FA & ROBOT & ROBOMACHINE

FANUC

# ANNUAL REPORT 2016

Year ended March 31, 2016

FANUC's Symbol "Keyaki" – Zelkova tree

CONTENTS



**Forward-looking statements**

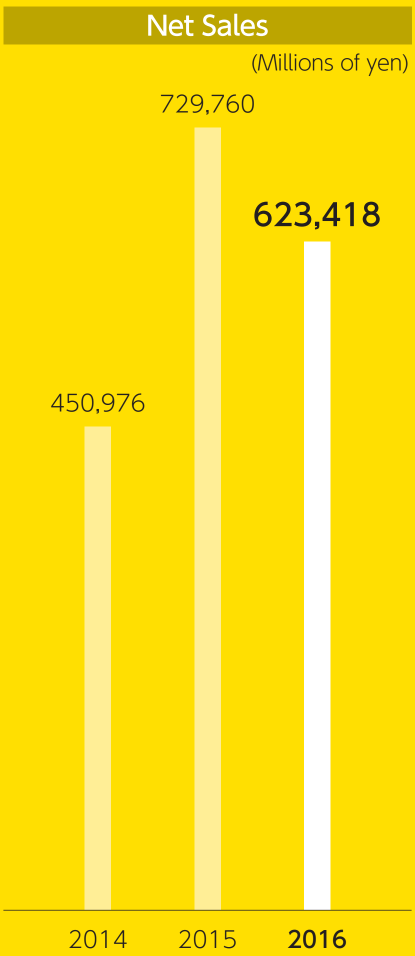
Statements contained in this report that relate to the future operating activities, business performance, events or conditions of FANUC are forward-looking statements. Forward-looking statements are based on judgments made by FANUC's management based on information available at the time of publishing 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.

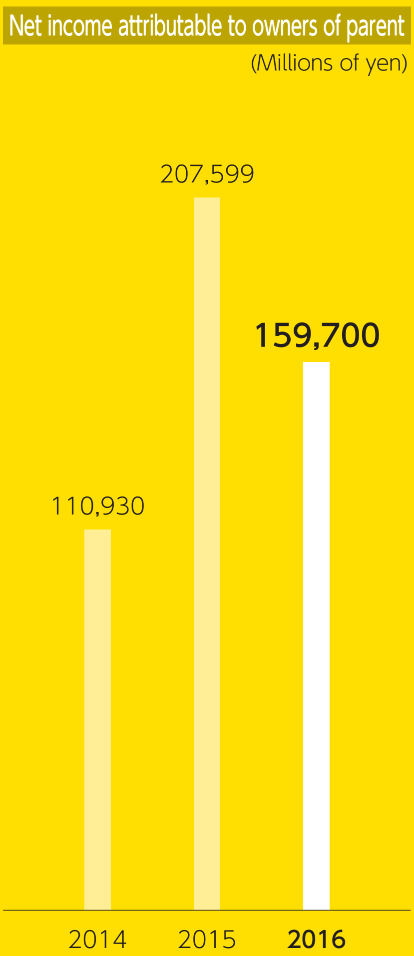
# Financial Highlights (Consolidated)

| Years ended March 31 | 2014 (Millions of yen) | 2015 (Millions of yen) | 2016 (Millions of yen) | 2016 (Thousands of U.S. dollars) |
|---|---|---|---|---|
| For the year: | | | | |
| Net sales | ¥ 450,976 | ¥ 729,760 | **¥ 623,418** | **$ 5,516,973** |
| Net income attributable to owners of parent | 110,930 | 207,599 | **159,700** | **1,413,274** |
| At year end: | | | | |
| Total assets | ¥ 1,343,904 | ¥ 1,611,626 | **¥ 1,512,895** | **$13,388,451** |
| Net assets | 1,199,863 | 1,386,695 | **1,334,910** | **11,813,363** |

| Per share data: | 2014 (Yen) | 2015 (Yen) | 2016 (Yen) | 2016 (U.S. dollars) |
|---|---|---|---|---|
| Net income | ¥ 566.86 | ¥ 1,061.02 | **¥ 816.78** | **$ 7.23** |
| Cash dividends | 170.06 | 636.62 | **490.07** | **4.34** |

Note : The U.S. dollar amounts shown above and elsewhere in this annual report are converted from yen, for convenience only, at the rate of ¥113 = U.S.$1.00.




# A Message To Our Shareholders

During this period, demand for capital investment was generally unchanged in Europe and Japan and remained steady in the Americas; however, demand further slowed in China as well as in other parts of Asia due to the effects of economic conditions in China. These conditions made the business environment severe as a whole.

Under these circumstances, the FANUC Group strived to earn customers' trust in our products and services to an even greater extent, by becoming united as one group under the slogans "one FANUC," "Reliable / Predictable / Easy to Repair," and "Service First" in order to further develop our business.

During the fiscal year ended March 31, 2016, FANUC posted consolidated net sales totaling ¥623,418 million, down 14.6%, consolidated operating income totaling ¥215,567 million, down 27.6%, and consolidated net income totaling ¥159,700 million, down 23.1%, compared with the previous fiscal year.

Going forward, demand for capital investment in China is expected to remain sluggish for some time before any recovery. Furthermore, in the midst of concerns over a market slowdown in the Americas, there are signs of instability in the movement of foreign exchange rates. As a result of these and other factors, the situation is expected to continue to remain difficult and unpredictable.

In coping with such conditions, the FANUC Group, under the slogan of "one FANUC," will take maximum advantage of our unique strength by uniting our FA, Robot and ROBOMACHINE divisions to provide total solutions jointly and serve our customers throughout the world.

In addition, the FANUC Group will adhere to its origins as a producer of on-site manufacturing equipment and will thoroughly apply the idea in our slogan, "Reliable / Predictable / Easy to Repair" in product development, in order to minimize downtime in our customers' factories and improve operation rates.

Furthermore, we will practice our core policy of "Service First" in providing high-level services worldwide based on FANUC's global standard, and "lifetime maintenance" for as long as our customers use our products.

In addition to the basic policy outlined above, we will move quickly to enhance the support that we provide for the Internet of Things (IoT) in order to promote efficiency in our customers' manufacturing processes even further. Expectations are high for future growth that will result from the FANUC Group developing new business that provides support for the IoT.

By uniting in the promotion of such actions, we will make efforts to gain our customers' confidence and trust even more, resulting in the stability and growth of our core business, and ensuring we endure as a company.

Thank you for your continued support and assistance to FANUC.

Y. Inaba
Yoshiharu Inaba
Chairman & CEO

K. Yamaguchi
Kenji Yamaguchi
President & COO

# Summary of FANUC Business

## FA Division

### Main Products

- CNC
- Servo Motors
- LASER Oscillators

### Results for Fiscal 2015

Consolidated net sales was ¥170,211 million, down 17.6% compared with the previous fiscal year, accounting for 27.3% of consolidated net sales.

Refer to page 5 for details

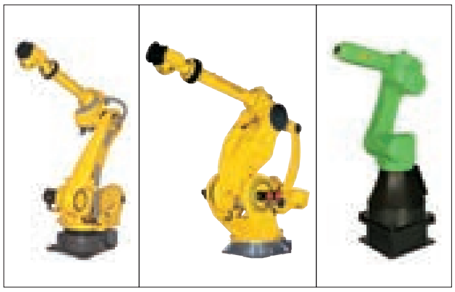
## Robot Division

### Main Products

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

### Results for Fiscal 2015

Consolidated net sales was ¥188,295 million, up 20.3% compared with the previous fiscal year, accounting for 30.2% of consolidated net sales.



Refer to page 6 for details

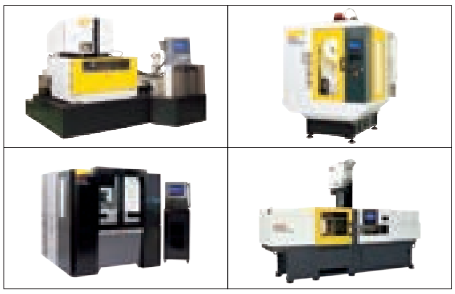
## Robomachine Division

### Main Products

- ROBODRILL
- ROBOSHOT
- ROBOCUT
- ROBONANO

### Results for Fiscal 2015

Consolidated net sales was ¥183,011 million, down 37.2% compared with the previous fiscal year, accounting for 29.4% of consolidated net sales.



Refer to page 7 for details

## Service Division

### Results for Fiscal 2015

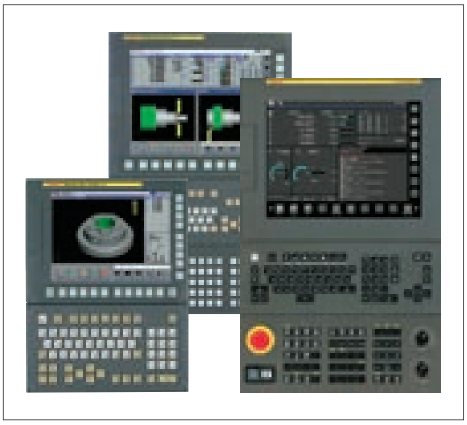
Consolidated net sales was ¥81,901 million, up 9.0% compared with the previous fiscal year, accounting for 13.1% of consolidated net sales.

Service First

# Business Report

## FA Business Division

The machine tool industry, the primary market for FANUC CNC systems, witnessed a significant reduction in demand in China, the impact from which resulted in sluggish demand in Taiwan and South Korea. Demand in Japan also slowed from the second half of the fiscal year. Under these circumstances, net sales of FANUC Group CNC systems decreased.



30$i$ Series

On the development front, in the “30i Series” of nano CNCs that deliver high-speed, and high-quality machining, the “iHMI” was developed as a management tool that uses superior operability to comprehensively support efforts to improve productivity at machining sites based on the phases of “planning,” “machining,” and “improvement.” The “MT-LINKi,” which runs on a PC, was developed as software for the management of machine tool operations. These developments make it easier to create production management systems that promote IoT, and contribute to areas such as improvement of the operating rate of factories.
Furthermore, the “30i Series” and “0i Series” were given various upgrades and additional functions, including significant enhancement of basic performance.

SERVO MOTOR, SERVO AMPLIFIER

In the servo field, the lineup of servo motors and spindle motors was enhanced and new functions were developed in order to expand sales for a wide range of fields such as large and small machine tools as well as machining equipment for aircraft components.

LASER

FANUC laser sales were sluggish both domestically and abroad.
New developments in lasers included the fiber laser oscillators “FANUC FIBER LASER series,” which features a lineup of devices ranging from 2kW to 6kW. The series offers fine-tune response to customer needs, support for high-speed, high-precision cutting of thin sheets in addition to cutting and welding of thick sheets.

## ROBOT Business Division

Sales of robots continued to remain steady in the Americas and in Europe, and were also favorable in China. In Japan, sales to both the automobile industry and general industries increased in the second half of the fiscal year. The accumulative shipment volume of robots at the end of November 2015 exceeded 400,000 units.

New developments included the enhancement of the green robot "Collaborative Robot" series, which does not require a safety fence and enables robots and humans to work together, with the addition of small payload types capable of lifting loads of 5kg, 6 kg or 7 kg.
In the multi-purpose intelligent "FANUC Robot R-2000iC series," which is the culmination of FANUC's long years of experience and technology, the long arm type 270 kg payload and 210 kg payload models were newly developed. The range of applications is expected to expand due to improvements in areas such as wrist payload capacity and rigidity. In the "FANUC Robot R-1000iA series," which is smaller than the R-2000iC series, a new type was added that has a higher degree of freedom of posture and can work in smaller spaces than previous models. As a result, manufacturing spaces can be made more efficient.
In addition, the "FANUC Robot M-20iB" was developed with an increased payload as a successor model to the medium-sized intelligent handling robot "FANUC Robot M-20iA". The enhanced dust-proof and waterproof performance and slimmed-down arm of the new model allow it to be used in a wider range of work environments than before.
Furthermore, "Zero Down Time (ZDT)" was developed as a maintenance diagnosis functional tool that can be applied to various FANUC robots. By monitoring the status of robots, ZDT plays a role in preventive maintenance and thus helps improve the operating rate of robots.
With such new products and new functions, the range of application of FANUC robots is anticipated to expand further.

Collaborative Robot

R–2000*i*C

M–20*i*B

## ROBOMACHINE Business Division

Sales of the ROBODRILL (small machining center) decreased significantly compared with the previous fiscal year during which time demand was prevalent throughout the year. This was due to the end of short-term demand from the IT industry in the first half of the period and the almost complete absence of any recovery in demand from IT industry thereafter; however, sales to other industries in Japan and overseas markets remained steady.
On the development front, in the "FANUC ROBODRILL α-DiA series," the addition of specifications to attach a servo door to the front to enable fast opening/closing movement, combined with the existing servo side door specifications, has further facilitated automation with robots. The effect of shortened cycle times and other factors are expected to lead to an increase in sales.

ROBODRILL

Sales of ROBOSHOTs (electric injection molding machine) were steady mainly in overseas markets including China. The accumulative shipment volume of ROBOSHOTs at the end of February 2016 exceeded 50,000 units.
For the electric injection molding machine, "FANUC ROBOSHOT α-SiA series," the "FANUC ROBOSHOT SI-20A", a second injection unit, was developed to enable "two-component molding," which is the combination of two types of resin. With such progress, an increase in sales in the medical and automotive fields is expected.

ROBOSHOT

Sales of ROBOCUTs (wire-cut electric discharge machine) remained steady mainly in Japan, Europe and China.
New developments included efforts to increase the precision of die and component machining further. This was carried out with the thermal displacement compensation function for the "FANUC ROBOCUT α-CiA series," which enables high-precision machining in environments with extremely volatile temperatures.

ROBOCUT

In addition, in the ROBOMACHINE Business Division, as a part of our efforts in the IoT, the functions of the "LINKi" software were strengthened for ROBODRILL, ROBOSHOT and ROBOCUT; the "LINKi" software allows the operation status in a factory to be monitored by computer in real time. These initiatives facilitate preventive maintenance and also enable the improvement of operation rates at manufacturing sites.

# Management Policy

## Basic Management Policy

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

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

### Three Key Words of FANUC

one innovation fa・robot・robomachine FANUC

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

**Reliable**
**Predictable**
**Easy to repair**

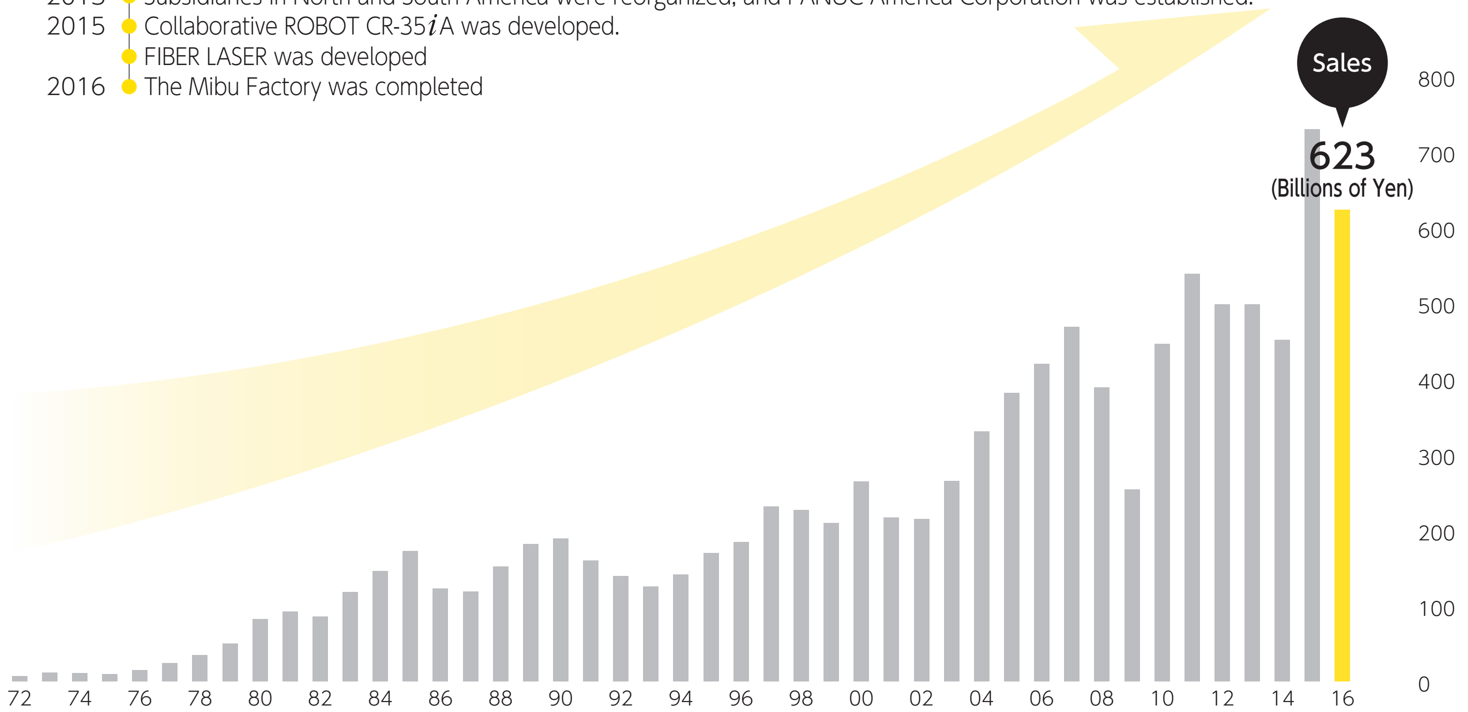
FANUC aims
to minimize downtime
in all factories all over the world.

Service First

Conforming to the spirit of "Service First", FANUC provides lifetime maintenance to its products for as long as they are used by customers, through more than 250 service locations in 46 countries throughout the world.

# History of FANUC

1956 The first NC and SERVO systems in the Japanese private sector were developed successfully.
1959 The first electro-hydraulic pulse motor was developed.
1972 FANUC was established.
CNC was introduced.
NC Drill was developed.
1974 ROBOTs were developed and installed in FANUC factories.
The production and sale of DC SERVO MOTORs were started under GETTYS MANUFACTURING., INC license.
1975 Wire-cut electric discharge machine was completed.
1977 FANUC USA CORPORATION was established.
The commercial production and shipment of ROBOTs started (ROBOT-MODEL1).
1978 KOREA NUMERIC CORPORATION was jointly established by FANUC and Hwacheon Machinery Works, Co. Ltd.
FANUC EUROPE S.A. was established.
1980 The Fuji Factory was completed.
1982 GMFanuc Robotics Corporation was jointly established in the U.S.A. by FANUC and General Motors.
AC SERVO MOTOR was developed.
1984 The headquarters were moved to the foot of Mt. Fuji.
All-electric plastics injection molding machine, “FANUC AUTOSHOT” was developed.
1985 FANUC series 0 was developed.
1986 FANUC TAIWAN Corporation was established.
GE Fanuc Automation Corporation was jointly established in the U.S.A. by FANUC and General Electric.
Digital SERVO was completed.
1987 $CO_2$ LASER was developed.
1989 The Tsukuba Factory was constructed.
1992 GMFanuc Robotics Corporation was restructured to FANUC’s wholly owned share holding company, FANUC Robotics Corporation, together with its subsidiaries.
BEIJING-FANUC Mechatronics CO., LTD was jointly established by FANUC and the Beijing Machine Tool Research Institute.
FANUC INDIA PRIVATE LIMITED was established.
1997 SHANGHAI-FANUC Robotics CO., LTD. was jointly formed in China by FANUC and Shanghai Mechanical & Electric Industrial Investment Corp.
1999 The commercial production of 16*i* Series CNC started.
2003 The commercial production of intelligent ROBOTs started.
The commercial production of 30*i* Series CNC started.
2009 The joint venture with General Electric Company was resolved and joint venture’s FA operations in the Americas were transferred to FANUC America Corporation.
The commercial production of the Genkotsu-Robot, a Parallel Link Robot, started.
2012 European subsidiaries were reorganized, and FANUC Europe Corporation was established.
2013 Subsidiaries in North and South America were reorganized, and FANUC America Corporation was established.
2015 Collaborative ROBOT CR-35*i*A was developed.
FIBER LASER was developed
2016 The Mibu Factory was completed



Consolidated from the year ended March 31,1983

# CORPORATE GOVERNANCE

## Fundamental Concept of Corporate Governance

We ensure the practice of the principle, "preciseness and transparency," which has been the principle of FANUC since its foundation. We think it is important for the practical functioning of governance to share such an easy-to-understand and simple principle among all officers and employees of the Group.

About "Preciseness and Transparency"

Preciseness
The permanence and soundness of a company are created by preciseness.

Transparency
The corruption of an organization and the collapse of a company start from opacity.

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

## Organizational Structure

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

## Directors and Audit & Supervisory Board Members

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

**Representative Member of the Board, Chairman and CEO**
- **Dr. Yoshiharu Inaba**

**Representative Member of the Board, President and COO**
- **Kenji Yamaguchi** (General Manager, FA Business Division)

**Representative Member of the Board, Senior Executive Vice President and CTO**
- **Hiroyuki Uchida** (General Manager, ROBOMACHINE Business Division)

**Representative Member of the Board, Senior Executive Vice President and CFO**
- **Yoshihiro Gonda** (General Manager, Corporate Administration Division)

**Member of the Board, Executive Managing Officer**
- **Dr. Kiyonori Inaba** (General Manager, ROBOT Business Division)
- **Hiroshi Noda** (Vice General Manager (R&D), FA Business Division)
- **Katsuo Kohari** (Vice General Manager (Sales), FA Business Division, General Manager, Service Division)
- **Shunsuke Matsubara** (General Manager, Research & Development Administration Division)
- **Toshiya Okada** (Vice General Manager, Corporate Administration Division, General Manager, Legal Division)

**Member of the Board**
- **Richard E. Schneider** (Chairman, FANUC America Corporation)
- **Kazuo Tsukuda** (Outside)
- **Yasuo Imai** (Outside)
- **Masato Ono** (Outside)

**Audit & Supervisory Board Members** (5 in total, including 3 outside Audit & Supervisory Board Members)
- **Shunsuke Kimura**
- **Naoki Shimizu**
- **Dr. Takeo Nakagawa** (Outside)
- **Masaharu Sumikawa** (Outside)
- **Hajime Harada** (Outside)

## Outside Directors and Outside Audit & Supervisory Board Members

| Outside Directors | Reason for appointment |
|---|---|
| Kazuo Tsukuda | In order to develop the Company's business steadily and to enhance its corporate value, it is quite effective to introduce to the Board of Directors an outsider's eye with a broad perspective and excellent insight. Kazuo Tsukuda has been providing the Company with extremely valuable advice, with his outstanding knowledge of manufacturing and extensive experience in management, having a deep understanding of the Company's business. He will be expected to continue to contribute to the Company's Board of Directors from an independent position as Outside Director. |
| Yasuo Imai | After joining in the Ministry of International Trade and Industry (currently, the Ministry of Economy, Trade and Industry), Yasuo Imai had experience of being posted overseas as General Manager of the Washington Office of Japan National Oil Corporation. He successfully held a number of positions starting from the post of Deputy Director-General, Director-General of the Petroleum Department of Agency for Natural Resources and Energy. Subsequently he moved to the post of Director-General of the Manufacturing Industries Bureau, and then to the post of Commissioner of the Japan Patent Office. Based on these experiences, Yasuo Imai, being familiar with foreign affairs, has a global perspective and extensive knowledge concerning manufacturing industry and the protection of intellectual property, etc. At the same time, he is a currently active corporate executive and is also knowledgeable about corporate management due to his nearly 10 years experience in business. Yasuo Imai has been providing the Company with extremely valuable advice as Outside Director with his extensive experience in various fields and from his broad vision. He will be expected to continue to contribute to the Company's Board of Directors from an independent position as Outside Director. |
| Masato Ono | Our company has specialized in business activities in the narrow field of the automation of manufacturing and as such the Board of Directors consists mostly of Directors with engineering background focusing on its core business. Given this context, Masato Ono has been providing the Company with extremely valuable advice on enhancing corporate value from a totally different point of view by contributing to active discussions at the meeting of the Board of Directors based on his many years of experience in management of financial institutions. Although Masato Ono has served as Deputy President and Representative Director of Mizuho Financial Group, Inc., he meets the Company's criteria for independence of Outside Directors and Outside Auditors, (The Company has never applied for a loan from any banks of Mizuho Financial Group.), it has been over eight (8) years since he retired as Director of the Mizuho Financial Group, Inc. and there is no risk of his independence being affected by this position. He will be expected to continue to contribute to the Company's Board of Directors from an independent position as Outside Director. |

| Outside Audit & Supervisory Board Members | Reason for appointment |
|---|---|
| Takeo Nakagawa | As Professor Emeritus of the University of Tokyo and a corporate manager, Takeo Nakagawa has been consistently engaged in "monozukuri (manufacturing)." For this reason, he has given us objective and valuable advice from various aspects based on his profound understanding of the Company's business. We believe that we can expect him to continue to play a significant role going forward. |
| Masaharu Sumikawa | We expect him to provide advice whenever necessary, based on his wide experience, expertise and knowledge he had obtained as a long-serving corporate executive. |
| Hajime Harada | Hajime Harada has been providing the Company with extremely valuable advice whenever necessary based on his wide experience and knowledge as a lawyer. Although his term of office as Outside Auditor of the Company will have been for 12 years as of the conclusion of the meeting, he meets the Company's criteria for independence of Outside Directors and Outside Auditors (see the section "Independent Directors/ Auditors") and has no business transactions with or interest in the Group. As a lawyer, Hajime Harada has a responsibility under the Basic Rules on the Duties of Practicing Attorneys to "maintain his or her freedom and independence" (Article 20 of the Rules) and to "perform his or her duties fairly" (Article 5), and in fact he gives his frank opinion from an independent standpoint. We therefore believe that he maintains sufficient independence now and in the future. In particular, he has a deep understanding of corporate governance, an issue that has grown increasingly important in recent years, gained through his experience including service as a lawyer on compliance committees at another listed company for many years. Furthermore, he has advanced, wide-ranging and specialized knowledge, based on his experience including court cases in a variety of fields such as systems development, intellectual property rights, antimonopoly law, international joint ventures, and claims collection. For these reasons, we can expect him to continue to offer appropriate advice from an extremely broad perspective with regard to risks that the Company may face in the future and other matters. |

## Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members

With regard to Independent Outside Directors and Outside Audit & Supervisory Board Members, the Company nominates candidates who do not have any certain interest in the Company, and who can be expected to make frank comments without hesitation at Board of Directors meetings, etc. Furthermore, in order to ensure such real independence, as minimum requirements, candidates must meet each of the following conditions.

1. Business transactions between the Company and the company from which the candidate comes must amount to less than 2% of the respective consolidated sales of both companies.
2. The Company must not have any loans from the company from which the candidate comes (if the candidate comes from a bank.)
3. The Company must not have any important transactions such as advisory contracts with the candidate or the firm he works for (if the candidate is a lawyer or other professional.)
4. The candidate must not come from the audit firm that is the Company's Accounting Auditor.
5. There must be no other particular reasons that could give rise to a conflict of interest with the Company.
6. The candidate must not be the spouse or a relative within the second degree of anyone who does not meet the above conditions 1 through 5.

# Financial Section

# Ten-Year Financial Summary

| Years ended March 31 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Net sales | ¥ 419,560 | ¥ 468,399 | ¥ 388,271 | ¥ 253,393 |
| Operating income | 162,930 | 189,564 | 134,449 | 55,024 |
| Operating income as a percentage of net sales | 38.8% | 40.5% | 34.6% | 21.7% |
| Income before income taxes and minority interests | 179,412 | 211,875 | 149,148 | 55,826 |
| Net income attributable to owners of parent | 106,756 | 127,030 | 97,162 | 37,511 |
| Current assets | 675,944 | 750,328 | 683,719 | 623,573 |
| Current liabilities | 100,810 | 104,151 | 55,725 | 56,188 |
| Total assets | 951,664 | 1,046,837 | 970,441 | 891,651 |
| Net assets | 820,556 | 911,395 | 893,282 | 812,657 |

| Per share data (Yen and U.S. Dollars): | | | | |
|---|---|---|---|---|
| Net income: | | | | |
| Basic | 499.83 | 611.14 | 467.55 | 187.75 |
| Diluted | — | — | — | — |
| Cash dividends | 150.00 | 183.35 | 140.27 | 56.33 |
| Net assets | 3,816.91 | 4,225.39 | 4,177.28 | 4,133.89 |

Note : The U.S. dollar amounts shown above and elsewhere in this annual report are converted from yen, for convenience only, at the rate of ¥113 = U.S.$1.00.

| | | | | | Millions of yen, except for per share data | Thousands of U.S. dollars, except for per share data |
|---|---|---|---|---|---|---|
| 2011 | 2012 | 2013 | 2014 | 2015 | **2016** | **2016** |
| ¥ 446,201 | ¥ 538,492 | ¥ 498,395 | ¥ 450,976 | ¥ 729,760 | **¥ 623,418** | **$ 5,516,973** |
| 189,757 | 221,834 | 184,821 | 164,134 | 297,839 | **215,567** | **1,907,672** |
| 42.5% | 41.2% | 37.1% | 36.4% | 40.8% | **34.6%** | **34.6%** |
| 193,495 | 228,578 | 191,242 | 174,360 | 311,951 | **229,361** | **2,029,743** |
| 120,155 | 138,819 | 120,484 | 110,930 | 207,599 | **159,700** | **1,413,274** |
| | | | | | | |
| 753,992 | 848,669 | 906,440 | 1,027,801 | 1,273,355 | **1,072,770** | **9,493,540** |
| 89,589 | 115,270 | 92,973 | 99,449 | 172,611 | **106,116** | **939,080** |
| 1,013,000 | 1,130,625 | 1,219,113 | 1,343,904 | 1,611,626 | **1,512,895** | **13,388,451** |
| 894,494 | 985,322 | 1,094,129 | 1,199,863 | 1,386,695 | **1,334,910** | **11,813,363** |

| | | | | | | |
|---|---|---|---|---|---|---|
| 613.75 | 709.20 | 615.59 | 566.86 | 1,061.02 | **816.78** | **7.23** |
| — | — | — | — | — | **—** | **—** |
| 184.13 | 212.77 | 184.68 | 170.06 | 636.62 | **490.07** | **4.34** |
| 4,550.71 | 5,013.69 | 5,565.64 | 6,102.20 | 7,049.39 | **6,825.27** | **60.40** |

# Consolidated Statements of Income

| Years ended March 31 | Millions of yen 2014 | 2015 | 2016 | Thousands of U.S. dollars (Note 3) 2016 |
|---|---|---|---|---|
| Net sales | ¥ 450,976 | ¥ 729,760 | ¥ 623,418 | $5,516,973 |
| Cost of goods sold (Note 9) | 227,189 | 350,746 | 326,912 | 2,893,027 |
| Gross profit | 223,787 | 379,014 | 296,506 | 2,623,946 |
| Selling, general and administrative expenses (Note 9) | 59,653 | 81,175 | 80,939 | 716,274 |
| Operating income | 164,134 | 297,839 | 215,567 | 1,907,672 |
| Other income (expenses): | | | | |
| Interest income | 2,300 | 2,628 | 2,537 | 22,451 |
| Equity in earnings of affiliates | 5,452 | 9,886 | 11,494 | 101,717 |
| Other, net (Note 10) | 2,474 | 1,598 | (237) | (2,097) |
| | 10,226 | 14,112 | 13,794 | 122,071 |
| Income before income taxes | 174,360 | 311,951 | 229,361 | 2,029,743 |
| Income taxes: | | | | |
| Current | 62,036 | 111,261 | 66,123 | 585,159 |
| Deferred | 812 | (8,162) | 2,906 | 25,717 |
| Net income | 111,512 | 208,852 | 160,332 | 1,418,867 |
| Net income attributable to non-controlling interests | 582 | 1,253 | 632 | 5,593 |
| Net income attributable to owners of parent | ¥ 110,930 | ¥ 207,599 | ¥ 159,700 | $1,413,274 |

| | Yen | | | U.S. dollars (Note 3) |
|---|---|---|---|---|
| Amounts per share of common stock: | | | | |
| Net income | ¥ 566.86 | ¥ 1,061.02 | ¥ 816.78 | $ 7.23 |
| Cash dividends | 170.06 | 636.62 | 490.07 | 4.34 |

See notes to the consolidated financial statements.

# Consolidated Statements of Comprehensive Income

| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|---|---|
| Years ended March 31 | 2014 | 2015 | **2016** | **2016** |
| Net income | ¥111,512 | ¥208,852 | **¥160,332** | **$1,418,867** |
| Other comprehensive income | | | | |
| Valuation difference on available-for-sale securities | 2,171 | 2,370 | **(3,091)** | **(27,354)** |
| Foreign currency translation adjustment | 26,987 | 22,178 | **(21,866)** | **(193,504)** |
| Remeasurements of defined benefit plans | — | (2,736) | **(15,337)** | **(135,726)** |
| Share of other comprehensive income of affiliates accounted for using equity method | 5,597 | 4,687 | **(2,085)** | **(18,451)** |
| Total other comprehensive income | 34,755 | 26,499 | **(42,379)** | **(375,035)** |
| Comprehensive income | ¥146,267 | ¥235,351 | **¥117,953** | **$1,043,832** |
| Comprehensive income attributable to: | | | | |
| Owners of parent | 145,139 | 233,467 | **117,873** | **1,043,124** |
| Non-controlling interests | 1,128 | 1,884 | **80** | **708** |

# Consolidated Balance Sheets

| As of March 31 | Millions of yen 2015 | Millions of yen 2016 | Thousands of U.S. dollars (Note 3) 2016 |
|---|---|---|---|
| ASSETS | | | |
| Current assets: | | | |
| Cash and bank deposits | ¥871,236 | ¥686,662 | $6,076,655 |
| Receivables, trade: | | | |
| Notes and accounts | 135,127 | 100,307 | 887,673 |
| Allowance for doubtful accounts | (2,164) | (1,568) | (13,876) |
| Marketable securities | 120,000 | 145,000 | 1,283,186 |
| Finished goods | 54,280 | 52,736 | 466,690 |
| Work in progress | 42,859 | 39,206 | 346,956 |
| Raw materials and supplies | 11,662 | 11,124 | 98,442 |
| Deferred income taxes (Note 11) | 26,686 | 23,107 | 204,487 |
| Other current assets | 13,669 | 16,196 | 143,327 |
| Total current assets | 1,273,355 | 1,072,770 | 9,493,540 |
| Investments (Note 5) | 71,396 | 84,190 | 745,044 |
| Property, plant and equipment, at cost: | | | |
| Land | 125,893 | 131,800 | 1,166,372 |
| Buildings | 225,144 | 232,538 | 2,057,858 |
| Machinery and equipment | 146,174 | 154,216 | 1,364,743 |
| Construction in progress | 8,009 | 85,917 | 760,328 |
| Less accumulated depreciation | (239,295) | (252,411) | (2,233,726) |
| Property, plant and equipment, net | 265,925 | 352,060 | 3,115,575 |
| Intangible assets: | | | |
| Goodwill | — | — | — |
| Other intangible assets | 950 | 3,875 | 34,292 |
| Total intangible assets | 950 | 3,875 | 34,292 |
| Total assets | ¥1,611,626 | ¥1,512,895 | $13,388,451 |
| LIABILITIES AND NET ASSETS | | | |
| Current liabilities: | | | |
| Payables, trade | ¥40,572 | ¥24,815 | $219,602 |
| Accrued income taxes | 72,219 | 17,199 | 152,203 |
| Warranty reserves | 6,546 | 6,676 | 59,079 |
| Other current liabilities | 53,274 | 57,426 | 508,195 |
| Total current liabilities | 172,611 | 106,116 | 939,079 |
| Long-term liabilities: | | | |
| Net defined benefit liability (Note 6) | 47,534 | 68,346 | 604,832 |
| Other long-term liabilities | 4,786 | 3,523 | 31,177 |
| Total long-term liabilities | 52,320 | 71,869 | 636,009 |
| NET ASSETS | | | |
| Shareholders' equity: | | | |
| Common stock: | | | |
| Authorized - 400,000,000 shares | | | |
| Issued - 205,942,215 shares | 69,014 | 69,014 | 610,743 |
| Capital surplus | 96,277 | 96,206 | 851,381 |
| Retained earnings | 1,500,635 | 1,269,557 | 11,235,018 |
| Treasury stock, at cost : | | | |
| 2015 - 43,863,212 shares | (312,855) | — | — |
| 2016 - 11,300,237 shares | — | (90,574) | (801,540) |
| Total shareholders' equity | 1,353,071 | 1,344,203 | 11,895,602 |
| Accumulated other comprehensive income: | | | |
| Valuation difference on available-for-sale securities | 7,482 | 4,391 | 38,859 |
| Foreign currency translation adjustment | 29,372 | 5,974 | 52,867 |
| Remeasurements of defined benefit plans | (10,748) | (26,085) | (230,841) |
| Total accumulated other comprehensive income | 26,106 | (15,720) | (139,115) |
| Non-controlling interests | 7,518 | 6,427 | 56,876 |
| Total net assets | 1,386,695 | 1,334,910 | 11,813,363 |
| Total liabilities and net assets | ¥1,611,626 | ¥1,512,895 | $13,388,451 |

See notes to the consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

Millions of yen

| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at March 31, 2013** | ¥69,014 | ¥96,268 | ¥1,261,572 | (¥311,636) | ¥2,941 | (¥28,899) | — | ¥4,869 | ¥1,094,129 |
| Cumulative effects of changes in accounting policies | | | | | | | | | — |
| Restated balance | ¥69,014 | ¥96,268 | ¥1,261,572 | (¥311,636) | ¥2,941 | (¥28,899) | — | ¥4,869 | ¥1,094,129 |
| Cash dividends | | | (31,086) | | | | | | (31,086) |
| Net income | | | 110,930 | | | | | | 110,930 |
| Change caused by merger | | | (607) | | | | | | (607) |
| Purchase of treasury stock | | | | (665) | | | | | (665) |
| Disposal of treasury stock | | 2 | | 2 | | | | | 4 |
| Retirement of treasury stock | | | | | | | | | — |
| Change of scope of consolidation | | | | | | | | | — |
| Net change except shareholder's equity during the year | | | | | 2,171 | 32,037 | (8,012) | 962 | 27,158 |
| **Balance at March 31, 2014** | ¥69,014 | ¥96,270 | ¥1,340,809 | (¥312,299) | ¥5,112 | ¥3,138 | (¥8,012) | ¥5,831 | ¥1,199,863 |
| Cumulative effects of changes in accounting policies | | | (¥1,452) | | | | | | (¥1,452) |
| Restated balance | ¥69,014 | ¥96,270 | ¥1,339,357 | (¥312,299) | ¥5,112 | ¥3,138 | (¥8,012) | ¥5,831 | ¥1,198,411 |
| Cash dividends | | | (46,559) | | | | | | (46,559) |
| Net income | | | 207,599 | | | | | | 207,599 |
| Change caused by merger | | | | | | | | | — |
| Purchase of treasury stock | | | | (559) | | | | | (559) |
| Disposal of treasury stock | | 7 | | 3 | | | | | 10 |
| Retirement of treasury stock | | | | | | | | | — |
| Change of scope of consolidation | | | 238 | | | | | | 238 |
| Net change except shareholder's equity during the year | | | | | 2,370 | 26,234 | (2,736) | 1,687 | 27,555 |
| **Balance at March 31, 2015** | ¥69,014 | ¥96,277 | ¥1,500,635 | (¥312,855) | ¥7,482 | ¥29,372 | (¥10,748) | ¥7,518 | ¥1,386,695 |
| Cumulative effects of changes in accounting policies | | | | | | | | | — |
| Restated balance | ¥69,014 | ¥96,277 | ¥1,500,635 | (¥312,855) | ¥7,482 | ¥29,372 | (¥10,748) | ¥7,518 | ¥1,386,695 |
| Cash dividends | | | (151,385) | | | | | | (151,385) |
| Net income | | | 159,700 | | | | | | 159,700 |
| Change caused by merger | | | | | | | | | — |
| Purchase of treasury stock | | | | (17,194) | | | | | (17,194) |
| Disposal of treasury stock | | 7 | | 4 | | | | | 11 |
| Retirement of treasury stock | | (78) | (239,393) | 239,471 | | | | | — |
| Change of scope of consolidation | | | | | | | | | — |
| Net change except shareholder's equity during the year | | | | | (3,091) | (23,398) | (15,337) | (1,091) | (42,917) |
| **Balance at March 31, 2016** | ¥69,014 | ¥96,206 | ¥1,269,557 | (¥90,574) | ¥4,391 | ¥5,974 | (¥26,085) | ¥6,427 | ¥1,334,910 |

Thousands of U.S. dollars (Note 3)

| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at March 31, 2015** | $610,743 | $852,009 | $13,279,956 | ($2,768,628) | $66,212 | $259,929 | ($95,115) | $66,531 | $12,271,637 |
| Cumulative effects of changes in accounting policies | | | | | | | | | — |
| Restated balance | $610,743 | $852,009 | $13,279,956 | ($2,768,628) | $66,212 | $259,929 | ($95,115) | $66,531 | $12,271,637 |
| Cash dividends | | | (1,339,690) | | | | | | (1,339,690) |
| Net income | | | 1,413,274 | | | | | | 1,413,274 |
| Change caused by merger | | | | | | | | | — |
| Purchase of treasury stock | | | | (152,159) | | | | | (152,159) |
| Disposal of treasury stock | | 62 | | 35 | | | | | 97 |
| Retirement of treasury stock | | (690) | (2,118,522) | 2,119,212 | | | | | — |
| Change of scope of consolidation | | | | | | | | | — |
| Net change except shareholder's equity during the year | | | | | (27,354) | (207,062) | (135,726) | (9,655) | (379,797) |
| **Balance at March 31, 2016** | $610,743 | $851,381 | $11,235,018 | ($801,540) | $38,858 | $52,867 | ($230,841) | $56,876 | $11,813,362 |

See notes to the consolidated financial statements.

# Consolidated Statements of Cash Flows

| | Millions of yen | | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|---|
| **Years ended March 31** | 2014 | 2015 | **2016** | **2016** |
| **Cash flows from operating activities** | | | | |
| Income before income taxes | ¥174,360 | ¥311,951 | **¥229,361** | **$2,029,743** |
| Adjustments to reconcile income before income taxes to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 18,394 | 21,685 | **21,106** | **186,779** |
| Allowance for doubtful accounts | 123 | 223 | **(536)** | **(4,743)** |
| Allowance for employees' retirement benefits | (28,475) | — | **—** | **—** |
| Net defined benefit liability | 40,090 | 6,081 | **21,311** | **188,593** |
| Interest and dividend income | (3,590) | (3,665) | **(3,909)** | **(34,593)** |
| Equity in earnings of affiliates, net | (5,452) | (9,886) | **(11,494)** | **(101,717)** |
| (Increase) decrease in receivables, trade | (4,418) | (37,331) | **29,207** | **258,469** |
| (Increase) decrease in inventories | (9,488) | (17,712) | **1,602** | **14,177** |
| Increase (decrease) in payables, trade | 2,159 | 11,723 | **(13,749)** | **(121,672)** |
| Other | (3,189) | 1,266 | **(21,506)** | **(190,319)** |
| Cash generated from operations | 180,514 | 284,335 | **251,393** | **2,224,717** |
| Interest and dividends received | 5,596 | 6,379 | **10,061** | **89,035** |
| Income taxes paid | (61,262) | (68,891) | **(121,281)** | **(1,073,283)** |
| Other | 711 | 1,089 | **460** | **4,071** |
| Net cash provided by operating activities | 125,559 | 222,912 | **140,633** | **1,244,540** |
| **Cash flows from investing activities** | | | | |
| Purchases of property, plant and equipment | (16,623) | (21,427) | **(102,008)** | **(902,726)** |
| Purchases of investment securities | — | (3,355) | **(7,830)** | **(69,292)** |
| Proceeds from sales of investment securities | 541 | 1 | **—** | **—** |
| Other | (386) | (145) | **(2,839)** | **(25,124)** |
| Net cash used in investing activities | (16,468) | (24,926) | **(112,677)** | **(997,142)** |
| **Cash flows from financing activities** | | | | |
| Purchases of treasury stock | (661) | (549) | **(17,253)** | **(152,681)** |
| Dividends paid | (31,100) | (46,568) | **(151,237)** | **(1,338,381)** |
| Other | (168) | (197) | **(1,082)** | **(9,575)** |
| Net cash used in financing activities | (31,929) | (47,314) | **(169,572)** | **(1,500,637)** |
| **Effect of exchange rate changes on cash and cash equivalents** | 17,633 | 16,425 | **(17,958)** | **(158,920)** |
| Net increase (decrease) in cash and cash equivalents | 94,795 | 167,097 | **(159,574)** | **(1,412,159)** |
| Cash and cash equivalents at beginning of year | 727,751 | 823,669 | **991,236** | **8,772,000** |
| Increase in cash and cash equivalents from newly consolidated subsidiaries | — | 470 | **—** | **—** |
| Increase in cash and cash equivalents caused by merger between consolidated and non-consolidated subsidiaries | 1,123 | — | **—** | **—** |
| **Cash and cash equivalents at end of year** | ¥823,669 | ¥991,236 | **¥831,662** | **$7,359,841** |

See notes to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1. Basis of preparation

The accompanying consolidated financial statements of FANUC CORPORATION (the "Company") and its consolidated subsidiaries (together, the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

In preparing the accompanying consolidated financial statements, the Company has made certain reclassifications and rearrangements to the consolidated financial statements prepared in Japan in order to present them in a format which is more familiar to readers outside Japan.

## 2. Summary of significant accounting policies

### (a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and, with minor exceptions, the subsidiaries under its control. Intercompany accounts and significant intercompany transactions have been eliminated in consolidation.

The investments in unconsolidated subsidiaries and affiliated companies over which the Company exerts substantial influence are, with minor exceptions, stated at their underlying equity value.

Goodwill is amortized over a period of five years.

### (b) Cash equivalents

The Group considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### (c) Translation of foreign currency accounts

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates in effect at the balance sheet date. Foreign exchange gain or loss on translation is recognized in the consolidated statements of income.

Assets and liabilities of the consolidated subsidiaries outside Japan are translated into Japanese yen at the applicable year-end rates except for shareholders' equity which is translated at the historical rates. Differences arising from translation are reflected as "Foreign currency translation adjustments" in a separate component of net assets. Income and expense accounts are translated at the average rates for the year.

### (d) Valuation of securities

Securities other than investments in affiliates are classified as available-for-sale securities ("Other securities") and include securities other than trading securities and securities held to maturity. Other securities whose fair value is readily determinable are stated at fair value with the corresponding unrealized gain or loss, net of taxes, recorded directly as a separate component of net assets. Other securities whose fair value is not readily determinable are stated at moving average cost. The cost of other securities sold is calculated by the moving average method.

### (e) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount deemed sufficient to cover estimated future losses.

(f) Inventories

Raw materials and purchased components are stated primarily at cost determined by the most recent purchase price method.

Work in progress is stated at actual cost which includes direct costs for materials and labor and overhead manufacturing costs including depreciation.

Finished goods are stated principally at cost (the valuation method) by the average method.

(g) Property, plant and equipment and depreciation

Property, plant and equipment, including significant renewals and additions, is stated at cost.

Depreciation is computed principally by the declining-balance method at rates based on the estimated useful lives of the respective assets which vary according to general classification, type of construction and use.

Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

(h) Warranty reserves

The Group provides warranty reserves for goods sold under warranty agreements. Estimates for these warranty reserves are based primarily on historical experience. In addition, they are calculated with reference to current information concerning specific issues.

(i) Retirement benefits

Effective from the beginning of the fiscal year 2014, the Company adopted the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on March 26, 2015), with respect to the provisions described in the main clause of Paragraph 35 of the Standard and in the main clause of Paragraph 67 of the Guidance, whereby the method of calculating retirement benefit obligation and service cost has been revised. Based on this revision, the method of attributing expected retirement benefits to periods has been changed from straight-line basis to benefit formula basis, while the method of determining discount rates has been changed.

Concerning the application of the "Accounting Standards for Retirement Benefits," based on the provisional treatment set out in Paragraph 37 of the Standard, the effects of changes in the method of calculating retirement benefit obligation and service cost is stated as an adjustment to retained earnings at the beginning of the fiscal year 2014.

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

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period (10 years) which is shorter than the estimated average remaining years of service of the eligible employees.

Past service cost is being amortized as incurred by the straight-line method over a period (10 years) which is shorter than the estimated average remaining years of service of the eligible employees.

(j) Revenue recognition

In general, sales of products, other than those exported, are recognized in the accounts upon acceptance by the customers. Export sales are recognized as of the respective dates of shipment.

(k) Income taxes

Deferred income taxes are provided by the asset and liability method. Deferred income tax assets and liabilities are determined based on the temporary differences between the financial statements and the tax bases of the assets and liabilities, using the enacted tax rates which will be in effect during the years in which the differences are expected to reverse.

(l) Net income per share

Net income per share is calculated based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

(m) Shareholders' equity

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than capital reserve) and retained earnings (other than legal reserve) be transferred to capital reserve and legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

## 3. U.S. dollar amounts

The Company and its domestic consolidated subsidiaries maintain their books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥113 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2016.

U.S. dollar amounts are presented solely for the convenience of the reader and the translation is not intended to imply that assets and liabilities which originate in yen have been or could readily be converted, realized or settled in U.S. dollars at the above or any other rate.

## 4. Financial instruments

**Basic policy to manage financial instruments and related risk**

(1) Group policy for financial instruments

The Company and its consolidated subsidiaries rely on their own resources to finance operations and do not raise funds from external resources.

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

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

Receivables such as trade notes and trade accounts are exposed to customer credit risk and receivables denominated in foreign currencies that arise from overseas operations are exposed to the market risk of fluctuation in foreign currency exchange rates. Marketable securities are negotiable certificate of deposits, which are easily convertible into cash and within three months, and thus are exposed to insignificant risk of price fluctuations. Investment securities, which mainly consist of stocks in companies with business relationships, are exposed to the risk of market price fluctuations.

Payables such as trade notes and trade accounts are mostly due within one year.

(3) Risk management for financial instruments

( i ) Management of credit risk

The Group monitors due dates and manages balances of receivables by customer on the basis of internal guideline and periodically checks credit risks of key customers taking into account their financial position and other factors.

( ii ) Management of market risk

The Group regularly monitors the market price and the financial condition of the issuer with respect to its securities and continuously reviews the investment made in each company, taking into account its relationship with the counterparty.

Fair value of financial instruments

The carrying amount and fair value of financial instruments at March 31, 2015 and 2016 are summarized as follows. Financial instruments whose fair value is not readily determinable are not included in the table below.

| 2015 | Millions of yen | | |
|---|---|---|---|
| | Carrying amount | Fair value | Variance |
| Cash and bank deposits | ¥871,236 | ¥871,236 | — |
| Notes and accounts receivables | 135,127 | 135,127 | — |
| Marketable securities and investment securities | | | |
| Other securities | 136,049 | 136,049 | — |
| Notes and accounts payables | (40,572) | (40,572) | — |
| Accrued income taxes | (72,219) | (72,219) | — |

| 2016 | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Variance | Carrying amount | Fair value | Variance |
| Cash and bank deposits | **¥686,662** | **¥686,662** | **—** | **$6,076,655** | **$6,076,655** | **—** |
| Notes and accounts receivables | **100,307** | **100,307** | **—** | **887,673** | **887,673** | **—** |
| Marketable securities and investment securities | | | | | | |
| Other securities | **162,582** | **162,582** | **—** | **1,438,779** | **1,438,779** | **—** |
| Notes and accounts payables | **(24,815)** | **(24,815)** | **—** | **(219,602)** | **(219,602)** | **—** |
| Accrued income taxes | **(17,199)** | **(17,199)** | **—** | **(152,204)** | **(152,204)** | **—** |

### Cash and bank deposits, Notes and accounts receivable

The carrying value of cash and bank deposits and notes and accounts receivables approximate fair value due to their short maturities.

### Marketable securities and investment securities

Marketable securities are negotiable certificates of deposit (NCD), and the carrying value of those approximate fair value due to their short maturities.

Investment securities are equity securities whose fair value is measured at the quoted market price at the stock exchange.

See Note 5 for information on the fair value of investment securities by classification.

### Notes and accounts payables

The carrying value of notes and accounts payables approximate fair value due to their short maturities.

The carrying amount of financial instruments whose fair value is not readily determinable at March 31, 2015 and 2016, is as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | **2016** | **2016** |
| Unlisted stock (consolidated balance sheet amount) | ¥43,704 | **¥48,227** | **$426,788** |

Redemption schedule after fiscal year-end for monetary assets and securities with maturity dates as of March 31, 2015 and 2016 is as follows:

**2015** — Millions of yen

| | Within 1 year | 1 - 5 years | 5 - 10 years | Due after 10 years |
|---|---|---|---|---|
| Cash and bank deposits | ¥871,236 | — | — | — |
| Notes and accounts receivables | 135,127 | — | — | — |
| Investment securities | | | | |
| Other securities with maturity | | | | |
| (1) Government bond | — | — | — | — |
| (2) Negotiable certificates of deposit | 120,000 | — | — | — |
| Total | ¥1,126,363 | — | — | — |

**2016** — Millions of yen

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

**2016** — Thousands of U.S. dollars

| | Within 1 year | 1 - 5 years | 5 - 10 years | Due after 10 years |
|---|---|---|---|---|
| Cash and bank deposits | **$6,076,655** | — | — | — |
| Notes and accounts receivables | **887,673** | — | — | — |
| Investment securities | | | | |
| Other securities with Maturity | | | | |
| (1) Governmental bond | — | — | — | — |
| (2) Negotiable certificates of deposit | **1,283,186** | — | — | — |
| Total | **$8,247,514** | — | — | — |

## 5. Other securities and investments

Other securities whose fair value was determinable at March 31, 2015 and 2016 are summarized as follows:

**2015** Millions of yen

| | Type of securities | Book value reflected in the balance sheet | Acquisition cost | Net |
|---|---|---|---|---|
| Other securities with unrealized gain | Equity securities | ¥ 16,049 | ¥ 6,754 | ¥9,295 |
| | Subtotal | 16,049 | 6,754 | 9,295 |
| Other securities with unrealized loss | Negotiable certificates of deposit | 120,000 | 120,000 | — |
| | Equity securities | 1 | 1 | — |
| | Subtotal | 120,000 | 120,000 | — |
| Total | | ¥136,049 | ¥126,754 | ¥9,295 |

**2016** Millions of yen

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

**2016** Thousands of U.S. dollars

| | Type of securities | Book value reflected in the balance sheet | Acquisition cost | Net |
|---|---|---|---|---|
| Other securities with unrealized gain | Equity securities | **$ 153,735** | **$ 109,230** | **$44,504** |
| | Subtotal | **153,735** | **109,230** | **44,504** |
| Other securities with unrealized loss | Negotiable certificates of deposit | **1,283,186** | **1,283,186** | **—** |
| | Equity securities | **1,858** | **2,549** | **(690)** |
| | Subtotal | **1,285,044** | **1,285,735** | **(690)** |
| Total | | **$1,438,779** | **$1,394,965** | **$43,814** |

Other securities sold during the years ended March 31, 2015 and 2016 are not presented since they are insignificant.

Investments at March 31, 2015 and 2016 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | **2016** | **2016** |
| Investments in affiliates | ¥43,627 | **¥46,686** | **$413,150** |
| Other securities | 16,127 | **19,123** | **169,230** |
| Allowance for doubtful accounts | (0) | **(1)** | **(9)** |
| Other | 11,642 | **18,382** | **162,673** |
| Total | ¥71,396 | **¥84,190** | **$745,044** |

## 6. Retirement benefits

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

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

Information on the pension plans for the years ended March 31, 2015 and 2016 is as follows;

1. Defined benefit pension plans

(1) Changes in projected benefit obligation (PBO)

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | **2016** | **2016** |
| PBO at beginning of year | ¥128,341 | **¥147,299** | **$1,303,531** |
| Cumulative effects of changes in accounting policies | 2,234 | **—** | **—** |
| Restated balance | ¥130,575 | **¥147,299** | **$1,303,531** |
| Service cost | 4,717 | **4,970** | **43,982** |
| Interest cost | 2,731 | **2,977** | **26,345** |
| Actuarial gain or loss | 7,749 | **26,248** | **232,283** |
| Benefit payments | (2,498) | **(3,798)** | **(33,611)** |
| Accrued past service cost | 0 | **2,519** | **22,293** |
| Influence of exchange | 3,649 | **(2,366)** | **(20,938)** |
| Other | 376 | **786** | **6,956** |
| PBO at end of year | ¥147,299 | **¥178,635** | **$1,580,841** |

(2) Changes in the fair value of plan assets

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | **2016** | **2016** |
| Fair value of plan assets at beginning of year | ¥87,885 | **¥ 99,765** | **$882,876** |
| Expected return on plan assets | 1,598 | **1,871** | **16,558** |
| Actuarial gain or loss | 2,319 | **5,610** | **49,646** |
| Employer contribution | 6,670 | **7,288** | **64,496** |
| Benefit payments | (1,419) | **(2,693)** | **(23,832)** |
| Influence of exchange | 2,748 | **(1,505)** | **(13,319)** |
| Other | (36) | **(47)** | **(416)** |
| Fair value of plan assets at end of year | ¥99,765 | **¥110,289** | **$976,009** |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2016 | 2016 |
| PBO in savings-type pension plan | ¥142,913 | ¥174,726 | $1,546,248 |
| Fair value of plan assets | (99,765) | (110,289) | (976,009) |
| | 43,148 | 64,437 | 570,239 |
| PBO in non-savings-type pension plan | 4,386 | 3,909 | 34,593 |
| Net amount of liability and asset recognized in consolidated balance sheets | 47,534 | 68,346 | 604,832 |
| Net defined benefit liability | 47,534 | 68,346 | 604,832 |
| Net amount of liability and asset recognized in consolidated balance sheets | ¥ 47,534 | ¥ 68,346 | $ 604,832 |

### (4) Components of defined benefit cost

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2016 | 2016 |
| Service cost | ¥4,717 | ¥4,970 | $43,982 |
| Interest cost | 2,731 | 2,977 | 26,345 |
| Expected return on plan assets | (1,598) | (1,871) | (16,558) |
| Amortization of actuarial gain or loss | 832 | 468 | 4,142 |
| Amortization of past service cost | (303) | 937 | 8,292 |
| Other | 20 | 15 | 133 |
| Defined benefit cost | ¥6,399 | ¥7,496 | $66,336 |

### (5) Remeasurements of defined benefit plans, before tax

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2016 | 2016 |
| Past service cost | (¥303) | (¥2,572) | ($22,761) |
| Actuarial gain or loss | (3,762) | (18,914) | (167,381) |
| Total | (¥4,065) | (¥21,486) | ($190,142) |

### (6) Remeasurements of defined benefit plans

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | 2016 | 2016 |
| Unrecognized past service cost | (¥444) | **¥2,150** | **$19,027** |
| Unrecognized actuarial gain or loss | 16,897 | **35,794** | **316,761** |
| Total | ¥16,453 | **¥37,944** | **$335,788** |

### (7) Plan assets

1) Components of plan assets

The components are as follows:

| | 2015 | 2016 |
|---|---|---|
| Debt securities | 76% | **74%** |
| Cash and bank deposits | 23% | **25%** |
| Other | 1% | **1%** |
| Total | 100% | **100%** |

2) Expected rate of return on plan assets

The expected rate of return on plan assets is determined based on the current and estimated future rates of return on various pension assets.

### (8) Actuarial assumptions

| | 2015 | 2016 |
|---|---|---|
| Discount rate | 1.5 - 4.7% | **0.5 - 4.1%** |
| Expected rate of return on plan assets | 1.5 - 3.0% | **0.5 - 3.0%** |
| Expected rate of salary increase | 2.5 - 4.3% | **2.3 - 4.1%** |

### 2. Defined contribution pension plans

Contribution of consolidated subsidiaries to the plan was ¥546 million for fiscal year 2014 and ¥865 million ($7,655 thousand) for fiscal year 2015.

## 7. Leases

Future rent payments, including interest, under operating leases subsequent to March 31, 2015 and 2016 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | **2016** | **2016** |
| Due within one year | ¥ 777 | **¥1,021** | **$ 9,035** |
| Due after one year | ¥1,441 | **¥1,048** | **$ 9,275** |
| Total | ¥2,218 | **¥2,069** | **$18,310** |

## 8. Contingent liabilities

Contingent liabilities with respect to guarantees for employees' mortgage loans with banks at March 31, 2015 and 2016 amounted to ¥75 million and ¥51 million ($451 thousand), respectively.

## 9. Research and development expenses

Research and development expenses charged to manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2014, 2015 and 2016 are summarized as follows:

| Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|---|
| 2014 | 2015 | **2016** | **2016** |
| ¥18,372 | ¥28,105 | **¥34,567** | **$305,903** |

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

Other income (expenses)-Other, net for the years ended March 31, 2014, 2015 and 2016 consisted of the following:

| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|---|---|
| | 2014 | 2015 | **2016** | **2016** |
| Dividend income | ¥1,290 | ¥1,037 | **¥1,372** | **$12,142** |
| Loss on sales and disposal of fixed assets | (163) | (906) | **(857)** | **(7,584)** |
| Exchange gain or loss, net | 222 | (43) | **(2,090)** | **(18,496)** |
| Other, net | 1,125 | 1,510 | **1,338** | **11,841** |
| Total | ¥2,474 | ¥1,598 | **(¥ 237)** | **($ 2,097)** |

## 11. Income taxes

Net deferred tax assets at March 31, 2015 and 2016 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2015 | **2016** | **2016** |
| Deferred tax assets: | | | |
| Net defined benefit liability | ¥15,834 | **¥21,731** | **$192,310** |
| Unrealized profit on inventories and property, plant and equipment | 8,713 | **9,380** | **83,009** |
| Accrued expenses | 5,404 | **5,418** | **47,947** |
| Depreciation and amortization | 7,548 | **8,222** | **72,761** |
| Accrued enterprise taxes | 4,545 | **1,169** | **10,345** |
| Investment securities | 1,032 | **986** | **8,726** |
| Other | 10,529 | **9,881** | **87,442** |
| Gross deferred tax assets | 53,605 | **56,787** | **502,540** |
| Valuation allowance | (1,041) | **(995)** | **(8,805)** |
| Total deferred tax assets | 52,564 | **55,792** | **493,735** |
| Deferred tax liabilities: | | | |
| Undistributed earnings of affiliated companies | (12,234) | **(11,729)** | **(103,796)** |
| Other | (6,624) | **(5,674)** | **(50,213)** |
| Total deferred tax liabilities | (18,858) | **(17,403)** | **(154,009)** |
| Net deferred tax assets | ¥33,706 | **¥38,389** | **$339,726** |

Reconciliation of the statutory income tax rate to the effective income tax rate for the years ended March 31, 2014, 2015 and 2016 was as follows:

| | 2014 | 2015 | **2016** |
|---|---|---|---|
| Japanese statutory income tax rate | — | 35.0 % | **32.3 %** |
| Tax exemption | — | (1.6)% | **(3.1)%** |
| Dividend income not taxable | — | (3.2)% | **(4.4)%** |
| Tax rate difference of foreign subsidiaries | — | (1.5)% | **(0.5)%** |
| Elimination of dividends received | — | 3.5 % | **4.7 %** |
| Equity in earnings of affiliates | — | (1.1)% | **(1.6)%** |
| Other | — | 1.9 % | **2.7 %** |
| Effective income tax rate | — | 33.0 % | **30.1 %** |

The above information for the year ended March 31 2014 is not presented because, as permitted, the difference between the statutory income tax rate and the effective income tax rate was less than 5% of the statutory income tax rate.

## 12. Segment information

FANUC Group focuses on the development, production and sales of CNC systems and related application products based on FANUC's CNC system technologies as a comprehensive supplier of factory automation (FA) systems. Ultimately, FANUC CNC systems and the related application products are used in automated production systems.

FANUC Group uses CNCs and servo motors in all of its products. For this reason, the decision is made, taking into consideration the status of orders, sales and production of all products, in addition to the status of particular products.

As mentioned above, FANUC Group runs only one business segment based on the decision that the entire group makes for investment. Thus, the segment information is not stated herein.

### Relevant Information

Information by product and service

| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|---|---|
| Net sales: Unaffiliated customers | 2014 | 2015 | **2016** | **2016** |
| FA | ¥222,643 | ¥206,611 | **¥170,211** | **$1,506,292** |
| ROBOT | ¥146,866 | ¥156,497 | **¥188,295** | **$1,666,327** |
| ROBOMACHINE | ¥ 81,467 | ¥291,488 | **¥183,011** | **$1,619,566** |
| SERVICE | — | ¥ 75,164 | **¥ 81,901** | **$ 724,788** |
| Total | ¥450,976 | ¥729,760 | **¥623,418** | **$5,516,973** |

Information by region

| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|---|---|
| Net sales: Unaffiliated customers | 2014 | 2015 | **2016** | **2016** |
| Japan | ¥105,706 | ¥123,593 | **¥119,228** | **$1,055,115** |
| America | ¥103,012 | ¥124,057 | **¥142,700** | **$1,262,832** |
| Europe | ¥ 71,981 | ¥ 87,970 | **¥ 94,017** | **$ 832,009** |
| Asia | ¥168,015 | ¥391,577 | **¥264,629** | **$2,341,850** |
| Other | ¥ 2,262 | ¥ 2,563 | **¥ 2,844** | **$ 25,167** |
| Total | ¥450,976 | ¥729,760 | **¥623,418** | **$5,516,973** |

## 13. Derivative transactions

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

## 14. Related-party transactions

No related-party transactions were recorded for the years ended March 31, 2015 and 2016.

# NON-CONSOLIDATED STATEMENTS OF INCOME

| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|---|---|
| Years ended March 31 | 2014 | 2015 | 2016 | 2016 |
| Net sales | ¥324,469 | ¥554,448 | ¥457,479 | $4,048,487 |
| Cost of goods sold | 176,679 | 283,370 | 258,083 | 2,283,921 |
| Gross profit | 147,790 | 271,078 | 199,396 | 1,764,566 |
| Selling, general and administrative expenses | 25,596 | 40,651 | 41,351 | 365,938 |
| Operating income | 122,194 | 230,427 | 158,045 | 1,398,628 |
| Other income (expenses): | | | | |
| Interest income | 275 | 364 | 561 | 4,964 |
| Dividend income | 9,932 | 32,419 | 34,879 | 308,664 |
| Other, net | 1,027 | 1,324 | (3,243) | (28,699) |
| | 11,234 | 34,107 | 32,197 | 284,929 |
| Income before income taxes | 133,428 | 264,534 | 190,242 | 1,683,557 |
| Income taxes: | | | | |
| Current | 45,984 | 88,194 | 46,989 | 415,832 |
| Deferred | 446 | (4,987) | 3,169 | 28,044 |
| | 46,430 | 83,207 | 50,158 | 443,876 |
| Net income | ¥86,998 | ¥181,327 | ¥140,084 | $1,239,681 |

| | Yen | | | U.S. dollars |
|---|---|---|---|---|
| Net income per share: | ¥444.56 | ¥ 926.74 | ¥ 716.46 | $ 6.34 |

Note: The U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥113 = U.S.$1.00.

# NON-CONSOLIDATED BALANCE SHEETS

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| As of March 31 | 2015 | 2016 | 2016 |
| **ASSETS** | | | |
| **Current assets:** | | | |
| Cash and bank deposits | ¥ 670,413 | ¥ 487,763 | $ 4,316,487 |
| Receivables, trade: | | | |
| Notes and accounts | 41,920 | 36,763 | 325,336 |
| Subsidiaries and affiliates | 27,815 | 22,196 | 196,425 |
| Allowance for doubtful accounts | (651) | (544) | (4,814) |
| Marketable securities | 120,000 | 145,000 | 1,283,186 |
| Inventories | 65,034 | 56,888 | 503,434 |
| Deferred tax assets | 13,775 | 10,135 | 89,690 |
| Other current assets | 10,312 | 13,564 | 120,035 |
| Total current assets | 948,618 | 771,765 | 6,829,779 |
| **Investments and other assets:** | | | |
| Subsidiaries and affiliates | 107,086 | 108,065 | 956,328 |
| Deferred tax assets | 9,744 | 11,485 | 101,637 |
| Other | 16,220 | 19,215 | 170,044 |
| Total investments and other assets | 133,050 | 138,765 | 1,228,009 |
| **Property, plant and equipment, at cost:** | | | |
| Land | 114,250 | 118,378 | 1,047,593 |
| Buildings | 199,893 | 206,648 | 1,828,743 |
| Machinery and equipment | 131,474 | 139,077 | 1,230,770 |
| Construction in progress | 5,997 | 82,226 | 727,664 |
| | 451,614 | 546,329 | 4,834,770 |
| Accumulated depreciation | (216,364) | (229,167) | (2,028,027) |
| Property, plant and equipment, net | 235,250 | 317,162 | 2,806,743 |
| **Intangible assets** | 596 | 3,362 | 29,752 |
| **Total assets** | ¥ 1,317,514 | ¥ 1,231,054 | $10,894,283 |
| | | | |
| **LIABILITIES AND NET ASSETS** | | | |
| **Current liabilities:** | | | |
| Payables, trade: | | | |
| Accounts | ¥ 28,777 | ¥ 16,148 | $ 142,903 |
| Subsidiaries and affiliates | 906 | 633 | 5,602 |
| Accrued expenses | 25,495 | 32,076 | 283,858 |
| Accrued income taxes | 64,548 | 14,278 | 126,354 |
| Warranty reserves | 2,651 | 2,943 | 26,044 |
| Other current liabilities | 3,186 | 2,944 | 26,053 |
| Total current liabilities | 125,563 | 69,022 | 610,814 |
| **Long-term liabilities:** | | | |
| Allowance for employees' retirement benefits | 28,777 | 30,385 | 268,894 |
| Asset retirement obligations | 2,811 | 2,840 | 25,133 |
| Total long-term liabilities | 31,588 | 33,225 | 294,027 |
| | | | |
| **NET ASSETS** | | | |
| **Shareholders' equity:** | | | |
| Common stock: | | | |
| Authorized - 400,000,000 shares | | | |
| Issued - 205,942,215 shares | 69,014 | 69,014 | 610,743 |
| Capital surplus | 96,128 | 96,057 | 850,062 |
| Retained earnings | 1,300,778 | 1,050,085 | 9,292,788 |
| Treasury stock, at cost | (312,855) | (90,574) | (801,540) |
| Total shareholders' equity | 1,153,065 | 1,124,582 | 9,952,053 |
| **Valuation and translation adjustment:** | | | |
| Net unrealized holding gain on other securities | 7,298 | 4,225 | 37,389 |
| Total net assets | 1,160,363 | 1,128,807 | 9,989,442 |
| **Total liabilities and net assets** | ¥ 1,317,514 | ¥ 1,231,054 | $10,894,283 |

## Global Network

# FANUC Global Service Network

Over 250 Offices in 46 Countries and Growing


**FANUC CORPORATION (Headquarters)**
Oshino-Mura, Yamanashi, Japan

**FANUC America**
Detroit, U.S.A.

**FANUC Europe**
The Grand Duchy of Luxembourg

**BEIJING-FANUC**
Beijing, China


**SHANGHAI-FANUC Robotics**
Shanghai, China

**KOREA FANUC**
Changwon, Korea

**TAIWAN FANUC**
Taichung, Taiwan

**FANUC INDIA**
Bangalore, India

FANUC CORPORATION

Web Site: http://www.fanuc.co.jp/