

ANNUAL REPORT

2021

Year ended March 31

FANUC CORPORATION

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ANNUAL REPORT 2021

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FA&ROBOT&ROBOMACHINE
FANUC



Basic Principles

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

**“Genmitsu”
(Strict Preciseness)**

Strict Preciseness

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

**“Tomei”
(Transparency)**

Transparency

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

The Three Philosophies



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

**Reliable
Predictable
Easy to Repair**

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

Service First

Conforming to the spirit of “Service First”, FANUC provides lifetime maintenance to its products for as long as they are used by customers, through more than 270 service locations supporting more than 100 countries throughout the world.

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Editorial Policy

Publication of Annual Report 2021

FANUC has published this annual report in order to share our value creation efforts with stakeholders. We are committed to finding solutions to social issues such as the reduction of environmental load and the decrease in the workforce through factory automation. In order to achieve sustainable growth, we hope that this report will be a valuable tool for dialogue with our shareholders and investors.

Scope of Report and Reference Guidelines

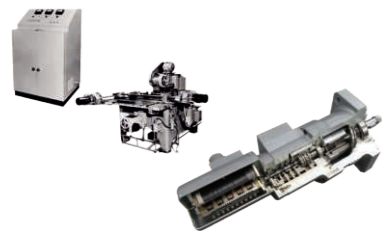
Reporting Period	From April 2020 to March 2021 Some information may refer to organizational structures and policies at the time of publication if those have been recently updated.
Organizations	FANUC CORPORATION and its consolidated subsidiaries
Referential Guidelines	We have referenced the International Integrated Reporting Framework (IIRC), as well as the Guidance for Collaborative Value Creation issued by the Japanese Ministry of Economy, Trade and Industry.

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.

Track Record of Value Creation

To provide indispensable values throughout the world through incessant technological innovations in the field of factory automation, and to continue to be a company that is trusted by all stakeholders.



- 1955 ▶ Project team for control was established at Fuji Tsushinki Manufacturing Co., Ltd. (presently Fujitsu Limited).
- 1956 ▶ First successful development of NCs and SERVO mechanism in Japan (private sector).
- 1959 ▶ The first electro-hydraulic pulse motor was developed.
- 1964 ▶ FANUC's first CNC, FANUC 250 was developed.
- 1970 ▶ High Pulse Motor was developed.
- 1972 ▶ FUJITSU FANUC Ltd. was established. (Changed to FANUC CORPORATION in 1982)
- ▶ FANUC DRILL was developed.
- ▶ FANUC 200A was developed.
- ▶ Electric Pulse Motor was developed.
- 1974 ▶ DC servo motor was licensed from Gettys Manufacturing Co.
- 1975 ▶ FANUC TAPE CUT-SERIES A was developed.
- ▶ FANUC 2000C was developed.
- 1976 ▶ FANUC SYSTEM 5 was developed. DC Spindle Motor was developed.
- 1977 ▶ FANUC U.S.A. CORPORATION established.
- ▶ FANUC ROBOT MODEL 1 was developed.
- ▶ FANUC TAPE CENTER-MODEL C was developed.
- 1978 ▶ KOREA NUMERIC CORPORATION jointly established by FANUC and Hwacheon Machinery Works Co.
- ▶ FANUC EUROPE S.A. established.
- ▶ FANUC TAPE CUT-MODEL E was developed.
- 1979 ▶ FANUC SYSTEM 6 was developed.
- ▶ AC Spindle Motor was developed.

- 1980 ▶ Fuji Factory constructed. Unmanned machining during nights was realized.
- ▶ DC Servo Motor M series was developed.
- 1981 ▶ FANUC ROBOT S-MODEL 1 was developed.
- 1982 ▶ GMFanuc Robotics Corporation jointly established in the U.S. by FANUC and General Motors.
- ▶ AC SERVO MOTOR was developed.
- 1983 ▶ Listed on the first section of the Tokyo Stock Exchange.
- 1984 ▶ FANUC AUTOSHOT was developed.
- ▶ FS10/11/12 was developed.
- ▶ FANUC EYE was developed.
- ▶ Relocation of headquarters to the foot of Mt. Fuji.
- ▶ Basic Research Laboratory established.
- 1985 ▶ FANUC SYSTEM0 was developed.
- 1986 ▶ FANUC TAIWAN LTD established.
- ▶ GE Fanuc Automation Corporation jointly established in the U.S. by FANUC and General Electric.
- 1987 ▶ FANUC NC LASER-MODEL C1000 was developed.
- ▶ FANUC ROBOT S-MODEL 420 was developed.
- ▶ ARC Mate was developed.
- ▶ FS15 was developed.
- ▶ FANUC TAPE CUT-W was developed.
- 1988 ▶ Product Development Laboratory relocated to headquarters site (Oshino-mura).
- 1989 ▶ Area 1 of the Tsukuba factory completed.
- ▶ Laser Research Laboratory established.
- ▶ Built-in Spindle Motor was developed.

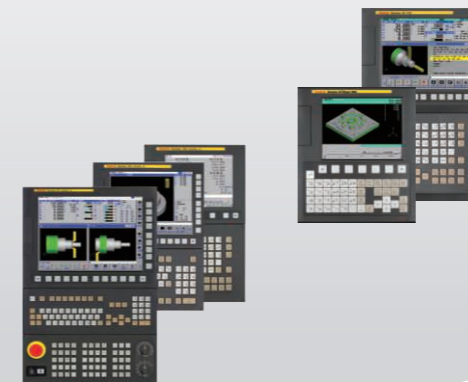
- 1990 ▶ FS16/18 was developed.
- 1991 ▶ Hayato Factory completed.
- 1992 ▶ BEIJING-FANUC Mechatronics CO., LTD. jointly established with Beijing Machine Tool Research Institute.
- ▶ FANUC INDIA PRIVATE LIMITED established.
- ▶ GMFanuc Robotics Corporation became FANUC Robotics Corporation, a 100% Fanuc owned company, and its subsidiary.
- ▶ LR Mate was developed.
- ▶ ROBODRILL α-T10A was developed.
- ▶ Product Development Laboratory divided into four laboratories consisting of the CNC Laboratory, Servo Laboratory, Robot Laboratory and Machine Laboratory.
- 1993 ▶ ROBOCUT α-1A was developed.
- ▶ ROBOSHOT α-A was developed.
- ▶ YAG LASER was developed.
- 1994 ▶ AC Servo Motor α/β series was developed.
- ▶ M-410i was developed.
- 1995 ▶ Linear Motor was developed.
- ▶ M-710i was developed.
- 1996 ▶ FS16i/18i/21i was developed.
- ▶ Call Center for Service established.
- 1997 ▶ SHANGHAI-FANUC Robotics CO., LTD. jointly established in China with Shanghai Electric Group Company Limited.
- ▶ ROBODRILL α-TiA was developed.
- 1999 ▶ FS-30 was developed.
- ▶ ROBOSHOT α-iA was developed.

FANUC's History

The history of FANUC began with the Numerical Control (NC) technology. In 1955, a project team for control was established at Fuji Tsushinki Manufacturing Co., Ltd. And the following year, in 1956, the Company became Japan's first private-sector company to successfully develop NCs and SERVO mechanism, realizing the automation of control of machine tools, which require absolute position accuracy and until then were performed manually, by numerically controlling them. In 1959, the Company developed electro-hydraulic pulse motor, which forms the basis for its SERVO technology, helping the NC business establish a strong market position. In 1972, the NC division was spun off from Fujitsu Limited to form FUJITSU FANUC Ltd. (later renamed as FANUC CORPORATION). The Company adopted a keyaki (zelkova) tree, firmly rooted in the ground and growing powerfully up toward the sky, as its symbol, which represents a wish to grow into a company with strong corporate structure. In addition to improving the performance of NC and SERVO products, FANUC has since expanded business to products that use the NC technology, developing the NC drilling machine, which was aimed at popularizing NC machine tools, and robots installed with NC that automate wide-ranging work processes.



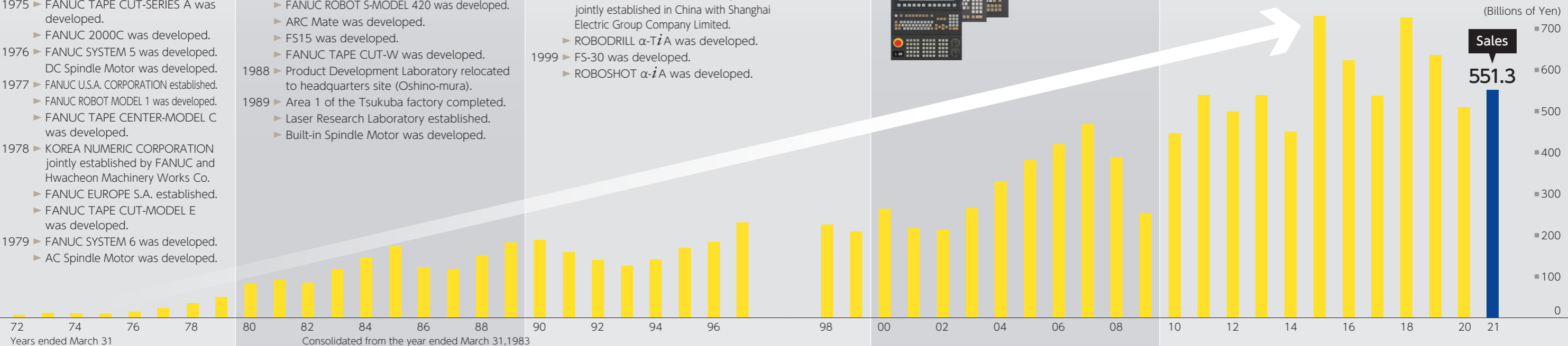
- 2000 ▶ FS0i/0i Mate was developed.
- ▶ R-2000iA was developed.
- ▶ ROBODRILL α-TiB was developed.
- ▶ ROBO nano Ui was developed.
- 2001 ▶ ROBOSHOT S-2000iA was developed.
- ▶ AC Servo Motor αi/βi series was developed.
- 2002 ▶ Robot cells put to practical use, enabling 720 hours of continuous unmanned operation.
- 2003 ▶ FS30i/31i/32i was developed.
- ▶ DD Motor was developed.
- 2005 ▶ ROBODRILL α-TiE was developed.
- 2008 ▶ Super Heavy Payload Robot was developed.
- ▶ Area 2 of the Tsukuba factory completed.
- 2009 ▶ Joint venture with General Electric was dissolved.
- ▶ Delta Robot was developed.



- 2012 ▶ ROBOCUT α-CiA was developed.
- ▶ ROBODRILL α-DiA was developed.
- ▶ ROBOSHOT α-SiA was developed.
- 2013 ▶ European subsidiaries reorganized to FANUC Europe Corporation.
- ▶ Subsidiaries in the Americas reorganized to FANUC America Corporation.
- 2014 ▶ FS0i-F was developed.
- ▶ AC Servo Motor αi-B/βi-B series was developed.
- 2015 ▶ Collaborative Robot was developed.
- ▶ FANUC FIBER LASER was developed.
- ▶ FF Laser Corporation established.
- ▶ Partnership with Preferred Networks announced.
- 2016 ▶ Mibu Factory completed.
- ▶ iHMI was developed.
- ▶ ROBOCUT α-C800iB was developed.
- ▶ Reliability Evaluation Building and Performance Evaluation Building completed.
- ▶ ROBODRILL α-DiB was developed.
- 2017 ▶ FIELD system was developed.
- ▶ SCARA Robot was developed.
- ▶ ROBONANO α-NMiA was developed.
- 2018 ▶ FANUC ACADEMY established.
- ▶ FS 0i-F Plus was developed.
- ▶ FANUC Advanced Research Laboratory established.
- ▶ New Nagoya Service Center opened.



- 2019 ▶ ROBOSHOT α-S450iA was developed.
- ▶ FS 30i/31i/32i-B Plus was developed.
- ▶ ROBONANO α-NTiA was developed.
- ▶ CRX-10iA was developed.



FANUC's Overview

FA Basic products

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



ROBOT Applied products

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



ROBOMACHINE Applied products

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



FANUC's Differentiation Strategy

High Reliability

In our product development, FANUC is mindful of our philosophy of "Reliable, Predictable, Easy to repair." FANUC promotes activities to improve quality, safety, and reliability of its products in all processes, from development and design of products to product quality buildups and after-sales services following manufacturing and shipment. As FANUC products are used in manufacturing sites, they are exposed to extremely harsh environments. In order to ensure that our products can operate stably for long periods of time under these conditions, we are striving to improve reliability while conducting evaluation tests in various environments so that we can provide our customers with stable operation for a long period of time even in such an environment and contribute to improving the operating rate of our customers' factories.

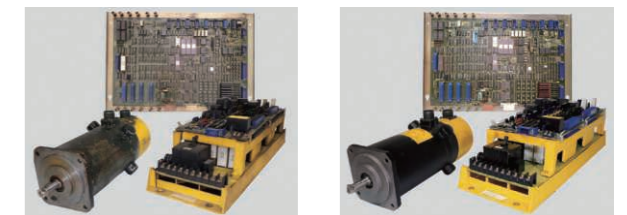


Reliability Evaluation Building Test Area

Lifetime Maintenance

FANUC provides lifetime maintenance for its products as long as they are used by customers, even for models that are no longer in production. Lifetime maintenance makes it unnecessary for our customers to discard old models or purchase new models due to discontinued maintenance service, thereby allowing them to use FANUC products at a low cost for several decades. We perform approximately 90,000 repairs per year in Japan, of which roughly 10% consists of products that were manufactured more than 40 years ago. FANUC's Repair Factory has a stock of over 2.6 million pieces of 15,000 types of repair parts, including old parts that are no longer in production, ready to repair used motors, PCBs, or units that are more than 40 years old. Even in cases where some parts run out of stock, the Repair Factory has a system for finding replacement substitutes or redesigning them. In addition, old manuals are also digitized as part of our efforts for lifetime maintenance. Units which have broken down are cleaned in a washing machine using robots or other means, and after being dried overnight in a drying furnace, they are repaired. Not only damaged parts, but also parts that are starting to deteriorate are replaced, to attain a quality in repair that is equal to a brand new unit. We collect parts that have deteriorated and overhaul them for re-use, thus contributing to the reduction of waste. The Repair Factory has performed over 1.8 million repairs thus far, and its know-how is utilized in domestic and overseas repairs, as well as being fed back to laboratories.

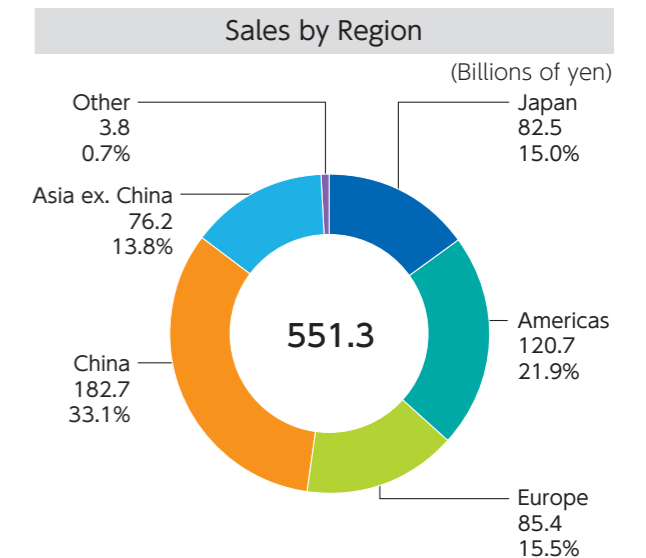
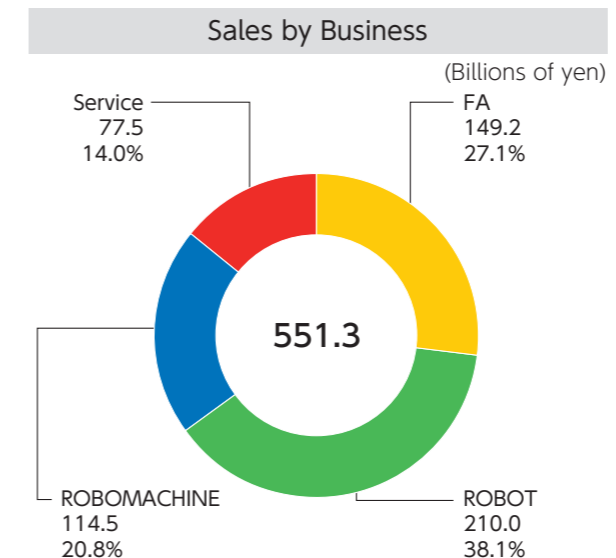
Example of repair for parts over 30 years ago.



Before repair

After repair

Sales Composition Ratio (Year ended March 31)



Value Creation Process

Development of the manufacturing industry and solution of social issues
 In 1955, a project team for control was established at Fuji Tsushinki Manufacturing Co., Ltd.. And the following year 1956, we succeeded in the development of NCs (Numerical Controls) and SERVO mechanism for the first time in the Japanese private sector. Since then FANUC has been consistently pursuing the automation of factories. We will create economic value and social value by advancing the automation and robotization of our customers' factories through constant technological innovation and contributing to the solution of social and environmental issues in the manufacturing industry around the world.

INPUT

(Year ended March 31)

Financial capital

- ▶ Total assets ¥1,435.6 billion
- ▶ Operating income ¥112.5 billion

Manufacturing capital

- ▶ Book value of key equipment ¥384.0 billion
- ▶ Capital investment ¥18.6 billion

Intellectual capital

- ▶ Number of patents granted in Japan and overseas 10,801
- ▶ R&D expenses ¥46.9 billion

Human capital

- ▶ Number of consolidated employees 8,256名
- (FANUC CORPORATION)
- ▶ % of female directors 18.2%
- ▶ % of foreign directors 9.1%
- ▶ % of females in executive employees 3.4%

Social capital

- ▶ Global service network
More than 270 service offices, covering more than 100 countries

Natural capital

- ▶ ISO14001 certification 33 offices
- ▶ Amount of electric power used 2,088,735GJ
- ▶ Total Water Used 827 thousand m³



Contribution to the Resolutions of Social Issues

OUTPUT

... Major products and services

FA

- CNC
- Servos
- Lasers



ROBOT

- Robot



ROBOMACHINE

- ROBODRILL
- ROBOSHOT
- ROBOCUT
- ROBONANO



FANUC IoT



Value Creation for Society

- Improved customer productivity**
 - ▶ Minimizing down time
 - ▶ Improvement of machining performance
 - ▶ Preventive maintenance function
- Ensuring Customer Safety**
 - ▶ Liberation from dangerous, dirty, and difficult jobs
 - ▶ Products easy-to-use for unskilled workers
 - ▶ A robot securely stops when coming into contact with humans
- Reduction in environmental load**
 - ▶ Energy saving products/functions
 - ▶ Shorter processing time
 - ▶ Smaller, lighter products, fewer components
 - ▶ Reduction in the amount of harmful substances used
- Conservation of biodiversity**
 - ▶ Forest conservation activities

..... Sustainable growth

Enhance Corporate Value

Net sales	551.3 Billions of yen
Operating income ratio	20.4%
Ordinary income ratio	23.4%
ROE	6.8%

Increase in Capital

Social issues

Contributing to the achievement of the SDGs through value creation

FANUC engages in the FA, ROBOT and ROBOMACHINE Businesses. The FA Business encompasses basic technologies consisting of NCs, servos and lasers, which are also applied to the ROBOT and ROBOMACHINE Businesses. In addition, by actively incorporating IoT/AI technologies in all three areas. Since its foundation, we have developed a tough corporate structure by focusing on these businesses, without blindly seeking to expand the scale of its business.

And we aim to remain a company trusted by stakeholders by working to provide essential value to not just customers but also to society through persistent technological innovation in all of our businesses and fulfilling our social responsibility through our business activities.

Demand for factory automation is expected to continue to grow. FANUC will continue to aim to achieve SDGs by creating new value and working to resolve environmental issues such as climate change and other social issues including the need to improve work environment.

Contribution to efforts to achieve 17 SDGs and 169 targets



FA Business

Value Created

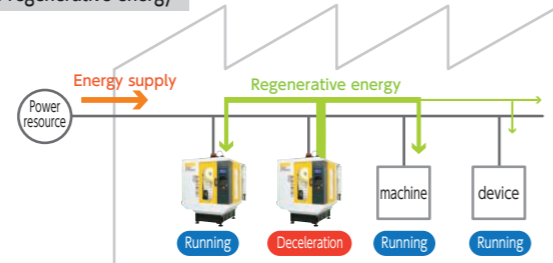
High-machining performance CNCs and high-speed, high-precision servos contribute to improved productivity as they enable more precise, higher-speed machining. We have implemented energy saving features in our servos. Laser products contribute to improving quality of products of machine users with their high-quality machining capability supported by FANUC's CNCs and servos installed in them.

It is essential to improve operating rates for improving productivity of factories. In order to avoid extended suspension of production lines due to machine trouble or emergency maintenance work, we attach importance to functions and designs for preventive maintenance. Factory operation at high operating rates becomes possible through monitoring of insulation resistance of motors, drops in the numbers of rotations of fan motors for CNCs and servo amplifiers, etc. and conducting preventive maintenance in advance of a halt of the machine.

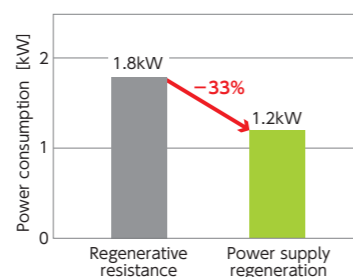
Functions contributing to energy efficiency

Since 1994, FANUC has applied power supply regeneration system ahead of other controllers. Regenerative energy is reused at other machines or devices in the factory and it saves the energy cost.

Reuse of regenerative energy



Example of effect



Energy saving screen



Energy saving screen provides energy saving settings manager of machine and optional equipment and energy consumption monitor.

Areas of contribution to environmental/social issues

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



ROBOT Business

Value Created

Robots help solve a variety of issues society is facing. Robots, which perform strenuous work day and night even under harsh environment, release workers from dangerous, dirty, and difficult jobs. Robots can also improve productivity and reduce night shift for workers as they can perform precise work over a long time at a certain speed, even at night.

COVID-19 outbreaks occurred in 2020. In such a time, robots can help protect health and safety of people by substituting some workers to allow them to avoid the "3Cs" (closed spaces, crowded places, close-contact settings). Introducing Zero Down Time (ZDT), a preventive maintenance and diagnosis function using IoT, can service robots before they break down, helping to avoid extended suspension of a production line just because of trouble in a single robot.

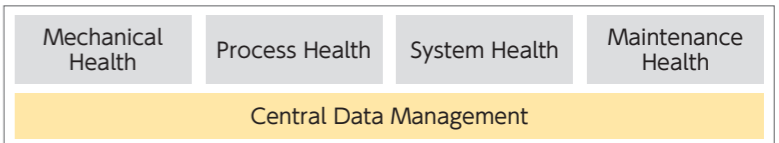
Robots thus not only promote automation and robotization of factories and contribute to improved productivity but also help improve work environment, ultimately achieving improved productivity in labor-intensive industries through technology, a target of SDGs.

Areas of contribution to environmental/social issues

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



ZDT (Zero Down Time)



ROBOMACHINE Business

Value Created

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

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

ROBOCUTs are wire electrical-discharge machines, which use discharge phenomena between wire electrodes and the workpiece to perform machining. By achieving stable machining through the use of the AI thermal displacement compensation function, these products contribute to improving machine users' product quality.

Areas of contribution to environmental/social issues

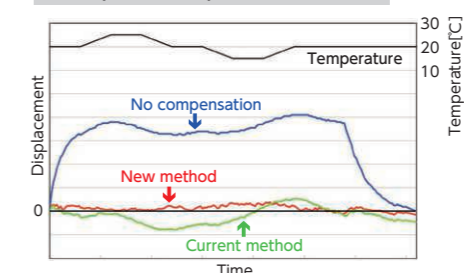
- Measures to address decreases in working population and highly skilled engineers
- Improvement of customers' productivity
- Energy saving in customers' factories
- Ensuring healthy life through provision of healthcare products



AI thermal displacement compensation

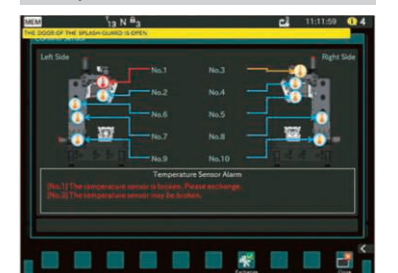
Real-time compensation by estimating expansion of screws and displacement of castings from operating condition of machine. New method with temperature sensors (option) can follow the change of circumstance temperature.

Example of compensation effect





All data are based on our specified conditions.

Temperature sensor check screen



Materiality

Materiality	Risks	Opportunities	Initiatives
Maintain and improve competitiveness	<ul style="list-style-type: none"> The emergence of competitive products utilizing new technologies may cause our products to lose their core competence. Our factory may come to an almost complete stop, if a large-scale disaster happens in the area where the factory is located. 	<ul style="list-style-type: none"> We can maintain our superiority by developing competitive products, enhancing our services, and providing our customers with attractive products. Creation of new markets through the use of new technologies also introduces new business opportunities for FANUC to expand its business domain and grow. We have nearly finished establishing multiple production sites for our CNC (Computer Numerical Control) systems and robots, so that we can continue to serve our customers, even in the event of a large-scale disaster. 	<ul style="list-style-type: none"> Regarding research and development, we will put more effort into developing new products and functions, with a heightened awareness of "one FANUC" in the fields of FA, ROBOT, ROBOMACHINE, and IoT. We consider it important to work towards increasing the value of "intangibles" to them. We will carry out research and development not only for the next new product, but looking next 10 to 25 years ahead. The development is conducted in close proximity to our manufacturing sites is also a great advantage in maintaining and improving competitiveness. When starting mass production in the factory, the product engineer temporarily assumes responsibility and oversees the process until the product is officially launched. Under the policy of "Service First," all our overseas affiliates offer services equally, and best practices are implemented across the Group. The utilization of digital technology in services is also important, and we are moving forward with many ambitious initiatives such as FabriQR, a customer inquiry service accessed through QR codes, and preventive maintenance before problems occur. Having experienced the Great East Japan Earthquake and the Lehman crisis, we have diversified our production sites, service sites and procurement as a BCP measure. Collaborative robots require less capital investment on the part of our customers, and can be set up in less time compared to conventional models. Since they require less maintenance, and customers can maintain them on their own, they can satisfy those customers who demand ease of use.
Response to environmental issues	<ul style="list-style-type: none"> Stricter environmental regulations on resource conservation, such as reducing greenhouse gas emissions and managing chemical substance, may lead to increased costs. The transition from internal combustion engines to EVs powered by electric motors, driven by measures taken by the automobile industry to combat climate change, may have a major effect on the market environment for our main products in the FA Business. 	<ul style="list-style-type: none"> The concept of lifetime maintenance, which embodies our commitment to continue providing maintenance as long as our customers continue to use our products, as well as providing highly dependable, high quality products that are "Reliable, Predictable, Easy to Repair" and minimizing downtime of our customers' factories with "Service First" policy, has helped to reduce waste for our customers around the world. Leading the development of energy-saving products and products high in energy efficiency will provide opportunities to expand sales of our products in developed markets such as Europe. The transition to EVs will broaden the range of robot applications, and create opportunities to increase product sales. The number of sensors and cameras mounted to EVs will grow, and is expected to stimulate the increase in sales of ROBOSHOTS (electric injection molding machine). Furthermore, the demand for high-precision parts used in EVs and the demand for molds for EV components are both expected to increase. This will boost the demand for machine tools in this sector, leading to a higher demand for CNCs. 	<ul style="list-style-type: none"> We will launch new products with an eye on environmental issues and new markets. In order to improve the reliability of environmental performance data, we have conducted third-party verification of greenhouse gas emissions and water usage. <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>M-1000iA</p> <p>1,000kg Payload Large Handling Robot Looking Toward EV Battery Assy</p>  <p>Wide Motion Range • Serial link structure, enabling a large J3 arm motion range, is applied to a large size robot for the first time.</p> <p>Strong Wrist • 1,000kg Payload at wrist • IP67, dust and drip proof performance, at wrist</p> <p>Ease of Use • Supports various intelligent functions such as vision sensor • Supports easy-to-use Tablet TP</p> <p>> October, 2021 Exhibited at EMO Milano 2021 for the first time > December, 2021 Start of production</p> </div> <div style="text-align: center;"> <p>LR-10iA/10</p> <p>High Performance, Full Enclosed Robot with High Energy Savings</p>  <p>Energy Saving • A light-weight body, which is 1/3 of the conventional one, reduces an energy consumption by 30-40%. • Slim and sharp looking design requiring little space.</p> <p>Dust and Drip Proof • A fully enclosed structure protects from dust and water.</p> <p>High Performance and Reliability • Supports various intelligent functions such as vision, force sensor, etc. • High reliability technologies from years of experience</p> <p>> October, 2021 Exhibited at EMO Milano 2021 for the first time > January, 2022 Start of production</p> </div> </div>
Shrinking labor force population	<ul style="list-style-type: none"> It may become difficult to hire competent people. 	<ul style="list-style-type: none"> The rising need for automation in manufacturing sites also represents an opportunity to expand the industrial robot market, and will lead to the development of safe and secure work environments. 	<ul style="list-style-type: none"> The number of workers in the manufacturing industry, as well as the number of skilled engineers is expected to decrease in the future. In addition, if engineers cannot operate the machines properly, not only will productivity decline, but also the facility operating rates will decrease due to such failures, and the engineers themselves may be injured. Automation and robotization of manufacturing sites will assure operator safety and the continuation of stable supply. The new CRX collaborative robot uses a completely different type of user interface compared to conventional models, and prioritizes ease of use. It is a robot that is very easy to manipulate, even for people who are not accustomed to teaching robots, since commands can be generated on a tablet through drag-and-drop, and icons are employed in order to facilitate comprehension. It is also designed to stop in a safe manner when touched by a human. In our servo amplifier assembly process, we replaced the automation system that used 15 conventional yellow robot models with one worker and five collaborative robots. We were able to reduce the amount of capital investment to 1/2, and the installation space to 1/3, compared to the method employed before. We think this is an example that customers might consider for their factories. The most important factor in sustaining competitiveness over the long term is how highly motivated employees are. In order to achieve this, we will work to improve employee education, nurture talent, and create a rewarding workplace.
Building a governance system	<ul style="list-style-type: none"> There is a possibility that correct management decisions will not be made, or that decision-making will be delayed. 	<ul style="list-style-type: none"> Proper management decisions will be made possible by establishing a governance system under which the roles and responsibilities of the executive function (the management) are separated from those the supervisory function (the Board of Directors). 	<ul style="list-style-type: none"> In June 2021, As we proceed in separating our supervisory and executive functions, in order to further strengthen the supervisory functions of the Board of Directors and speed up management decisions, we transitioned to Company with an Audit and Supervisory Committee, that allows us to establish an Audit and Supervisory Committee consisting of the Directors who are Audit and Supervisory Committee Members and to expand the delegation of decisionmaking authority for business execution from the Board of Directors to Directors. Thus, we are further endeavoring to enhance corporate governance and increase corporate value. FANUC has established the Nomination and Remuneration Committee, a majority of which comprises Independent Outside Directors, and is chaired by an Independent Outside Director. By increasing the objectivity and transparency of the appointment and evaluation of Directors, this committee ensures the strict preciseness and transparency of supervisory functions to management.

Management Policies • Management Strategy

Management Policies

FANUC has consistently pursued factory automation since 1955 when it started the development of NCs (Numerical Controls).

The targets at its beginnings were to become a company, though small in size, having the robustness of a giant with roots firmly spread in the ground, and to concentrate on technology to go forward, by “walking a straight and narrow path.” This is being pursued to this day.

In order to turn this vision into reality, the FANUC Group has established “Genmitsu (Strict Preciseness)” and “Tomei (Transparency)” as its basic principles. In these principles lie the belief that a company will last forever and be sound with strict preciseness, and that the corruption of an organization and downfall of a company will start from a lack of transparency.

FANUC engages in the FA, ROBOT and ROBOMACHINE Businesses. The FA Business encompasses basic technologies consisting of NCs, Servos and Lasers, which are also applied to the ROBOT and ROBOMACHINE Businesses. In addition, by actively incorporating IoT/AI technologies in all three areas, the company endeavors to make FANUC products more efficient for customers to use.

Being true to its origins as a supplier of capital goods, maintenance and service support is provided for FANUC products for as long as they are used by customers.

Through such activities, the FANUC Group contributes to the development of manufacturing industries in Japan and overseas, by promoting automation and efficiency in customers' factories. FANUC expects to steadily grow in the field of factory automation, which is extremely promising in the mid-to-long term.

Management Strategy

one FANUC

Under the slogan of “one FANUC,” the three Businesses of FA, ROBOT and ROBOMACHINE collaborate to offer total solutions, and the Group bonds together to take good care of our customers throughout the world. This is a unique advantage of the FANUC Group which we leverage to the fullest.

Especially, the combined usage of CNC machines and ROBOTS, and the automation of ROBOMACHINES with ROBOTS, are perceived as key concepts in developing products.

Reliable, Predictable, Easy to Repair

Considering our foundation as a producer of capital goods that are used in manufacturing sites, FANUC is meticulous in ensuring that that our products are “Reliable, Predictable, Easy to Repair” in their development, to minimize downtime and maximize the operating rate in our customers' factories.

Service First

“Service First” is a basic policy followed by the FANUC Group. Through “Service First,” high level maintenance service in line with FANUC's global standards are provided anywhere in the world, as well as “Lifetime Maintenance” of FANUC products for as long as they are used by our customers. Particularly, lifetime maintenance, which is difficult for our competitors to imitate, is a primary feature of the FANUC Group, which shall continue to be focused on.

Ease of Use

As demands for factory automation increase while acquiring skilled workers becomes more difficult, further emphasis is placed on ease of use in developing products, to deal with this situation.

Strengthening Competitiveness

In order to develop highly competitive products and introduce them to the market, FANUC vigorously invests in research and development. By narrowing down to our area of expertise, which is factory automation, and aggressively investing in R&D in this area, products which are highly competitive are developed and released. This leads to the fulfillment of intellectual property.

Enrichment of Human Capital

From the viewpoint that human resources is most vital for mid-to-long term growth, improvements in the work environment and motivation of employees are considered important topics to be addressed. In addition, looking towards the future, FANUC strongly invests in human capital to employ necessary people and educate employees. Through such efforts, human capital is continuously enriched.

Stance on Technological Development

Stance

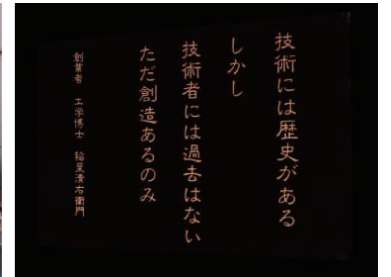
Weniger Teile

Reliability Up

Cost Cut



Ceramic mural in the lobby of the laboratories, “The 21st Century and the Universe”



“There is a history of technology, but for engineers there is no past. There is only creation.” These words of Dr. Inaba spell out FANUC's stance on technological development.

“Visualization” of Quality and Reliability

The status of quality and reliability in all processes, from product design to manufacturing and after-sales services, is monitored in order to promptly respond to defects. We collect data from our after-sales services, analyze it, identify issues, and give feedback to our production divisions and research & development divisions. These activities improve our products' quality and reliability.

Reliability Development Technology

We promote the development of a framework to design and manufacture highly reliable products, as well as sharing of knowledge, in order to enhance the reliability development ability of our researchers.

The Research & Development Promotion / Support Division works with members of the reliability development departments in each research & development division to regularly review methods to improve reliability-related issues and proceed with standardizing reliability development methodologies. In addition, the Defect Management Procedures have been established to systematize rules regarding response procedures when defects arise.

All defects that arise are registered in a database called the Defect Record, which centrally manages the entire range of processes, from the investigation of the cause to the measures taken. This allows us to “visualize” the progress of the response, and prevent any oversights. The knowledge and lessons of the Defect Record are utilized companywide, and have proven to be effective in terms of quality buildup and quality improvement measures, prevention of the occurrence and recurrence of defects, and the education of young engineers. Furthermore, the Reliability Evaluation Building has an area featuring lessons learned from past defects, where actually used products with quality and performance are displayed. This area is used to educate researchers by encouraging them to learn from past failures.

Reliability Evaluation Technology

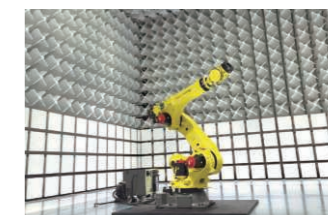
As FANUC products are used in manufacturing sites, they are exposed to extremely harsh environments. In order to ensure that our products can operate stably for long periods of time under these conditions, while contributing to minimizing downtime in our customers' factories, we are promoting the standardization of evaluation tests by conducting them in a variety of surroundings.

The Reliability Evaluation Building, which opened in 2016, has a total floor area of approximately 22,679 square meters (103 meters wide × 198 meters deep), and houses a variety of equipment for thorough reliability verification.

This facility is equipped with dedicated test rooms, such as an anechoic chamber, an EMS (electromagnetic susceptibility) test room, a vibration test room, a mist test room, a variable temperature room, a variable humidity room, a capability limit test room, a noise measurement room, a submergence test room, a clean room, and a precision measurement room. In this facility, a variety of tests are performed while taking into account variations in data under various conditions, including the accelerated life test to evaluate long-term reliability.



Reliability Evaluation Building



Anechoic chamber



Mist test room

Top message



Supporting Manufacturing Sites through Innovation and Continuing to be a Sustainable Company trusted by Society

Kenji Yamaguchi
President and CEO

After demands stagnated due to the U.S. - China trade dispute and COVID-19 pandemic, the machine tools market seems to have recovered rapidly. Amidst such circumstances, FANUC tries to respond to growing requirements of manufacturing sites by providing customers with new and unique values. On this occasion, we asked President Yamaguchi, "What has FANUC built up through its history and what will it aim to achieve in the future?"

Q What does FANUC continue to adhere to in its corporate activities and what corporate policy does it value?

A FANUC supports manufacturing sites throughout the world with factory automation (FA) and robot technology. As a result, it is our understanding that we have contributed to the creation of an affluent society as a provider of automation and efficiency in manufacturing sites. While adhering to the engineering spirit passed on since our founding, and pursuing latest innovations, we have developed and evolved the measures for providing our unique values. In order to deliver innovation and satisfaction through total solutions, we integrate the products and services of our three businesses units, consisting of FA,

ROBOT, and ROBOMACHINE. We always keep our philosophy of "one Fanuc" in mind when thinking of what we can achieve and what type of contributions we can make through the synergies of these units. In our product development, we are mindful of our philosophy of "Reliable, Predictable, Easy to repair" and aim to improve efficiency by providing easy-to-use products with outstanding reliability and functionality. There is also our "Service First" spirit. In addition to our global high-quality service, we provide lifetime maintenance of our products for as long as they are used by customers. Through corporate activities based on such philosophy, FANUC not only supports customers' businesses but also collaborates with them for the creation of an affluent society. To

continue such efforts, we secure soundness in management and prevent deterioration within the organization. For this aim, FANUC has introduced "Genmitsu (Strict Preciseness)" and "Tomei (Transparency)" as our basic principles, which are necessary for FANUC to survive into the future.

Q How has the business environment under which FANUC operates changed in recent years?

A Having concentrated our resources on the domains including factory automation and robotization, we have been able to capture high market share for all of our product range. In particular, we have attained the top share in the global market for computerized Numerical Control (CNC) devices and Robots. And with a sound financial base and continuous innovations, we have overcome the recent fluctuations in capex which are affected by the economy. Looking back on past performances, although there was a drastic decline in fiscal 2009 due to the global financial crisis, sales recovered through fiscal 2010 and have remained relatively constant even amidst the changes in IT-related demands. In fiscal 2014, we recorded net sales of 729.8 billion yen and operating profit of 297.8 billion yen, the strongest since the start of the company. Meanwhile, we have worked to increase sales and to improve our production system particularly for CNCs and Robots, so that we will not become excessively reliant on IT-related demands. Since fiscal 2018, however, the market has undergone major changes, and orders fell sharply mainly due to limiting capex as a result of the U.S. - China trade dispute. Furthermore, the threat of COVID-19 since the start of 2020, has been seriously affecting all economic activities. As a result, our performance fell on account of our customers' "wait and see" approach regarding capex. The market, however, rapidly recovered, and there was a trend toward greater capital investments in a wide range of industries, both in Japan and overseas. Regarding FANUC, after hitting the bottom in Q1 of fiscal 2020, orders started to recover in Q2 and reached a record high in Q4. There was strong increase in orders from the U.S., Europe, and Asia, particularly China. On the other hand, procurement of components has not been easy. At the moment, we

are doing all that we can to secure procurement and maintain production volume, while still placing highest priority on preventing COVID-19 infection.

Q In this period of change, how has FANUC captured customer needs, and what type of values has it provided?

A In response to the COVID-19 pandemic, companies reviewed the structure of supply chains, which resulted in changes of requirements for automation and robotization. Before the pandemic, the trend was toward maximum automation with substantial capital investment, but recently, this has changed to dispersing production sites to maintain stability in product supply, and redesigning production lines to avoid people working close together in order to prevent infection, while limiting investments. Reacting to such trends, FANUC has focused on introducing collaborative robots. Collaborative robots operate jointly with people to establish low-cost automation systems and enable flexibility in production sites so that major layout changes are not required. Other advantages of collaborative robots are that they can immediately take over work that has been handled by human beings. At the moment, demand for robotization has spread from machining in the automotive and industrial machine industries to a broader range, including logistics, food, pharmaceuticals, and cosmetics, where collaborative robots play an important role. Furthermore, the importance of providing solutions as a whole system rather than improving the efficiency of robots and machine tools individually has increased. In order to meet these demands, FANUC has developed the FANUC Intelligent Edge Link & Drive System (FIELD system), which is an IoT platform for manufacturing. This system processes data regarding the state of machines and system equipment on the edge (equipment side), and makes these status visible to improve efficiency. It is also expected that FIELD system will be introduced as a major contributor to promoting digital transformation in manufacturing sites. We believe that one of our strengths is the value of "tangibles." The superiority of our products in terms of reliability, functionality, and cost performance has been well received by customers, making it possible

Top message

for us to attain a high market share. We are aware that in the future, it will be necessary to add the value of "intangibles" with the application of IoT and AI technologies, as well as increasing the value of "tangibles," while meeting the needs of customers as societies and markets diversify. The question is how to provide such outstanding products and services to support our customers. We will pursue this as a provider of automation/robotization and try to capture new growth opportunities.

Q Can you discuss the outlook and issues for the future based on fiscal 2020 sales?

A In fiscal 2020, orders have dropped mainly due to the U.S. - China trade friction and the COVID-19 pandemic, as mentioned before. However since Q2, orders have rapidly increased and have easily surpassed initial forecasts. This rapid change was unimaginable a year ago.

As a result, we saw an increase in sales and profits with net sales reaching 551.3 billion yen (increase of 8.5%); operating profit of 112.5 billion yen (increase of 27.4%); ordinary profit of 128.7 billion yen (increase of 25.2%); and net income of 94.0 billion yen (increase of 28.1%). (All comparisons are with the previous year.)

When breaking down by business unit, the performance of the FA Business became favorable due to high demands in the machine tools industry, which is a major customer for CNC systems, especially with the rapid recovery in China. In India, demands recovered driven by the agricultural machinery and motorcycle markets, while Japan, Europe, Korea, and Taiwan saw an increased demand of exports of machines to China.

For the ROBOT Business, there was good performance in the general industries in the Americas as well as increase in sales in the automotive industry, centered on demands for electric vehicles (EV). The situation in China was good as well, as there were stable demands for machining for EVs, construction machinery, heavy equipment, and other products, particularly those related to IT. Sales of robots to the automotive industry, however, fell in Europe, as the capital investment up-and-down cycle was in the "down" period. Sales in Japan also stagnated.

In the ROBOMACHINE Business, demands for ROBODRILL (compact machining center), ROBOSHOT (electric injection molding machine), and ROBOCUT (wire electrical-discharge machine) all began to recover in the 2nd half. There was strong growth in demand for ROBODRILLS, notably in China for the personal computer, tablet, and smartphone markets. Demands rose for ROBOSHOT in the IT-related and healthcare markets, primarily in China, Europe, and U.S.

As for the Service Business, demands declined in Q1 for several reasons, such as suspended or reduced operation at customers' factories as a result of lockdowns. Since Q2, demands have recovered.

For fiscal 2021, although strong demands are expected in various fields, the shortage of components, mainly semiconductors, will cast a shadow. Thus, the forecast for net sales is 708.9 billion yen (increase by 28.6%); operating profit is 177.5 billion yen (increase by 57.8%); ordinary profit is 203.4 billion yen (increase by 58.0%); and net income is 150.8 billion yen (increase by 60.4%). (All comparisons are with the previous year.) Although the supply of numerous components, including electric and electronic parts, machine parts, and raw materials, is limited, we are directing our efforts to the fullest in order to resolve this problem, by negotiating with suppliers, considering the use of alternative components, and changing designs. To maintain the trust of our customers, we will do our utmost to fulfill our responsibilities.

Q What is your message to stakeholders regarding your efforts to achieve sustainable growth?

A To retain a sound corporate structure and sustainable growth, FANUC must not be absorbed in immediate profits, but conduct management in consideration of the long-term, focusing on both social and economic values. This approach will require us to solve social problems with our business and move forward with ESG/SDGs conscious management that will contribute to creating a sustainable society.

FANUC is proud to be contributing to the growth of industries and helping create an affluent society by supplying products for automation and robotization. Providing such values not only increases productivity but also results in more efficient use of energy and



resources, safer work conditions, and more diversified workstyles. We also have been working to fulfill our social and environmental responsibilities of our supply chain through our corporate activities.

The major force of such endeavors is none other than each individual member of the company. To develop such human resources who work with a high awareness of social contribution, and to promote their growth and activities, we aggressively invest in education and workplaces that offer more job satisfaction.

Another crucial element is the enhancement of our corporate governance, which guarantees the soundness and transparency of management. In June 2021, FANUC made a transformation from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee. As a result, the majority of board members became outside directors. This will strengthen the board's monitoring function and thus will improve the effectiveness of the board to create greater corporate values.

"FANUC strives to provide indispensable values throughout the world, through incessant technological innovations in the field of factory automation, and

to be a company that is trusted by all stakeholders." This describes my vision of how FANUC should be. FANUC will celebrate its 50th anniversary in 2022. We will aim to surpass our past achievements accumulated over the years, and shall boldly continue to take on challenges and pursue even greater heights. I look forward to the continued support of all stakeholders.

Preventive Measures Against COVID-19

FANUC strives to work together with our various stakeholders, including employees, customers, business partners, and shareholders. Together with our stakeholders, we are developing our business while responding to changes in COVID-19.

Promotion Framework

We have established a COVID-19 Pandemic Control Headquarters in February 2020, headed by the President and CEO, to decide on transmission prevention measures in response to requests from the national and local governments.

Various information, such as company decisions, awareness raising, and calls for caution are communicated to employees through a special page created on the internal portal website.

Initiatives

Responses for Customers

Although sales activities, service activities, various training courses, and the like were restricted due to the pandemic, we enhanced remote support responses (such as molding training) to ensure that we could continue to provide support to our customers' factories amid the pandemic. In response to the new normal era created by COVID-19, we are promoting new styles of service, such as remote diagnosis and online support, as a project for service DX. Our first step was to launch FabriQR Contact, a contact service using QR codes, in Japan in October 2020.



FabriQR

Response at FANUC ACADEMY

FANUC ACADEMY, which supports customers' technology acquisition, established an eACADEMY. The Academy developed two types of online training to accommodate the new normal - live seminars and ondemand seminars - and began offering them in June 2020. The eACADEMY, which enables customers to choose the training method that best suits their needs, eliminate the 3Cs, and study advanced content efficiently online, is truly an organization for the times. As well as current trainees, new groups of trainees have participated in its courses. On the other hand, after the lifting of the national state of emergency, which had been declared in April 2020 in the face of the spread of COVID-19, face to face workshops were resumed with thorough infection prevention measures put in place in compliance with the government policies. Thorough precautions were taken, including avoiding crowding of trainees in the classroom and providing their dedicated training machines, to give the trainees peace of mind while they were acquiring the technology.



Responses for Supply Chain

Due to the impact of COVID-19, from around February 2020, various complications emerged, such as the closure of our suppliers' production factories and delays in deliveries caused by disruptions to distribution. These complications made it difficult to obtain parts that we had been procuring from certain parts of China. The impact was not limited to China, later extending to the Philippines, Malaysia, and the entire world, making it difficult to obtain many parts. FANUC immediately set up the Disaster Response Team, comprising members selected in advance from the Research & Development Division, Production Department, and Purchasing Department, and responded to this problem companywide. Various measures were taken, including identifying those parts that were most difficult to obtain, confirming procurement from second suppliers, adopting and confirming alternative parts, and avoiding delivery delays by switching the manufacturing processes at company factories.

Contributions and Donations to the Community around FANUC Headquarters

In 2020, FANUC supported the "Let's Cheer Up Healthcare Workers! Donation Project for COVID-19 Countermeasures" organized by Yamanashi Prefecture, and donated ¥50 million as part of support for COVID-19 countermeasures.

We also donated face masks to the government of Yamanashi Prefecture, where FANUC Headquarters is located, and to Fujiyoshida Municipal Medical Center.

Business Overview and Financial Summary (Year ended March 31)

FA — FA Business —

Business Overview

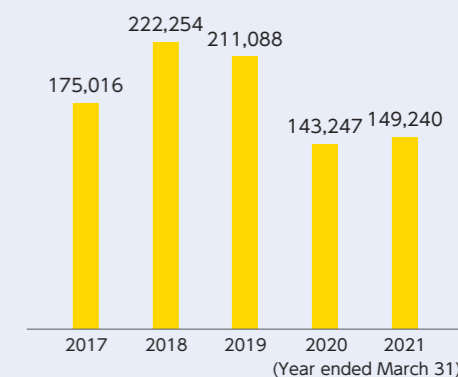
Products **CNCs, Servos, Lasers**

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

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



Sales of FA Business (Millions of yen)



Financial Summary

In the FA Business, demand from the machine tool industry, the primary market for CNC systems, recovered earlier and remained strong in China. Demand in India is also undergoing a recovery, especially for agricultural machinery and motorcycles. Although demand in Japan, Europe, South Korea, and Taiwan had remained sluggish, these countries are seeing gradual increases in demand with machine exports to the Chinese market and other markets. As a result, net sales of CNC systems of the FANUC Group increased compared with the previous fiscal year.

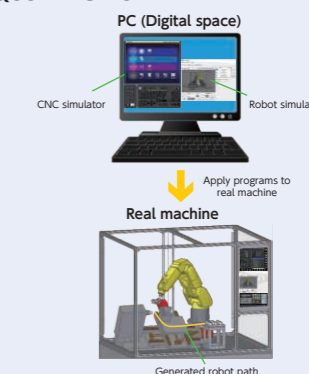
In terms of development, we added a high-speed model, equipped with a state-of-the-art multi-core CPU, to our high-end CNC, "FANUC Series 30i/31i/32i-B Plus," whose high machining performance has been further refined. We also added a new package containing axis extension for incorporating peripheral axes and a 15-inch display to standard CNC "FANUC Series 0i-F Plus." For servo, we proceeded with the improvement of "Servo Learning Oscillation" that achieves secure chip shredding. In addition, we enhanced our lineup and developed new functions with the aim of expanding sales into various markets.

With regard to our lasers, the Chinese market and the European market are on a recovery trend, but competition from overseas manufacturers remains fierce.

The FA Business posted consolidated sales totaling ¥149,240 million, up 4.2% compared with the previous fiscal year, and FA Business sales accounted for 27.1% of consolidated net sales.

Topics

QSSR AUTO PATH



Automatically generate robot programs and greatly reduce man-hours for program creation. Improve convenience by applying concept of digital twin

Specify only the start and end points of robot motion on the digital space then automatically generate robot path program that does not interfere with workpieces and jigs.

ROBOT — ROBOT Business —

Business Overview

Products **Robots**

Strengths

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

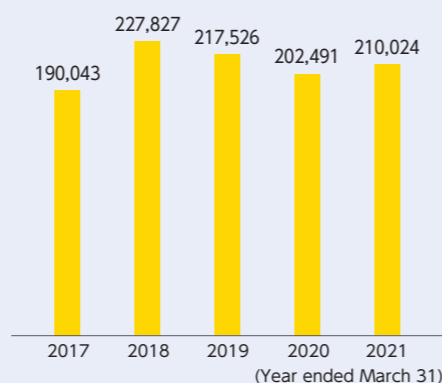
FANUC exclusively targets industrial robots, instead of service, medical, or entertainment robots. We concentrate on helping customers automate or robotize their factories and contributing to improved productivity. Our industrial robots, which include types for welding, material handling (transportation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



Financial Summary

In the ROBOT Business, sales to the general industries were strong, and sales to the automobile industry also increased due to EV-related demand in the Americas. In China, in addition to IT-related sales, sales for EVs, construction machinery, heavy machinery, and other machining applications were also strong. In Europe, sales to the general industrial sector were strong, but sales to the automobile industry declined year on year due to a trough in capital investment, and sales were sluggish in Japan. In terms of development, we developed and launched the "FANUC Robot CRX Series," which has a function that uses inbuilt sensors to make the arm stop safely if it comes into contact with operators, and features direct teaching for direct operation of the arm and intuitive drag-and-drop programming using a tablet. These features will make it easier for customers who have never used robots before to introduce them. We have also added new models with larger payloads of 12kg and 20kg to our SCARA robot line-up, "FANUC Robot SR Series." We also developed the "3D Vision Sensor 3DV/1600," which can measure wider ranges at higher speeds than previous sensors. These and other new products and functions are expected to further expand the range of applications of FANUC robots. The ROBOT Business posted consolidated sales totaling ¥210,024 million, up 3.7% compared with the previous fiscal year. ROBOT Business sales accounted for 38.1% of consolidated net sales.

▶ Sales of ROBOT Business (Millions of yen)



Topics

The CRX series won triple award

"The METI Minister's Award of the 9th Robot Award", "The Main Prize of the 2020 (63rd) Nikkan Kogyo Shimbun Best Ten New Products Awards" and "The Nikkei Business Daily Awards of the 2020 Nikkei Superior Products and Services Awards."



FANUC Robot CRX-10iA

ROBOMACHINE — ROBOMACHINE Business —

Business Overview

Products

ROBODRILLS (compact machining centers)
ROBOSHOTS (electric injection molding machines)
ROBOCUTS (wire electrical-discharge machine)
ROBONANOs (ultra precision machines)

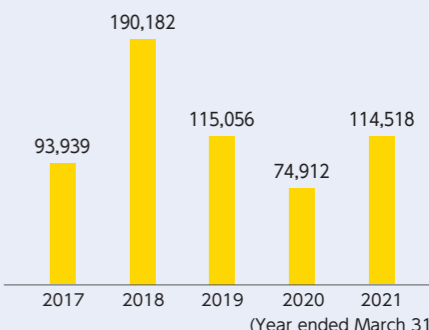
Strengths

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

Products of the ROBOMACHINE Business are comprised of machine tools or industrial machinery installed with FANUC's CNCs and Servos. They are used for production in factories of machine users. They are all highly compatible with FANUC Robots. Factory automation is enhanced through the combination of ROBOMACHINES and Robots. Machine users can improve quality of their products and shorten the time it takes for machining by using FANUC's highly reliable, high-performance ROBOMACHINE products. The products will contribute to improved productivity of machine users' factories. Furthermore, a function to monitor the operational status of the entire factory in real time will enable designing of more precise production plans and improvement in operating rates (ROBODRILL-LINK⁺, ROBOSHOT-LINK⁺, and ROBOCUT-LINK⁺). ROBODRILLS and ROBOSHOTS became eligible for a subsidy for business expenses supporting businesses rationalizing energy use in production equipment, allocated in the fiscal 2019 supplementary budgets in recognition of their energy saving potential. Furthermore, ROBOSHOTS became eligible for a subsidy for business expenses supporting promotion of advanced energy-saving investments, allocated in the fiscal 2021 supplementary budgets in recognition of their energy-saving potential. ROBOMACHINE products are used in the production of medical instruments, including syringes and artificial bones, contributing to efforts to achieve a goal among SDGs of securing healthy life.



▶ Sales of ROBOMACHINE Business (Millions of yen)



Topics

ROBOSHOT α -SiB Series won the "51st Industrial Machinery Design Award IDEA: The Japan Society of Industrial Machinery Manufacturers (JSIM) Award."



Financial Summary

In the ROBOMACHINE Business, sales of the ROBODRILLS (compact machining centers) increased due to a sharp increase in demand from the latter part of the period, mainly in China, for use in the computer, tablet, and smartphone markets. Sales of ROBOSHOTS (electric injection molding machines) also recovered from the latter part of the period due to an increase in demand from IT-related and medical markets, mainly in China, Europe, and the United States. With regard to the ROBOCUTS (wire electrical-discharge machine), sales recovered from the latter part of the fiscal year, but declined year on year. In terms of development, in ROBODRILL, we developed a new "FANUC ROBODRILL α -DiB Plus series" that offers reduced machining cycle time, improved ease of use, and higher reliability. For ROBOSHOT, we developed the "FANUC ROBOSHOT α -SiB series," which, in addition to improved molding performance, features a 21.5-inch landscape wide-screen display for improved operability. For ROBOCUT, we revamped the structural design for stronger rigidity and developed the "FANUC ROBOCUT α -CiC series," achieving improvements in machined surface roughness and reduced machining time. With regard to ROBONANO (ultra precision machine), we have worked to improve ease of use with developments such as "Smart M-Form," which enables the functional upgrades for direct operation of peripheral equipment from the operating screen, as well as on-machine measurement and compensated machining of workpiece forms without removing the workpiece. The ROBOMACHINE Business posted consolidated sales totaling ¥114,518 million, up 52.9% compared with the previous fiscal year. ROBOMACHINE Business sales accounted for 20.8% of consolidated net sales.

SERVICE — SERVICE Business —

Business Overview

Conforming to the philosophy of "Service First", FANUC provides lifetime maintenance to its products for as long as they are used by customers, through more than 270 service locations supporting more than 100 countries throughout the world. More than 2,300 service engineers and support staff (all are FANUC Group employees) around the world handle phone calls, provide services at customer sites, and manage maintenance parts. Units replaced at the request of our customers are repaired at Repair Factories in 14 locations around the world to be re-used. Using these units in subsequent maintenance services leads to waste reduction and the effective utilization of resources.

The realization of flexible services requires all types of maintenance parts that amount to an enormous quantity.

FANUC has a global parts warehouse in Japan to store maintenance parts for which there is extremely low demand. We also strive to visualize inventory around the world.

By globally managing our inventory of maintenance parts, regardless of how old or rarely used they may be, they are stored at some locations around the world. Inventory data is updated to provide parts as quickly as possible. In addition, we prepare an overall demand forecast for maintenance parts, in order to utilize the data to streamline the supply of parts. Furthermore, we established additional core locations in Japan as part of our business continuity plan (BCP), to secure the continuity of our services.

We have also ensured that we can continue providing lifetime maintenance by establishing call centers and parts warehouses in the two locations of Hino, Tokyo and Komaki, Aichi, as well as by mirroring the servers that contain accumulated information, including past service data.

Financial Summary

The Service Business received fewer requests for the Company's services on account of suspended operations at customers' factories and falling factory operating rates, among others, due to the impact of lockdowns in countries throughout the world in the first quarter. However, requests for the Company's services recovered thereafter.

The Service Business posted consolidated sales totaling ¥77,505 million, down 11.5% compared with the previous fiscal year. Service Business sales accounted for 14.0% of consolidated net sales.

Global Service Network



Special Feature Introduction of FANUC Factories — Electronics Factory of the Mibu Factory

Low-cost and compact system that uses collaborative robots to assemble 6-axis servo amplifiers for robots

In the servo amplifier manufacturing process in the Electronics Factory of the Mibu Factory, 6-axis servo amplifiers for robots are assembled with a collaborative assembly system, which implements a new concept of combining human workers and collaborative robots.

The conventional assembly system, composed of many robots and peripherals, made continuous fully automatic unmanned operation possible. At the same time, building such systems consumed much time due to its complexity, and significant investments and large space was required for their installation.

The system using collaborative robots has a simple composition without the need for peripherals for automation. As such, the start-up time is shortened and investments are merely half of conventional fully automatic assembly systems, while retaining the same production capacity level.

In addition, the small collaborative robots, CR-153A, are installed close together for the purpose of conserving space on the factory floor, and human workers are positioned between the robots in order to minimize the number of fixtures and peripherals used for feeding parts. With such a set up and eliminating safety fences, the footprint is only a third of that of fully automatic assembly systems.

One feature in terms of operation, is that a worker performs tasks that are difficult for robots, such as mounting irregularly shaped parts on printed circuit boards, while robots perform simple repetitive tasks, such as tightening screws and inspecting the mounted parts. This eliminates the causes of short stops and production becomes stable.

For the supply of parts, an automated warehouse is used to deliver heavy parts, and automated guided vehicles transport all other parts as scheduled. In this manner, operation is made efficient from assembly to parts delivery.

In addition, the large collaborative robots, CR-353A, work on each side of the system to feed heavy parts and unload finished products, relieving human workers from exhausting physical tasks.

The collaborative assembly system for 6-axis servo amplifiers for robots was developed based on the concept that the system should be inexpensive, compact and space-saving. Robots and human workers perform tasks they are good at, and check each other's tasks then and there. This reduces physical and mental burdens of the human workers and ensures that the tasks are performed with stable quality and cycle time.



Full view of the system (one worker and five robots)



Positioning parts (by the worker) and tightening screws (by the robot)



Delivering parts with an automated guided vehicle



Unloading heavy finished products

Directors (As of June 24, 2021)



Yoshiharu Inaba
Representative Director, Chairman

Personal history

April 1973 Joined Isuzu Motors Limited
September 1983 Joined the Company
June 1989 Appointed Director of the Company
June 1992 Appointed Senior Vice President (Director) of the Company
June 1995 Appointed Executive Vice President (Director) of the Company
May 2001 Appointed Senior Executive Vice President (Representative Director) of the Company
June 2003 Appointed President and CEO (Representative Director) of the Company
June 2016 Appointed Chairman and CEO (Representative Director) of the Company
April 2019 Appointed Chairman (Representative Director) of the Company (to the present)



Kenji Yamaguchi
Representative Director, President

Personal history

April 1993 Joined the Company
October 2000 Manager, Section 1, Dept.1, Robot Laboratory of the Company
June 2003 General Manager, Manufacturing Technology of the Company
April 2007 General Manager, Headquarters Factories of the Company
June 2008 General Manager, Factories Division of the Company
February 2012 Appointed Executive Vice President (Director) of the Company
October 2013 Appointed Senior Executive Vice President (Representative Director) of the Company
June 2016 Appointed President and COO (Representative Director) of the Company
April 2019 Appointed President and CEO (Representative Director) of the Company
April 2020 Appointed President, CEO and CIO (Representative Director) of the Company
June 2021 Appointed President and CEO (Representative Director) of the Company (to the present)



Michael J. Cicco
Director of the Company

Personal history

August 1999 Joined FANUC America Corporation ("FAC")
November 2015 Appointed Vice President of FAC
April 2016 Appointed President and COO of FAC
June 2016 Appointed Managing Officer of the Company
July 2016 Appointed President and CEO of FAC (to the present)
June 2017 Appointed Senior Managing Officer of the Company
June 2020 Appointed Director of the Company (to the present)



Katsuo Kohari
Director who is an Full-time Audit and Supervisory Committee Member

Personal history

April 1968 Joined Fujitsu Limited
May 1976 Transferred to the Company
April 2003 Assistant to General Manager for Sales and Service of the Company
June 2003 Appointed Director of the Company
June 2012 Appointed Senior Vice President (Director) of the Company
October 2013 Appointed Executive Vice President (Director) of the Company
May 2014 Vice General Manager (Sales), FA Business Division of the Company
October 2014 General Manager, Service Division of the Company
June 2016 Appointed Executive Managing Officer (Director) of the Company
June 2019 Appointed Standing Audit & Supervisory Board Member
June 2021 Appointed Director (Audit & Supervisory Committee Member) of the Company (to the present)



Katsuya Mitsumura
Director who is an Audit and Supervisory Committee Member

Personal history

April 1974 Joined Showa Audit Corporation (current Ernst & Young ShinNihon LLC)
March 1977 Registered as Certified Public Accountant (to the present)
January 1982 Founder and head of Katsuya Mitsumura C.P.A. and Tax Accountant Office (to the present)
June 2019 Appointed Audit & Supervisory Board Member
June 2021 Appointed Director (Audit & Supervisory Committee Member) of the Company (to the present)



Yasuo Imai
Director who is an Audit and Supervisory Committee Member

Personal history

July 1971 Joined the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry)
July 2002 Appointed Director - General, Manufacturing Industries Bureau of the ministry
July 2003 Appointed Commissioner of Japan Patent Office
July 2004 Appointed Adviser of Japan Industrial Policy Research Institute
July 2006 Appointed Senior Managing Executive Officer, Executive Vice President of Pipe & Tube Company, of Sumitomo Metal Industries, Ltd (currently NIPPON STEEL CORPORATION)
April 2007 Appointed Senior Managing Executive Officer, President of Pipe & Tube Company of the company
June 2007 Appointed Director & Senior Managing Executive Officer (Member of the Board), President of Pipe & Tube Company of the company
April 2008 Appointed Director & Executive Vice President (Member of the Board), President, Pipe & Tube Company of the company
June 2011 Appointed President, Chief Operating Officer (Member of the Board) of AIR WATER INC.
June 2015 Appointed Director of the Company (to the present)
April 2017 Appointed Director, Vice Chairman of the Board of AIR WATER INC. (to the present)
June 2018 Appointed Chairman of Japan Industrial and Medical Gases Association (to the present)
June 2021 Appointed Director (Audit & Supervisory Committee Member) of the Company (to the present)



Kazuo Tsukuda
Director

Outside Director Independent Director Renominated

Personal history

April 1968 Joined Mitsubishi Heavy Industries, Ltd.
June 1999 Appointed Director (Member of the Board) of Mitsubishi Heavy Industries, Ltd.
April 2002 Appointed Managing Director (Member of the Board) of Mitsubishi Heavy Industries, Ltd.
June 2003 Appointed President (Member of the Board) of Mitsubishi Heavy Industries, Ltd.
April 2008 Appointed Chairman (Member of the Board) of Mitsubishi Heavy Industries, Ltd.
April 2013 Appointed Senior Executive Advisor (Member of the Board) of Mitsubishi Heavy Industries, Ltd.
June 2013 Appointed Senior Corporate Advisor of Mitsubishi Heavy Industries, Ltd.
June 2015 Appointed Director of the Company (to the present)
June 2019 Appointed Executive Corporate Advisor of Mitsubishi Heavy Industries, Ltd.
June 2021 Appointed Honorary Advisor of Mitsubishi Heavy industries, Ltd. (to the present)



Masaharu Sumikawa
Director

Outside Director Independent Director Renominated

Personal history

April 1972 Joined Hitachi, Ltd.
June 1995 Deputy General Manager, Hitachi Works of Hitachi, Ltd.
April 1999 General Manager, Thermal & Hydroelectric Systems Division, Power and Industrial Systems Group of Hitachi, Ltd.
October 2004 Appointed Executive Vice President and Executive Officer of Hitachi, Ltd.
April 2006 Appointed President and Chief Executive Officer of Hitachi Plant Technologies, Ltd.
April 2010 Appointed Chairman of the Board of Hitachi Plant Technologies, Ltd.
June 2010 Appointed Director of Hitachi, Ltd.
June 2012 Appointed Adviser of Hitachi Plant Technologies, Ltd.
June 2012 Non-regular employee for specialized duties of Hitachi, Ltd.
June 2014 Appointed Audit & Supervisory Board Member of the Company
June 2015 Appointed Chairman of Tsukuba Global Innovation Promotion Agency (to the present)
June 2020 Appointed President and Representative Director of Mito Country Club Co., Ltd. (to the present)
June 2021 Appointed Director of the Company (to the present)



Naoko Yamazaki
Director

Outside Director Independent Director Renominated

Personal history

April 1996 Joined the National Space Development Agency of Japan (currently Japan Aerospace Exploration Agency (JAXA))
September 2001 Authorized as an astronaut to board the International Space Station
April 2010 Served as a mission specialist on the Space Shuttle Discovery, and engaged the mission of assembling the International Space Station (STS-131(19A))
September 2011 Appointed Honorary Chairman of the Japan Abacus Education Association (to the present)
April 2012 Appointed Visiting Professor, Ritsumeikan University (to the present)
July 2012 Appointed Member of the Committee on National Space Policy under the Cabinet Office (to the present)
May 2013 Appointed Visiting Professor, Joshibi University of Art and Design (to the present)
July 2015 Appointed Director of the Japanese Rocket Society and Chairman of the "Sorajo" Board (to the present)
December 2015 Appointed Member of the Executive Committee and the Advisory Board for the International Robot Competition (to the present)
March 2016 Appointed Outside Director of Nabtesco Corporation
April 2016 Appointed Specially Appointed Associated Professor, Graduate School of Advanced Integrated Studies in Human Survivability of Kyoto University
September 2017 Appointed Outside Director of OPTORUN Co., Ltd. (to the present)
June 2018 Appointed Outside Director of TOPCON CORPORATION (to the present)
July 2018 Appointed Representative Director of Space Port Japan Association (to the present)
June 2020 Appointed Director of the Company (to the present)



Hidetoshi Yokoi
Director who is an Audit and Supervisory Committee Member

Outside Director Independent Director Renominated

Personal history

April 1983 Lecturer, Institute of Industrial Science of University of Tokyo
January 1985 Assistant Professor, Institute of Industrial Science of University of Tokyo
July 1997 Professor, Institute of Industrial Science of University of Tokyo
July 1998 Professor, Center for Collaborative Research of University of Tokyo
April 2005 Director, Center for Collaborative Research of University of Tokyo
April 2008 Professor, Institute of Industrial Science of University of Tokyo
May 2015 Field II Program Officer, Adaptable and Seamless Technology Transfer Program through Target-driven R&D of Japan Science and Technology Agency (to the present)
March 2019 Retired as Professor, Institute of Industrial Science of University of Tokyo
June 2019 Professor Emeritus of the University of Tokyo (to the present) Appointed Audit & Supervisory Board Member of the Company
June 2021 Appointed Director (Audit & Supervisory Committee Member) of the Company (to the present)



Mieko Tomita
Director who is an Audit and Supervisory Committee Member

Outside Director Independent Director Renominated

Personal history

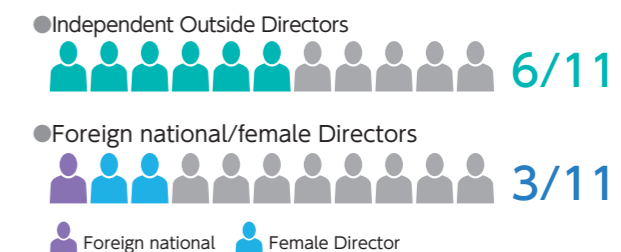
April 1980 Registered as lawyer (to the present) Joined Nishi and Iseki Law Office (currently Nishi & Partners Attorneys and Counselors at Law)
April 1995 Appointed Auditor of Kanagawa Learning Disability Research Association
April 2001 Appointed Civil Conciliation Commissioner, Tokyo District Court (to the present)
April 2004 Appointed Instructor, Showa Women's University
October 2007 Appointed a member of the National Bar Examination Commission, Code of Civil Procedure
June 2012 Appointed External Audit & Supervisory Board Member of MORINAGA MILK INDUSTRY CO., LTD.
April 2017 Senior Partner, Nishi & Partners Attorneys and Counselors at Law (to the present)
June 2019 Appointed Outside Director (Member of the Audit & Supervisory Committee) of Nishin Seilun Group Inc. (to the present)
June 2020 Appointed Audit & Supervisory Board Member of the Company
June 2021 Appointed Director (Audit & Supervisory Committee Member) of the Company (to the present)

Diversity of Board Members

Expertise of expertise and experience of Directors (unit: Persons)



Independence and diversity of Directors (unit: Persons)



Corporate Governance

Basic Approach

FANUC has always worked on enhancing corporate governance based on our Basic Principles of "Strict Preciseness and Transparency." As we proceed in separating our supervisory and executive functions, in order to further strengthen the supervisory functions of the Board of Directors and speed up management decisions, we transitioned to Company with an Audit and Supervisory Committee, that allows us to establish an Audit and Supervisory Committee consisting of the Directors who are Audit and Supervisory Committee Members and to expand the delegation of decision-making authority for business execution from the Board of Directors to Directors. Thus, we are further endeavoring to enhance corporate governance and increase corporate value. In addition, FANUC has established the Nomination and Remuneration Committee, a majority of which comprises Independent Outside Directors, and is chaired by an Independent Outside Director. By increasing the objectivity and transparency of the appointment and evaluation of Directors, this committee ensures the strict preciseness and transparency of supervisory functions to management.

Promotion Framework and Initiatives

- As a company with an Audit and Supervisory Committee, we have separated the Board of Directors (supervisory function) from the management side (executive function) to maintain the independence of each.
- Six of the eleven members of the Board of Directors are Independent Outside Directors, which account for majority of the Board of Directors.
- We are promoting diversity initiatives in the Board of Directors, and our Board of Directors includes two female directors and one non-Japanese director.
- Three of the five Audit and Supervisory Committee Members are Outside Audit and Supervisory Committee Members, one of whom is a woman.
- We continue to periodically review the contents of the Board of Directors and the Audit & Supervisory Committee from the perspectives of whether the independence of the Board of Directors and management is maintained, whether the effects of diversity are evident, and whether discussions in the Board of Directors and the Audit & Supervisory Committee are active, and make improvements as necessary.

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.

- Sales to the individual's former workplace (organization) from the Company will be under 2% of the consolidated sales of the Company, and sales to the Company from the individual's former workplace will be under 2% of the consolidated sales of the individual's former workplace.
- The Company must not have any loans from the company from which the candidate comes (if the candidate comes from a bank.)
- 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.)
- The candidate must not come from the audit firm that is the Company's Accounting Auditor.
- There must be no other particular reasons that could give rise to a conflict of interest with the Company.
- 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.

Nomination and Remuneration Committee

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

<Member>

Outside Director Kazuo Tsukuda (Chairman)

Outside Director Masaharu Sumikawa

Outside Director Naoko Yamazaki

Outside Director who is an Audit and Supervisory Committee Member Mieko Tomita

Representative Director, Chairman Yoshiharu Inaba

Representative Director, President, CEO Kenji Yamaguchi

Evaluation of the Effectiveness of the Board of Directors

For the effectiveness, etc., of the Board of Directors, in addition to performing a survey of directors, we also provide opportunities to share opinions in a timely manner. In addition that, we have established a system where directors can give their opinions, evaluations, etc., from time to time. The results will be disclosed in the corporate governance report each year.

Directors' Remuneration

1. Matters concerning the Policy for Determining the Details of Remunerations for Individual Directors

The Company has established a policy for determining the details of remunerations for individual Directors (excluding the Directors who are Audit and Supervisory Committee Members; the same applies hereinafter in this paragraph) (hereinafter, "Policy") in place as outlined below:

- Fixed remunerations shall be determined according to the position of each Director.
- Performance-based remunerations shall be linked to the current net income attributable to the shareholders of the parent company as in the case of shareholder return in principle.
- Stock-based remuneration shall be provided as remuneration of restricted stock, taking various factors, such as the degree of contribution of the Director, into consideration in a comprehensive manner.
- Remuneration for Directors comprises fixed remuneration, performance-based remuneration and stock-based remuneration whose ratios shall be set considering his/her position, responsibility, performance, etc., in a comprehensive manner.
- Remuneration of Outside Directors shall comprise fixed remuneration only.

The Policy shall be determined by a resolution of the Board of Directors. As for remunerations for the Directors who are Audit and Supervisory Committee Members, the amount of remuneration for the individual Directors who are Audit and Supervisory Committee Members shall be determined by consultation among the Directors who are Audit and Supervisory Committee Members.

2. Matters concerning Resolution of Shareholders' Meeting on Remunerations for the Directors

With respect to the aggregate amount of remunerations for the Directors (excluding the Directors who are the Audit and Supervisory Committee Members), it was approved at the 52nd Ordinary General Meeting of Shareholders held on June 24, 2021 that it shall be capped at the sum of (a) the fixed remuneration limit and (b) the performance-based remuneration limit specified below. Further, it was also approved that, in addition to (a) and (b), (c) stock-based remuneration may be provided to the Directors except for the Outside Directors.

- (a) Fixed remunerations of 800 million yen or less annually (including 100 million yen or less annually for the Outside Directors);
- (b) Performance-based remunerations of an amount equivalent to 0.7% or less of the current net income attributable to the shareholders of the parent company for the fiscal year immediately preceding the Meeting of Shareholders at which they are appointed or reappointed (but not exceeding an amount equivalent to three years of fixed remunerations);
- (c) The aggregate amount of monetary remuneration claims provided as stock-based remuneration (remuneration regarding restricted stock, etc.) shall be 350 million yen or less annually. Total number of such restricted stocks allotted for each fiscal year shall be capped at 28,000 shares.

As of the conclusion of the Ordinary General Meeting of Shareholders, the number of Directors (excluding the Directors who are the Audit and Supervisory Committee Members) is six (6), and it is three (3) excluding the Outside Directors. As for the aggregate amount of remunerations for the Directors who are the Audit and Supervisory Committee Members, it was approved at the 52nd Ordinary General Meeting of Shareholders held on June 24, 2021 to be capped at 200 million yen annually.

As of the conclusion of the Ordinary General Meeting of Shareholders, the number of Directors who are Audit and Supervisory Committee Members is five (5).

3. Matters concerning Determination on the Details of Remunerations for Individual Directors (excluding the Directors who are the Audit and Supervisory Committee Members)

At the Company, the Board of Directors determines the details of the amount of remunerations for the

Directors (excluding the Directors who are the Audit and Supervisory Committee Members) after consultation with the Nomination and Remuneration Committee majority of which are independent Outside Directors and chaired by an Outside Director. Since the amounts of remunerations for individual Directors are determined through such procedures, the Board of Directors judges that their details are in line with the Policy.

Constructive Dialogue with Shareholders

We have a Public Relations & Shareholder Relations Department to serve as a point of contact in relation to constructive dialogue with shareholders, and we are taking the following actions.

- Overview of Public Relations & Shareholder Relations Department
We think we should promote dialogue with shareholders, for the sustainable growth of the company and the medium and long-term enhancement of corporate value, while putting emphasis on our core business. We have a Public Relations & Shareholder Relations Department, as a section responsible for the promotion of constructive dialogue with shareholders both within and outside Japan.

- Policy on Promotion of Constructive Dialogue with Shareholders
The Public Relations & Shareholder Relations Department works on the following as measures for the promotion of constructive dialogue with shareholders.

(1) Dialogue with Shareholders

The Public Relations & Shareholder Relations Department actively promotes dialogue by providing shareholders with opportunities to participate in various meetings, factory tours, etc. Dialogues are lively, except that information that is likely to be regarded as insider information or may interfere with our business activities is not discussed.

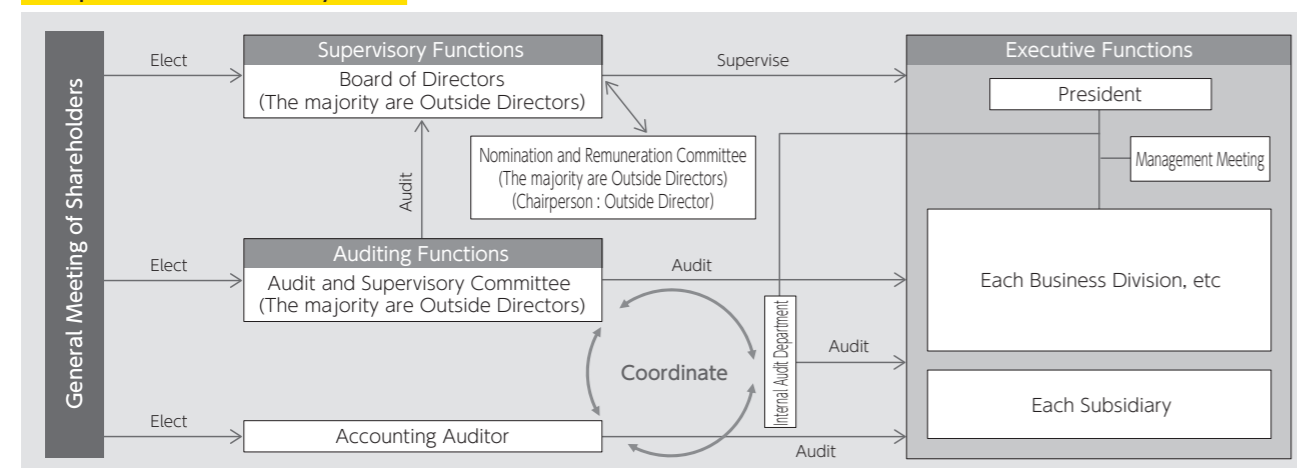
(2) Opinions, etc. Provided in Dialogue

To promote the sustainable growth of our company and the medium and long-term enhancement of corporate value, we will make efforts to utilize opinions, etc., provided by shareholders through such dialogues.

Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

- Early Notification of General Shareholder Meeting
The Notice of the General Shareholders' Meeting and reference materials are posted on our website in both English and Japanese approximately four weeks prior to the date of the meeting.
- Exercise of Voting Rights by Electronic Methods
Shareholders can cast their votes from the website for exercise of voting right for General Meeting of Shareholders.
- Participation in Electronic Voting Platform
We have adopted the use of Electronic Voting Platform for Foreign and Institutional Investors operated by ICJ, Inc.
- Provision of Convocation Notice in English
We prepare an English version of documents, including the Notice of General Shareholders' Meeting, which is posted to our website approximately four weeks prior to the date of the meeting.

Corporate Governance System



Message from Outside Directors



Kazuo Tsukuda

Outside Director
Independent Director

I first visited the FANUC headquarters in Oshino Village, Yamanashi Prefecture, more than 20 years ago. At that time, as the manager of a relatively small factory called Nagoya Equipment Manufacturing under Mitsubishi Heavy Industries, Ltd., I was having a hard time rebuilding the large-sized injection molding machine business, which was stagnating.

At that time, hydraulic pressure was used to clamping and position the molds of large-sized machines, just as in mold tightening, but I had been thinking of developing a hybrid model that would employ an electric servomotor to perform the processes of clamping and positioning that required precision and speed, and I had come to negotiate with FANUC to ask them to supply large servomotors as a key component.

A number of people attended the meeting, including the late Chairman Seiueemon Inaba. The manager in charge told me, "We mass-produce small-sized precision machines. We're unable to meet your request of around 100 large-sized machines per year."

I had half expected such an answer, but the Chairman, who had been listening in throughout the conversation, said, "We can't make them in-house, but there is a small factory that makes servomotors near Nagoya. So if Mitsubishi Heavy Industries arranges things with that factory, we at FANUC are willing to go to that factory and provide instructions on how to meet the specifications required by Mitsubishi."

From that point on, the development progressed smoothly, and with FANUC's generous cooperation, the large-sized hybrid injection molding machine was completed in a short period of time. It became our main product, won much praise, and the business was revitalized.

What lay behind Chairman Seiueemon's decision at that time? I imagine that it probably was an abiding interest in new technologies and products, and the motivation to build them, that transcended the boundaries of the company.

After 20 years, I now find myself an outside director of FANUC. I will do my utmost to support that commitment to technology and the fearless challenge to development that lives on in the company.

Our main products command an extremely large share of the global market at present, and we have maintained a strong competitive edge in terms of performance and reliability, but other companies are catching up rapidly. I look forward to further advances made by our engineers, so that FANUC can keep playing an active role in the production lines of factories around the world, by fusing our proprietary CNC and Robot technologies.



Naoko Yamazaki

Outside Director
Independent Director

FANUC is a global company and a world leader in the fields of CNC and industrial robots, and I have the impression that the basic principles of "Genmitsu (Strict Preciseness)" and "Tomei (Transparency)" have thoroughly permeated the organization. I have observed FANUC Robots carrying out vital functions in factories, and I have seen my classmates and senior colleagues from my school days playing active roles. This has instilled in me a great respect for the leading role the company continues to play in our society. And in June 2020, I was honored with an appointment as an outside director. The impressions I have of FANUC have become stronger, and I am bracing myself. I deeply identify with how the company cherishes the basic approach to management passed down from the late Honorary Chairman Seiueemon Inaba, and how it continues to take on challenges boldly in its quest to enhance corporate value.

As for myself, I would like to contribute to the sustainable growth of the company, making the most of my experiences as an aerospace engineer in charge of systems integration for the Japanese Experiment Module on the International Space Station, and as an astronaut who has engaged in training, human resources development and risk management amid diversity. In order to enhance corporate value globally, it is essential to keep in mind a wide range of stakeholder perspectives, including not only those of customers and shareholders, but also of employees and the society at large. Given the changes occurring in society, I feel it is all the more important to hold basic principles close, invest more in human capital and keep taking up challenges.

Contributing to society and strengthening diversity are also important for achieving sustainable growth. As a global company, FANUC has already been emphasizing diversity, but I think that enhancing governance, incorporating gender-equal perspectives into considerations of human resource development, and publicizing accurate information about our contributions to society through our business activities will increase in importance.

Even within the consistent goal of factory automation, the scope of factories will be expected to expand. Therefore, it is entirely possible that competitors will emerge from unexpected places. Through the promotion of DX, by expanding usage while facilitating customization, further improving our solid technological advantage, and bringing about greater synergies among our businesses, I am looking forward to further enhancing corporate value and contributing to society.



Masaharu Sumikawa

Outside Director
Independent Director

FANUC is a company that provides optimal value and services to global corporate clients through machines and systems based on advanced technology. Moreover, the company has built up a solid reputation based on deep trust earned from its customers, by limiting its product range of machines and systems to specialized machining and molding machines, handling robots, and Numerical Control systems, and by focusing its manpower on standardization, enhanced functionality and improved reliability.

It is important to further develop this great asset we have inherited, and to establish a management policy suitable for a new era while anticipating all kinds of demands. Based on my experience in developing, designing, and coordinating projects to improve social infrastructure, I believe I was able to express opinions from a broad perspective in board meetings.

Considering the development of our business in the future, it is important to further improve our maintenance services and customer training programs, which the company has built up from the customer's point of view, and at the same time, pursue new business opportunities using the "FIELD system" IoT platform that we have been developing. By accelerating the digitization of clients' production systems based on the operational track record of the FIELD system in our in-house factories, we will be able to provide better customer service, and offer improved management support to the customer more quickly.

Considering the development of our business in the future, it is important to provide customers with improved management support in an early stage by further improving our maintenance services and customer training programs, which the company has built up from the customer's point of view, and at the same time, by accelerating the digitization of customers' production systems based on the operational track record of the FIELD system in our in-house factories, which we have been developing for new business opportunities.

In the last few years, the company has been making progress with establishing rules related to corporate governance, and this year has seen the start of a new Board of Directors system as a company with an Audit and Supervisory Committee. The organization has been primed to handle functions such as risk management, and we are on our way to commencing full-scale operation. In the future, I would like to focus on strengthening our ESG initiatives, reviewing matters from the viewpoint of contributing not only to the management of our company, but to that of our customers as well.



Yasuo Imai

Outside Director
Independent Director
(Audit and Supervisory Committee)

Those of us who are outside directors at FANUC are entrusted with the role of providing an outsider's perspective in order for it to continue to be a trusted company by all who hold a stake in it, including our shareholders, well into the future.

At our company, outside directors from diverse backgrounds participate in lively discussions, and the executive side explains the situation in detail, and responds appropriately in a sincere manner. We often forget the passage of time during board meetings.

I have been involved in manufacturing at the Ministry of Economy, Trade and Industry for 30 years, and following that, at a private company for 20 years.

Among all the companies I have had the pleasure of engaging with, FANUC possesses an overwhelming competitive advantage. Given the concerns of a hollowing out, FANUC has endeavored to locate its production sites within Japan, while also working on BCP. This cannot be achieved without the strong competitive advantage attained through technological development, and maintaining such competitiveness is not easy. One wrong turn, and we will find ourselves at the mercy of competitors around the world.

I hope to enhance internal dialogue, so that technological development can go on, guided by a broad perspective and deep insight.

Nowadays, companies are surrounded by wide-ranging issues and obstacles, and businesses are constantly forced to make difficult decisions. The disruptions to supply chains and logistics due to the COVID-19 pandemic, rising concerns regarding economic security and environmental friendliness, approvals and licenses both domestic and abroad that grow more complicated, and delivery dates that rapidly approach regardless of such situations... It is impossible to count them all. Companies that overcome such difficulties one by one through good management will achieve growth, and companies that seek to avoid them will end up mired in scandals and lose the trust of stakeholders.

The best prescription in the face of such difficulties is to have an open corporate culture. I would like to have more opportunities to talk frankly with internal directors and employees, and be a good advisor to them on any management issues or concerns they may have.

Message from Outside Directors



Hidetoshi Yokoi

Outside Director
Independent Director
(Audit and Supervisory
Committee)

As a pioneer of CNC in Japan, FANUC has, since its founding, consistently built up a business limited to applied products such as robots and intelligent machine tools, centered on the FA business with CNC and Servos as its basic products. I think FANUC is that rare company that has achieved steady growth and expansion through the stubborn pursuit of a narrow and long-term path, that of the manufacturing and production automation business, while promoting the aggregation of component technologies and the synergy, and insisting on in-house R&D and manufacturing. Making production more efficient, and developing advanced manufacturing technologies that make such efficiencies possible, will forever remain an issue we grapple with in order to enrich the lives of people all over the world. Automation of manufacturing and production activities that takes the FA Business as a starting point is a business model of growth that transcends national boundaries and time periods. With the rise in the number of competitors, I think that development of world-leading and proprietary technology, strictly precise and uncompromising management practices reflected in the management principles of "Genmitsu (Strict Preciseness)" and "Tomei (Transparency)," and the relationships of trust built up by offering services from the customer's perspective such as lifetime maintenance etc., will further solidify this business model, and create and offer value that is indispensable for factories around the world.

As an outside director who is an Audit and Supervisory Committee member, I recognize that my main mission is to participate in carrying out the monitoring function of the company, such as stringently auditing the decisions of directors to see if they comply with legal obligations such as duty of care and duty of loyalty, and also auditing the construction and operation status of internal control systems, and auditing transactions for possible breach of obligations. On the other hand, I have been engaged in particular in the development of new plastic molding technology and the nurturing of talent at the university, and through industry-academia collaboration with more than 80 companies, and through my activities as a program officer for JST's A-STEP program in the manufacturing field, I have broadly engaged with the demands and issues that the industry is facing, and carried out work directly related to cutting-edge R&D trends, which is ongoing. Making the most of my experience and expertise given above, I am looking forward to contributing as much as possible to strengthening the foundations for the continuous development of the existing business model, by developing new businesses, formulating management strategies, establishing research and development systems for new technologies, implementing measures to nurture talent that will lead the next generation, and promoting DX as the ultimate rationalization system.



Mieko Tomita

Outside Director
Independent Director
(Audit and Supervisory
Committee)

In my many years as a lawyer, I have mainly been in charge of corporate legal affairs, and therefore I have some knowledge of the circumstances surrounding many listed companies. FANUC is renowned for its technological prowess, and has a sterling reputation in the business world as well. In my own way, I think that such a reputation springs from the clarity of corporate philosophy and management principles, and the clear manner in which top management communicates the philosophy and carries them out in practice, which is then transmitted to each and every nerve in the corporate organization.

The company's history was first chronicled and published in June 2021, with the founder's basics of management articulated at the beginning. Although more than 60 years have passed since the founding of the company, and the basics of management has been manifested in various situations along with the changing of the times, it has been passed down without fail, and I think it is expressed in the form of solid management decisions that are always based on assessments of the current situation. And above all, I was able to occasionally observe the fact that the employees embraced the company's basics, and dedicated themselves out of love with positive attitude for the company in their work. I believe that employees who have sustained the company's growth up until the present, are our greatest asset.

In this manner, our company has grown with the support of employees who have a good understanding of the company's management principles. And it is our great strength that such an attitude forms the foundation of the company. However, given the current emphasis on the construction and operation of internal control systems for corporate governance, the fact that the back-office and administrative departments are weaker compared to our powerful technological team remains an issue. Building a strong internal control system is an urgent task, not only for the company itself, but also for the group since we have bases globally and expansion of sales activities abroad has significant impacts to us.

As an expert in corporate legal affairs, I have been involved in the construction and operation of internal control systems, and have also been actively involved with submissions of legal opinions in situations requiring management decisions, internal and external responses to crises, and the handling of misconducts from a legal standpoint. At FANUC as well, drawing on my experiences as a lawyer, I will ensure the robust construction and operation of the internal control system from a legal standpoint, and contribute to the company's progress by emphasizing compliance in management decisions.

Environmental

We contribute to solving social issues and developing a sustainable society by proactively working to protect the environment and reduce environmental impact.

Environmental Activity

Environmental Management Promotion

FANUC recognizes that actions for the environment are an important tasks, with the President and CEO designated as the person responsible for the initiatives. Important environmental issues, including climate change, are reported to the Board of Directors for decision-making. Reports on the progress of FANUC's environmental initiatives, and the direct and indirect impacts of the environment on our business activities are collected from environmental managers assigned to the relevant divisions, and reported at the ISO14001 meeting, which is chaired by the Executive Managing Officer and General Manager, Production Division. Important matters are reported to the Board of Directors for decision-making. Regular reports include the setting of environmental goals in March of each year, as well as a report on environmental management for the previous fiscal year in June.

Environmental Management System

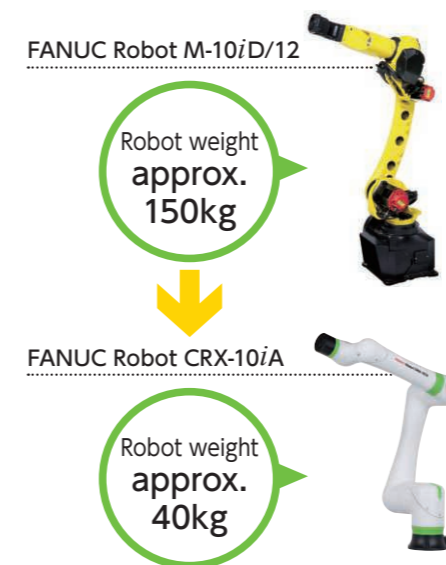
FANUC has acquired certification for the international standard for environmental management systems ISO14001 (2015 version). In August 1999, the entire FANUC organization was granted ISO14001 certification, with the registered range being those activities related to FA, ROBOT, and ROBOMACHINE products (including research and development, manufacturing, and sales & service). This not only covers Headquarters (Yamanashi) but also the Tsukuba Factory, Hayato Factory, and each of Hino, Nagoya, Osaka, Hokkaido, Tsukuba and Kyusyu branches and offices. In fiscal 2018, our Mibu Factory was also included. This environmental management system applies to every FANUC site in Japan, and also to the employees, factories, premises, buildings, facilities, corporate activities and environmental conservation activities related to the products and services offered by FANUC's domestic group companies.

Energy Conservation at Customer Factories

FANUC will continue to make energy-efficient products, which will contribute to conserve energy in our customers' factories.

CRX

The collaborative robot CRX has a robot mass of 40kg with a payload of 10kg, which is considerably lighter than the robot mass of 150kg common to robots in the same class thus far, and reduces power consumption.



ROBOGUIDE

By optimizing the operating program with ROBOGUIDE, power consumption is reduced and the lifetime of the reducer is extended to reduce running costs.



Environmental

Energy Conservation at Own Factories

Actual Reduction in the Amount of Electric Power Used

As part of our efforts to reduce our output of greenhouse gases such as CO₂ and thus prevent global warming, we are constantly aiming to reduce the amount of electric power that we use. The power used in proportion to the level of production in fiscal 2020 decreased increased by 12.4% compared to the previous fiscal year's level, and we could achieve the fiscal 2020 target.

Electric Power Reduction Measures

1. Some machine tools in our plants were exchanged for those incorporating auto power-off devices.
2. Some of the compressors in our plants were exchanged for those incorporating inverter control.
3. Energy-saving fluorescent lamps (with electronic ballasts) and energy-saving compressors (inverter type) were installed in new buildings.
4. The roofs of new buildings were changed to silver in color.
5. The roofs of new buildings were enhanced in heat insulation by duplicating them.
6. Power consumption was reduced with motion sensors.
7. Wind-shielding curtains were used for energy saving in air conditioning.
8. Measures were taken against heat emissions from compressors for energy saving.
9. Energy-saving measures were studied by energy-saving consultants.
10. Use of LED lighting was promoted.
11. Co-generation was promoted.



3 Energy-saving compressors (inverter type)



4 Silver roofs



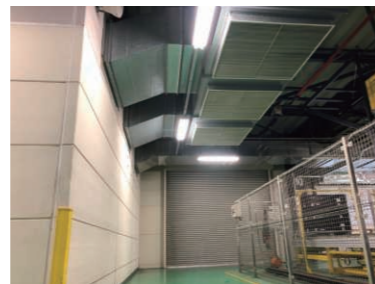
5 Duplicated roofs



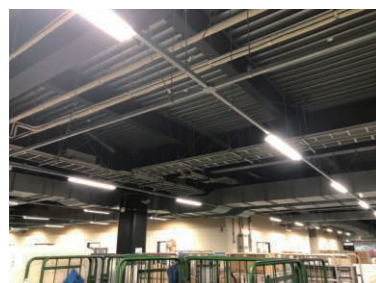
6 Motion sensors



7 Wind-shielding curtains



8 Measures were taken against heat emissions.



10 LED lighting



11 Co-generation

Kerosene Reduction Results

In some parts of the Headquarters area, kerosene was replaced by city gas. As a result, we reduced the total amount of kerosene used by 32% compared to the previous year.

Social

Respect for Human Rights

Basic Approach

At FANUC, we respect the human rights of all persons involved in our business, based on the understanding that it is the basic principle of all activities, in accordance with our Human Rights Policy.

In addition, the FANUC Code of Conduct prohibits "discrimination based on race, beliefs, gender, social status, religion, nationality, age, mental or physical disability, sexual orientation, sexual identity, etc."

We ensure that employees do not infringe the human rights of others through harassment prevention education and line-care training.

Laws and International Norms of Behavior

FANUC respects human rights as defined in international norms, such as the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights, and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, in accordance with the guiding principles on business and human rights.

Human Rights Due Diligence

The following items will be addressed as priority issues.

■ Prohibition of Discrimination

- Prohibition of discrimination based on gender, age, nationality, ethnicity, race, place of origin, religion, beliefs, disability, sexual orientation, sexual identity, etc.

■ Respect for the Rights of Workers

- Ensuring employee health and safety
- Prohibition of all forms of harassment
- Prohibition of child labor and forced labor
- Respect for the rights of foreign and migrant workers
- Respect for freedom of association and the right to collective bargaining
- Prevention of low-wage labor (labor less than the minimum wage and living wage)
- Prevention of excessive amounts of overtime

■ Respect for the Rights of Vulnerable People

- Respect for the rights of local and indigenous peoples related to our business
- Respect for the rights of women, children, persons with disabilities, minorities, and the elderly
- Avoiding complicity in conflicts and human rights violations relating to mineral procurement

■ Protection of Privacy and Personal Information

- Respecting the privacy of customers, employees, and other parties concerned, and protecting personal information

FANUC will evaluate and identify potential and actual human rights risks and implement measures to avoid or reduce such human rights risks.

We will encourage our business partners and related parties not to infringe human rights if they have a negative issues on human rights. When it is clear that our business has caused or has engaged in any violation human rights impacts, we will endeavor to implement remedies them, and will establish a grievance system as necessary.

Promotion Framework

A helpdesk has been established in both the Human Resources Division and the labor union to provide advice across the entire company. A helpdesk has also been set up in the Welfare Department of the Human Resources Division, led by the executive employees in charge (one male and one female). This helpdesk offers advice on all forms of human rights-related harassment, including sexual harassment, maternity harassment (harassment related to pregnancy, childbirth, child-care leave, etc.), and power harassment. The existence of this helpdesk is being widely advertised through the company-wide portal site. We have established a framework to respond to inquiries from employees and offer advice.

In these consultations, due attention is given to the protection of privacy, and consideration is given to ensure that anyone seeking advice and anyone who is involved in confirmation of the facts of the matter are not subjected to unfavorable treatment. Based on confirmation of the facts, the consultations are handled by the parties concerned, taking confidentiality into account, and appropriate measures are taken. In this way, we strive to improve the workplace environment to make it a more comfortable place to work.

Harassment Prevention Training for All Employees

Harassment in the workplace is not only an act that unjustly harms the dignity and character of the individual, but it is also an absolutely unforgivable act that damages the workplace environment.

FANUC strives to prevent harassment, with the aim of achieving workplace environments in which all employees can maintain good mental and physical health and work energetically with peace of mind.

Our efforts to establish workplace environments that will not give rise to harassment include harassment prevention training on an e-learning platform, group harassment-prevention training for executive employees, company-wide preventive measures, and fostering understanding of diversity.

We post examples of harassment and the company's responses on the company-wide portal site to thoroughly raise awareness among employees.

Social

Promotion of Employee Diversity & Equal Opportunity

Basic Approach

FANUC respects and supports the diversity and equal opportunity of our employees, and creates an environment that accepts diversity, based on the philosophy that diversity gives rise to new values.

Initiatives

① Gender-Related Initiatives

<Promoting the Active Participation of Women>

In addition to striving to ensure that employees can play an active part in the workplace regardless of factors such as nationality and gender, etc. FANUC has enhanced various systems including maternity leave, child-care leave, and shorter working hours until children finish elementary school, so that women can pursue their careers without interruption. In this manner, FANUC fully supports the active participation of women in the workplace.

In April 2021, we renewed our General Employer Action Plan Based on the Act on Promotion of Women's Participation and Advancement in the Workplace, and we are actively promoting the recruitment of women, with the aim of increasing the percentage of female employees. Under this plan, FANUC has established a target of 10% of regular female employees for the Company as a whole.

To achieve these goals, we are promoting efforts such as having female engineers visit schools and handle company visits by female students when recruiting for technical positions, and promoting efforts to create opportunities for women to discuss work and actual lifestyles. We are also implementing initiatives such as external seminars to support career development for female employees. Recently, women have increasingly been playing active roles as executives in various fields, with two female employees promoted as officers. We will further support the participation of women through continued efforts in the future.

<Support for Balancing Work and Home Life>

At FANUC, 100% of the female employees who have used the child-care leave system during the past three years have returned to work, which confirms that the Company's working environment is comfortable for women. Furthermore, we opened a nursery for employees' children in the Headquarters' site in April, 2019, using the company-initiated nursery business system, supervised by the Cabinet Office. To reduce total actual working hours, we have set the annual paid leave-taking rate to at least 80%, so paid leave can be more easily used to balance work and home life.

As an initiative to encourage male employees to take child-care leave, we have posted on the companywide portal site Q&A and guidance documents regarding leave systems for child care and nursing care as well as support offered by the government. A help desk has also been set up in the Human

Resources Department to support the balance between work and child care and nursing care. This approach has spread knowledge and understanding of our initiatives within the Company, and more male employees are taking child-care leave.

② Disability-Related Initiatives

When determining assignments, FANUC takes into account the characteristics of each individual's disabilities as well as his/her aptitudes, while also considering safety aspects so that persons with disabilities can play an active role in the Company.

We have also established a support system to promote the employment of persons with disabilities, by cooperating with the Japanese government's Hello Work employment centers and the Yamanashi Prefecture Vocational Center for Persons with Disabilities, and by appointing vocational life counselors for persons with disabilities.

③ Initiatives for Nationality, Race, and Religion

FANUC thoroughly implements the "prohibition of discrimination based on race, creed, sex, social status, religion, nationality, age, mental or physical disability, etc." in its recruitment practices, as well. While we hire international students, we do not treat them differently or discriminate against them in any way because of nationality.

FANUC also strives to provide a working environment that is comfortable for foreign employees. We have facilities that take into consideration the religions and customs of employees from around the world. We offer vegetarian food, gluten-free food, etc. to employees for whom religious dietary considerations are required. FANUC ACADEMY also has a Muslim prayer room for trainees from overseas Islamic companies.



Prayer room

④ Age-Related Initiatives

In October 2006, FANUC extended its mandatory retirement age from 60 to 65 years.

Employees who have reached the retirement age of 65 years may continue to work at the Company if both the Company and the employee so wish.

ble work styles that achieve a better balance with everyday life, in October 2020, we made it possible to take annual vacation in hourly increments.

In addition to establishing a system for infertility leave, we have added family care and infertility treatment to the purposes used for accumulated vacation (paid).

To better promote the balance of work and child-care, we have extended the application of the shorter working hours system for childcare, as well as the exemption from overtime and work on holidays for child-rearing employees upon request, until children have finished elementary school.

In recent years, in response to feedback from employees that they would want to continue working while receiving treatment even if they are diagnosed with cancer or other illnesses, we have established a helpdesk to support such employees so that they can work while receiving treatment, by actively promoting shorter working hours and other means.

■ Main Systems

- Child-care leave (Return-to-work ratio: 100%; Retention ratio one year after returning to work: 100%)
- Maternity leave
- Nursing-care leave (e.g., to take care of elderly parents)
- Infertility leave
- Subsidies for specific infertility treatment costs
- Shorter working hours for child care
- Refreshment leave (can be taken after 10 years, 15 years, 20 years, 25 years, 30 years, 35 years, and 40 years of employment)
- Leave due to transfer of a spouse

FANUC Nursery School (Corporate-led Nursery Business)

With the growing number of employees of the child-rearing generation in their 20s and 30s, to help enhance the child-rearing environment in Oshino-mura, Yamanashi Prefec-

ture where FANUC Headquarters is located, we established a corporate-led nursery business in the spring of 2019.

Located next door to the workplace, FANUC Nursery School reduces the time required to drop children off at the nursery school and pick them up and enables the safe and certain handover of children in the event of an emergency such as a natural disaster. Responding to users' needs, the facility has been operating at close to full capacity since its first year of operation.

In addition, the facility accepts new enrollments throughout year, facilitating a smooth return to work for employees on child-care leave. The school is actively engaged in initiatives to improve the quality of child care, such as offering various training programs to its nursery teachers, receiving evaluations from external institutions, and providing dietary education by cooking lunches with local ingredients. FANUC Nursery School will continue to provide an environment in which its users will be able to balance child-rearing and career development with peace of mind into the future.



Coexistence with local community

The FANUC GROUP considers the local communities in which it operates to be important stakeholders. We will strive to cooperate with local communities and fulfill our responsibilities as a member of these communities.

FANUC Forest 100-Year Plan

Oshino-mura, where the Headquarters area is located, offers a harmonic landscape where you can view a lot of nature, such as lakes, ponds and rivers created by Mt. Fuji's subsoil water, and man-made scenery like farming fields and thatched roofs, with Mt. Fuji in the background. The local governments of Oshino-mura and Yamanakako-mura have established landscape plans for the preservation of the landscapes, and FANUC is also actively working with those plans.

Most forest resources owned by FANUC consist of trees planted after the war. At FANUC Headquarters, following guidance from the Yamanashi Forestry and Forest Products Research Institute, we maintain and manage trees according to the FANUC Forest 100-Year Plan, aiming to restore forests to a state in harmony with the region. We are currently promoting a plan to replace the artificially planted coniferous trees with rich broadleaf trees that bloom, bear fruit, and allow coexistence with small birds and animals.

All exterior walls of FANUC's existing factories had previously been painted yellow, but when they were repainted during major refurbishments of the individual factories, gray is used as a base color and the amount of yellow used has been limited (e.g., 20% or less of external walls in the Headquarters area, 5% or less of external walls in the Hino area).

Towards Zero Hunger

In India, approximately 236 million children attend 1.1 million government schools. Children in government schools, especially those in villages, are the children of migrant workers who help with household chores and are unable to eat even one meal a day. A meager dinner does not give them enough energy to last until lunch time the next day. The result is lack of concentration, inattention, lots of trouble, and absenteeism. FANUC India provides meals to children and migrants.

- Provided breakfast to total of 883 children near Bangalore and lunch to 5,000 children.
- Operate a day care center in Pune, West India, with 130 children attending. The children are cared for and fed while their parents are engaged in work.
- Providing support to orphanages in Bangalore, Madurai and Coimbatore.
- Provided ration kits and cooked meals to migrants near Bangalore affected by the lockdown caused by the COVID-19.



Lunch distribution

Ration kit and cooked meals distribution

Creating Better Working Environments

Practicing Work-life Balance

FANUC considers reduction of long working hours to be an issue, and is striving to lower the maximum limit for overtime work and promote the taking of annual vacations as corrective measures. Annual vacations were taken at a rate of 85% in fiscal 2019, and we check the achievement status of these goals in monthly meetings attended by executives. To facilitate flexi-

Financial and Non-financial Highlights (Years ended March 31)

Financial Highlights

Millions of yen

Years ended March 31	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net sales	538,492	498,395	450,976	729,760	623,418	536,942	726,596	635,568	508,252	551,287
EBITDA	237,300	202,688	182,528	319,524	236,673	179,747	263,794	203,006	134,263	157,616
EBITDA margin (%)	44.1	40.7	40.5	43.8	38.0	33.5	36.3	31.9	26.4	28.6
Operating income	221,834	184,821	164,134	297,839	215,567	153,217	229,604	163,297	88,350	112,514
Operating income ratio (%)	41.2	37.1	36.4	40.8	34.6	28.5	31.6	25.7	17.4	20.4
Net income attributable to owners of parent	138,819	120,484	110,930	207,599	159,700	127,697	181,957	154,163	73,371	94,012
Capital investment	45,719	45,091	13,906	26,628	113,315	83,207	116,110	133,106	70,478	18,553
Depreciation and amortization	15,466	17,867	18,394	21,685	21,106	26,530	34,190	39,709	45,913	45,102
Research and development expenses	20,478	20,148	18,372	28,105	34,567	42,331	52,956	56,162	51,315	46,949
Total assets (Persons)	1,130,625	1,219,113	1,343,904	1,611,626	1,512,895	1,564,769	1,728,227	1,625,340	1,512,499	1,625,191
Net assets	985,322	1,094,129	1,199,863	1,386,695	1,334,910	1,369,457	1,467,630	1,445,146	1,362,865	1,435,554
ROE (%)	14.8	11.6	9.7	16.1	11.8	9.5	12.9	10.6	5.3	6.8
ROA (%)	13.0	10.3	8.7	14.0	10.2	8.3	11.0	9.2	4.7	5.8
Dividend (¥)	212.77	184.68	170.06	636.62	490.07	395.18	563.20	1,003.11	300.00	294.07
Dividend payout ratio (%)	30.0	30.0	30.0	60.0	60.0	60.0	60.0	126.1	78.6	60.0

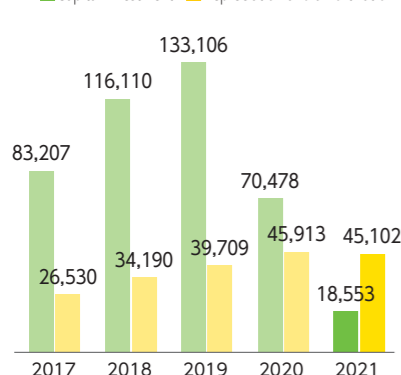
● EBITDA margin = EBITDA / Net sales ● ROE = Net income / Average shareholders' equity ● ROA = Net income / Average total assets

Non-financial Highlights

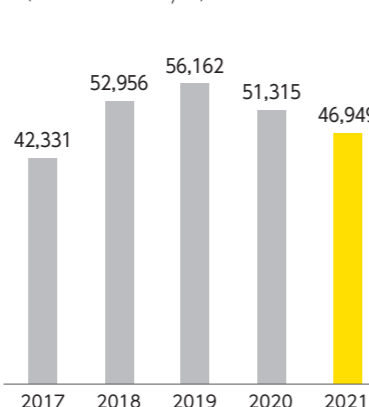
Years ended March 31	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of employees	5,198	5,261	5,469	5,840	6,327	6,738	7,163	7,866	8,164	8,256
Average number of consecutive years served (Years)	18.1	18.5	18.9	17.7	16.5	15.8	15.1	14.3	14.0	14.2
Greenhouse Gas Emissions (t-CO ₂)※										
Scope1	—	—	—	6,521.60	7,189.30	7,864.40	14,254.00	25,213.20	34,875.00	47,059.42
Scope2	—	—	—	88,981.50	80,915.50	95,515.80	112,524.00	108,563.60	91,639.00	107,208.02
Scope3	—	—	—	—	—	—	—	2,414,478.63	1,824,211.72	18,134,471.65

※ From 2021, The boundary covers FANUC CORPORATION and its consolidated subsidiaries and the scope of products have expanded (covering all products).

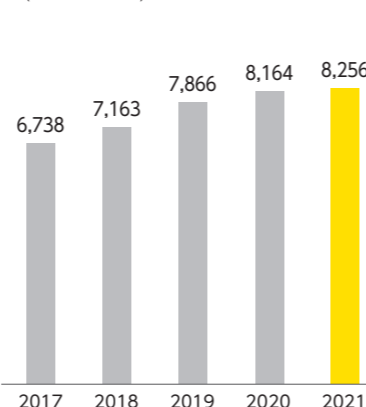
Capital investment/Depreciation and amortization
(unit: Millions of yen)



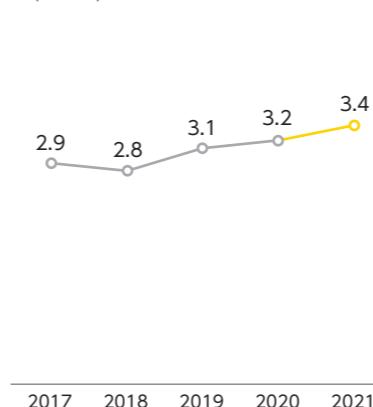
Research and development expenses
(unit: Millions of yen)



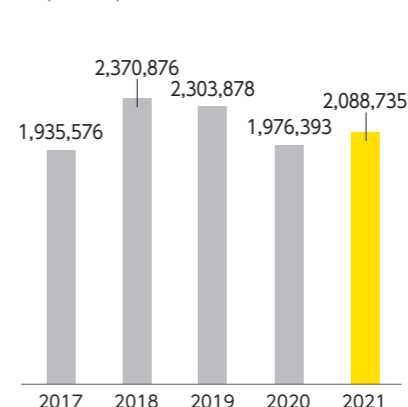
Number of employees
(unit: Persons)



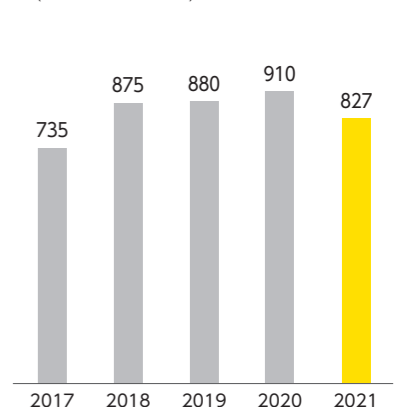
% of females in executive employees (FANUC Corporation)
(unit: %)



Electricity used※
(unit: GJ)



Total Water Used
(unit: thousand m³)



Consolidated Statements of Income (unit: Millions of yen)

Years ended March 31	2020	2021
Net sales	¥ 508,252	¥ 551,287
Cost of goods sold	326,095	349,327
Gross profit	182,157	201,960
Selling, general and administrative expenses	93,807	89,446
Operating income	88,350	112,514
Non-operating income		
Interest income	3,861	2,088
Dividends income	1,444	1,339
Equity in earnings of affiliates	8,752	11,640
Miscellaneous income	2,733	3,330
Total non-operating income	16,790	18,397
Non-operating expenses		
Removal expenses of noncurrent assets	971	523
Loss on valuation of investment securities	454	772
Donations	300	481
Miscellaneous expenses	599	391
Total non-operating expenses	2,324	2,167
Ordinary income	102,816	128,744
Extraordinary losses		
Impairment loss	1,973	—
Total extraordinary losses	1,973	—
Income before income taxes	100,843	128,744
Income taxes-current	24,450	32,385
Income taxes-deferred	1,776	101
Total taxes and others	26,226	32,486
Net income	74,617	96,258
Net income attributable to non-controlling interests	1,246	2,246
Net income attributable to owners of parent	¥ 73,371	¥ 94,012

Consolidated Statements of Comprehensive Income (unit: Millions of yen)

Years ended March 31	2020	2021
Net income	¥ 74,617	¥ 96,258
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,053)	11,852
Foreign currency translation adjustment	(18,634)	22,072
Remeasurements of defined benefit plans	7,408	(6,672)
Share of other comprehensive income of affiliates accounted for using equity method	(1,961)	569
Total other comprehensive income	(17,240)	27,821
Comprehensive income	¥ 57,377	¥ 124,079
Comprehensive income attributable to:		
Owners of parent	56,796	120,951
Non-controlling interests	581	3,128

Consolidated Balance Sheets (unit: Millions of yen)

Years ended March 31	2020	2021
Assets		
Current assets		
Cash and bank deposits	¥ 405,861	¥ 429,784
Notes and accounts receivables, trade	85,266	128,171
Marketable securities	126,700	157,000
Finished goods	65,122	81,253
Work in progress	51,979	52,008
Raw materials and supplies	25,450	31,007
Other current assets	10,833	11,253
Allowance for doubtful accounts	(831)	(782)
Total current assets	770,380	889,694
Noncurrent assets		
Property, plant and equipment		
Buildings	310,060	309,113
Machinery and equipment	60,216	59,863
Land	146,085	148,389
Construction in progress	65,458	44,408
Other, net	15,317	15,073
Total property, plant and equipment	597,136	576,846
Intangible assets	10,219	9,952
Investments and other assets		
Investment securities	83,337	109,212
Deferred income taxes	33,912	31,141
Net defined benefit asset	13,968	4,772
Others	4,003	3,998
Allowance for doubtful accounts	(456)	(424)
Total investments and other assets	134,764	148,699
Total noncurrent assets	742,119	735,497
Total assets	¥ 1,512,499	¥ 1,625,191
Liabilities		
Current liabilities		
Notes and accounts payables, trade	¥ 26,974	¥ 44,015
Accrued income taxes	9,270	22,131
Warranty reserves	8,306	8,860
Other current liabilities	56,413	60,112
Total current liabilities	100,963	135,118
Long-term liabilities		
Net defined benefit liability	44,652	49,379
Other long-term liabilities	4,019	5,140
Total long-term liabilities	48,671	54,519
Total liabilities	149,634	189,637
Net assets		
Shareholders' equity		
Common stock	69,014	69,014
Capital surplus	96,265	95,995
Retained earnings	1,351,122	1,373,018
Treasury stock, at cost	(127,822)	(106,008)
Total shareholders' equity	1,388,579	1,432,019
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,058	16,910
Foreign currency translation adjustment	(26,608)	(4,849)
Remeasurements of defined benefit plans	(11,929)	(18,601)
Total accumulated other comprehensive income	(33,479)	(6,540)
Non-controlling interests	7,765	10,075
Total net assets	1,362,865	1,435,554
Total liabilities and net assets	¥ 1,512,499	¥ 1,625,191

Consolidated Statements of Changes in Net Assets (unit: 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	Total accumulated other comprehensive income	Total net assets
Balance at March 31, 2018	¥69,014	¥96,265	¥1,398,977	(¥91,020)	¥13,090	(¥619)	(¥24,117)	¥6,040	¥1,467,630
Cumulative effects of changes in accounting policies									-
Restated balance	¥69,014	¥96,265	¥1,398,977	(¥91,020)	¥13,090	(¥619)	(¥24,117)	¥6,040	¥1,467,630
Dividends of surplus			(173,665)						(173,665)
Net income attributable to owners of parent			154,163						154,163
Changes by merger			1,121						1,121
Change in equity from transactions with non-controlling shareholders									-
Purchase of treasury stock				(187)					(187)
Disposal of treasury stock		6		4					10
Retirement of treasury stock		(6)	(157)	163					-
Net change except shareholders' equity during the year					(3,979)	(6,058)	4,780	1,331	(3,926)
Balance at March 31, 2019	¥69,014	¥96,265	¥1,380,439	(¥91,040)	¥9,111	(¥6,677)	(¥19,337)	¥7,371	¥1,445,146
Cumulative effects of changes in accounting policies			(63)						(63)
Restated balance	¥69,014	¥96,265	¥1,380,376	(¥91,040)	¥9,111	(¥6,677)	(¥19,337)	¥7,371	¥1,445,083
Dividends of surplus			(102,541)						(102,541)
Net income attributable to owners of parent			73,371						73,371
Changes by merger									-
Change in equity from transactions with non-controlling shareholders									-
Purchase of treasury stock				(36,875)					(36,875)
Disposal of treasury stock		4		5					9
Retirement of treasury stock		(4)	(84)	88					-
Net change except shareholders' equity during the year					(4,053)	(19,931)	7,408	394	(16,182)
Balance at March 31, 2020	¥69,014	¥96,265	¥1,351,122	(¥127,822)	¥5,058	(¥26,608)	(¥11,929)	¥7,765	¥1,362,865
Cumulative effects of changes in accounting policies									-
Restated balance	¥69,014	¥96,265	¥1,351,122	(¥127,822)	¥5,058	(¥26,608)	(¥11,929)	¥7,765	¥1,362,865
Dividends of surplus			(50,369)						(50,369)
Net income attributable to owners of parent			94,012						94,012
Changes by merger			346						346
Change in equity from transactions with non-controlling shareholders		(270)							(270)
Purchase of treasury stock				(283)					(283)
Disposal of treasury stock		2		2					4
Retirement of treasury stock		(2)	(22,093)	22,095					-
Net change except shareholders' equity during the year					11,852	21,759	(6,672)	2,310	29,249
Balance at March 31, 2021	¥69,014	¥95,995	¥1,373,018	(¥106,008)	¥16,910	(¥4,849)	(¥18,601)	¥10,075	¥1,435,554

Consolidated Statements of Cash Flows (unit: Millions of yen)

Years ended March 31	2020	2021
Cash flows from operating activities		
Income before income taxes	¥ 100,843	¥ 128,744
Depreciation and amortization	45,913	45,102
Impairment loss	1,973	-
Increase (decrease) in allowance for doubtful accounts	(261)	(121)
Increase (decrease) in net defined benefit liability	2,762	4,252
(Increase) decrease in net defined benefit asset	(7,456)	9,040
Interest and dividend income	(5,305)	(3,427)
Equity in (earnings) losses of affiliates, net	(8,752)	(11,640)
(Increase) decrease in receivables, trade	18,358	(37,122)
(Increase) decrease in inventories	10,288	(16,828)
Increase (decrease) in payables, trade	(8,646)	15,239
Other	14,118	(2,985)
Subtotal	163,835	130,254
Interest and dividends received	11,965	7,082
Income taxes paid	(29,655)	(20,153)
Other	(1,273)	813
Net cash provided by operating activities	144,872	117,996
Cash flows from investing activities		
Payments into time deposits	(32,248)	(31,849)
Proceeds from withdrawal of time deposits	28,672	40,021
Purchases of property, plant, and equipment	(75,429)	(21,768)
Other	(5,314)	(3,174)
Net cash used in investing activities	(84,319)	(16,770)
Cash flows from financing activities		
Purchases of treasury stock	(36,870)	(283)
Dividends paid	(102,546)	(50,484)
Other	(1,310)	(2,365)
Net cash used in financing activities	(140,726)	(53,132)
Effect of exchange rate changes on cash and cash equivalents	(12,533)	14,465
Net increase (decrease) in cash and cash equivalents	(92,706)	62,559
Cash and cash equivalents at beginning of year	607,714	515,008
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	352
Cash and cash equivalents at end of year	¥ 515,008	¥ 577,919

Corporate Profile

Outline

Company Name	FANUC CORPORATION	
Established	1972	
Principal Sites	Head office	Oshino-mura, Minamitsuru-gun, Yamanashi Prefecture
	Research and Development	CNC Hardware Research and Development Division, CNC Software Research and Development Division, SERVO Research and Development Division, LASER Research and Development Division, ROBOT Mechanical Research and Development Division, ROBOT Software Research and Development Division, ROBODRILL Research and Development Division, ROBOSHOT Research and Development Division, ROBOCUT Research and Development Division, ROBONANO Research and Development Department, Next-Generation Technology Laboratory (Oshino-mura and Yamanakako-mura, Minamitsuru-gun, Yamanashi Prefecture)
	Factories	Headquarters Factory (Oshino-mura and Yamanakako-mura, Minamitsuru-gun, Yamanashi Prefecture), Mibu Factory (Mibu-machi, Shimotsuga-gun, Tochigi Prefecture), Tsukuba Factory (Chikusei City), Hayato Factory (Kirishima City)
	Training Centers	FANUC ACADEMY (Oshino-mura, Minamitsuru-gun, Yamanashi Prefecture)
Number of employees	The Company 4,105 The FANUC Group 8,256	
Principal 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	
Principal Affiliated Companies	BEIJING-FANUC Mechatronics CO., LTD., SHANGHAI-FANUC Robotics CO., LTD.	

Matters Concerning the Shares of the Company (Years ended March 31)

Total number of shares authorized to be issued by the Company	400,000,000 shares
Total number of issued shares	201,922,097 shares
Number of shareholders	52,693

The ten largest shareholders		
Name	Number of shares (In thousands)	Percentage of equity participation (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	32,663	17.0
Custody Bank of Japan, Ltd. (Trust Account)	15,048	7.8
SSBTC Client Omnibus Account	5,405	2.8
Citibank, N.A. - NY, as Depositary Bank for Depositary Shareholders	4,343	2.3
JPMorgan Chase Bank 380055	3,958	2.1
State Street Bank West Client - Treaty 505234	2,956	1.5
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	2,935	1.5
The Bank of New York Mellon 140044	2,828	1.5
Government of Norway	2,728	1.4
Custody Bank of Japan, Ltd. (Trust Account 5)	2,691	1.4

※ The percentages of equity participation are calculated after subtracting the number of treasury shares (10,108 thousand shares) from the total number of issued shares.

Global Service Network

Japan

本社

〒401-0597 山梨県忍野村
Tel. (0555) 84-5555/Fax. 5512 (代)

日野支社

〒191-8509 東京都日野市旭が丘3-5-1
Tel. (042) 584-1111/Fax.589-8899 (代)

名古屋支社

〒485-0077 愛知県小牧市西之島1918-1
Tel. (0568) 73-7810/Fax.3799 (代)

名古屋サービスセンター

〒485-0802 愛知県小牧市大草5409-2
Tel. (0120) 240-716/Fax.833 (FA)
Tel. (0120) 240-613/Fax.673 (ロボット、ロボマシン)

大阪支店

〒559-0034 大阪府大阪市住之江区南港北1-3-41
Tel. (06) 6614-2110/Fax.2121 (代)

北海道支店

〒069-0832 北海道江別市西野幌114-6
Tel. (011) 385-5080/Fax.5084 (代)

東北支店

〒981-3206 宮城県仙台市泉区明通4-5-1
Tel. (022) 378-7756/Fax.7759 (代)

筑波支店

〒305-0856 茨城県つくば市観音台1-25-1
Tel. (029) 837-1161/Fax.1165 (代)

前橋支店

〒371-0846 群馬県前橋市元総社町521-10
Tel. (027) 251-8431/Fax.8330 (代)

越後支店

〒954-0111 新潟県見附市今町7-17-38
Tel. (0258) 66-1101/Fax.1141 (代)

白山支店

〒924-0071 石川県白山市徳光町2394-15
Tel. (076) 276-2044/Fax.2062 (代)

中国支店

〒701-0165 岡山県岡山市北区大内田834
Tel. (086) 292-5362/Fax.5364 (代)

広島支店

〒732-0032 広島県広島市東区上温品1-7-3
Tel. (082) 289-7972/Fax.7971 (代)

九州支店

〒869-1196 熊本県菊陽町津久礼2570-2
Tel. (096) 232-2121/Fax.3334 (代)

FANUC ACADEMY

〒401-0597 山梨県南都留郡忍野村忍草字丸尾岸1183
Tel. (0555) 84-6030/Fax.5540

壬生工場

〒321-0234 栃木県下都賀郡壬生町大字羽生田3101

筑波工場

筑波1区
〒300-4522 茨城県筑西市向上野1500-2

筑波2区
〒300-4541 茨城県筑西市松原284-4

隼人工場

〒899-5116 鹿児島県霧島市隼人町内2277

The Americas

FANUC America Corporation

Detroit, U.S.A. Tel. (1) 248-377-7000
Chicago, U.S.A. Tel. (1) 847-898-5000
ROBOT and ROBOT system development, manufacture, sales and services; CNC, LASER and ROBODRILL sales and services

Europe

FANUC Europe Corporation, S.A.

Luxembourg Tel. (352) 72-7777-1
CNC, LASER, ROBOT and ROBOMACHINE sales and services;
ROBOT system development, manufacture, sales and services

Asia

BEIJING-FANUC Mechatronics CO., LTD.

Beijing, China Tel. (86) 10-6298-4726
CNC manufacture, sales and services; LASER sales and services

SHANGHAI-FANUC Robotics CO., LTD.

Shanghai, China Tel. (86) 21-5032-7700
ROBOT system development, manufacture, sales and services;
ROBOT and ROBOMACHINE sales and services

SHANGHAI-FANUC ROBOMACHINE CO., LTD.

Shanghai, China Tel. (86) 21-5032-7700

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

KOREA FANUC CORPORATION

Changwon City, Korea Tel. (82) 55-278-1200
CNC, LASER, ROBOT, ROBOT system and ROBOMACHINE sales and services

TAIWAN FANUC CORPORATION

Taichung, Taiwan Tel. (886) 4-2359-9101
CNC manufacture, sales and services; LASER, ROBOT and
ROBOT system sales and services

FANUC INDIA PRIVATE LIMITED

Bangalore, India Tel. (91) 80-2852-0057
CNC manufacture, sales and services; ROBOT system development,
manufacture, sales and services; LASER, ROBOT and ROBOMACHINE
sales and services

FANUC THAI LIMITED

Bangkok, Thailand Tel. (66) 2-714-6111
CNC, ROBOT, ROBOT system and ROBOMACHINE sales and
services; LASER services

FANUC MECHATRONICS (MALAYSIA) SDN. BHD.

Kuala Lumpur, Malaysia Tel. (60) 3-3082-1222
CNC, ROBOT, ROBOT system and ROBOMACHINE sales and
services; LASER services

PT. FANUC INDONESIA

Jakarta, Indonesia Tel. (62) 21-4584-7285
CNC, ROBOT, ROBOT system and ROBOMACHINE sales and
services; LASER services

FANUC SINGAPORE PTE. LTD.

Singapore Tel. (65) 6-220-3911
CNC, LASER, ROBOT and ROBOMACHINE sales and services

FANUC PHILIPPINES CORPORATION

Manila, Philippines Tel. (63) 49-546-0178 (63) 49-546-0179
CNC, LASER, ROBOT and ROBOMACHINE services

FANUC VIETNAM COMPANY LIMITED

Ho Chi Minh, Vietnam Tel. (84) 28-7309-7970
CNC, LASER, ROBOT and ROBOMACHINE services

FANUC OCEANIA PTY. LIMITED

Sydney, Australia Tel. (61) 2-8822-4600
CNC, LASER, ROBOT and ROBOMACHINE sales and services

South Africa

FANUC SOUTH AFRICA (PROPRIETARY) LIMITED

Johannesburg, South Africa Tel. (27) 11-392-3610
ROBOT system development, manufacture, sales and
services; CNC, ROBOT, ROBODRILL and ROBOCUT sales and services;
LASER services