restatements:

(Changes in Accounting Principles)

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

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

(4) Note on Premise of a Going Concern:

None

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

As resolved at the Board of Directors' meetings held on April 24, July 29, and October 28, 2019, the Company repurchased 1,923,000 shares of its common stock. As a result, including the increase resulting from the repurchase of shares less than one unit, its treasury stock increased by ¥35,756 million during the nine months ended December 31, 2019, and was ¥126,796 million as of December 31, 2019.