

# CORPORATE GOVERNANCE GUIDELINES

FANUC CORPORATION  
Establishment: December 1, 2015  
Revision: December 21, 2018

## Chapter 1 General Provisions

### Article 1 (Purpose of Guidelines)

The purpose of these Guidelines is to set forth the overall principles and structure of corporate governance of our company.

### Article 2 (Fundamental Concept of Corporate Governance)

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

#### About “Strict Preciseness and Transparency”

##### Strict Preciseness

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

##### Transparency

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

By establishing a specific code of conduct while practicing “Strict Preciseness and Transparency,” we will make efforts to maintain a high level of awareness of officers and employees of our Group into the future.

### Article 3 (Organizational Structure under Companies Act)

As we are surrounded by a very rapidly changing business environment, unless the Board of Directors understands accurate information about customer and market trends, service status, etc., the Board will not be able to make appropriate managerial decisions. Due to these circumstances, in principle, our directors other than outside directors execute the business of our company, aiming at a system where directors are involved in daily operations themselves, acquire accurate information themselves, and

mutually share such information among the members of the Board of Directors. Furthermore, we have chosen to be a company with a board of auditors, as an organizational design that can make best use of these characteristics.

## Chapter 2 Fundamental Principles of Our Group

### Article 4 (Principles of Business Activities)

The principle “Strict Preciseness and Transparency” mentioned in Article 2 (Fundamental Concept of Corporate Governance) above has been the fundamental principle since the foundation of our company, and applies not only to corporate governance, but also to the development of products, etc., and all other activities of officers and employees of our Group.

While firmly maintaining “Strict Preciseness and Transparency,” our Group strives to practice the following through the unified efforts of the Group.

- While keeping in mind the original notion that FANUC products are equipment to be used at production sites, we will ensure, in product development, that they are “Reliable, Predictable, Easy to Repair” in order to support our customers in minimizing downtime and improving the operating rates of their plants.
- Prioritizing service activities over sales activities, we will take a “Service First” attitude in which we provide high level services that meet the global standards of FANUC in all parts of the world.
- As long as customers continue to use FANUC products, we will keep on providing maintenance service, which we call “lifetime maintenance.”
- Under the slogan of “One FANUC,” we will make the fullest use of the following strength of our Group: the provision of total solutions that integrate FA, robots and robomachines, and the provision of customer service around the world as a united group.

By promoting these practices through unified efforts of the Group, we will strive to make customers feel more secure and trust our Group, and will make steady efforts to ensure the stability and expansion of our core business and to ensure the ongoing development of the company.

#### Article 5 (Principle Regarding Relationship with Stakeholders)

We will manage the company while taking into consideration all stakeholders such as customers, employees, shareholders, suppliers and local communities.

#### Article 6 (Capital Policy)

In order to continuously develop in a sound manner and to fulfill our responsibilities to all stakeholders such as customers, employees, shareholders, suppliers and local communities, we will maintain a necessary and sufficient financial base with which we can deal with whatever challenges we face. In addition to this, we will make necessary investments to grow our business from time to time with the aim of contributing to the medium and long-term enhancement of corporate value, and we will also distribute profits to shareholders in the manner set forth in Exhibit 1 attached hereto.

#### Article 7 (Principle Regarding Cross-Shareholdings)

The Company will hold shares of other companies only when it is deemed necessary for the maintenance and expansion of the business of our Group from a medium and long-term perspective based on the benefits, such as the development of new products, the stable procurement of parts and materials, the maintenance of business relationships with customers, etc., upon considering the holding costs, etc. as well. Every year, we will perform an assessment based on such perspectives, and will strive to reduce the number of shares for which the holding significance is determined to be tenuous.

2 In exercising our voting rights of cross-held shares, we will comprehensively consider impact on our business and on management of such other companies, and other such matters, from a medium and long-term perspective, and then we will appropriately exercise such voting rights.

#### Article 8 (Whistle-Blowing System)

We will establish and appropriately operate a new whistle-blowing system where employees, etc., can whistleblow without fear of consequences.

### Chapter 3 Board of Directors and Board of Auditors

#### Article 9 (Structure of Board of Directors and Appointment and Dismissal of Candidates for Directors)

For candidates for directors, we will nominate, as inside directors, individuals who are

expected to contribute to the enhancement of corporate values, considering their past commitment to business, and we will nominate, as outside directors, individuals who satisfy the requirements set forth in Article 10 below. The appointment and dismissal of the candidates for directors, including the chief executive officer, shall be conducted through the deliberation of the Nomination and Remuneration Committee, the majority of which is composed of independent outside directors. In such a structure, the Board of Directors will aim for constructive and active deliberations.

#### Article 10 (Independence Criteria for Independent Outside Directors)

We will select, as candidates for independent outside directors, individuals who have no material conflicts of interest and are expected to freely make honest statements, etc., at the meetings of the Board of Directors and in other situations. (For example, we would ensure that the amount of transactions between the company the individual worked for and our company accounts for small percent of the consolidated sales of each group, and (in the case where the individual worked for a bank) there are no borrowings.)

#### Article 11 (Remuneration of Directors)

For remuneration of directors, we determine an amount of remuneration of inside directors, basically based on their positions, that consists of performance-based remuneration and fixed remuneration, and an appropriate amount of fixed remuneration of outside directors from the standpoint of ensuring independence, which are both determined by resolution of the Board of Directors to the extent approved at the shareholders' meeting. This decision shall be made through the deliberation of the Nomination and Remuneration Committee, the majority of which is composed of independent outside directors.

#### Article 12 (Delegation of Determinations Regarding Execution of Business)

In principle, the Board of Directors will delegate determinations regarding the execution of business to the Chairman and CEO in order to make quick decisions, except matters that will be subject to arbitrary decisions by the Board of Directors as required by laws and regulations, and other important matters as set forth in the standards for matters referred to the meetings of the Board of Directors.

#### Article 13 (Personnel Who are to Play Active Roles in the Future)

We will give our personnel, who will play an active role in corporate management in the future, opportunities to attend important meetings, etc., and will thus make efforts to develop such personnel. With respect to the plan for the successors, such as the chief executive officer, etc., we will strive to formulate and apply it through the deliberation of the Nomination and Remuneration Committee, the majority of which is composed of independent outside directors.

#### Article 14 (Structure of Board of Auditors and Candidate Auditors)

A majority of our auditors will be outside auditors as required by the Companies Act, and we have full time auditors who will be elected by auditors from among themselves with the aim of ensuring the effectiveness of the activities of the Board of Auditors.

#### Article 15 (Acquisition of Information by Directors and Auditors)

For the purpose of the acquisition of information by directors and auditors, we will cause the officer in charge of legal affairs to serve as a contact person for directors, cause a full time auditor to serve as a contact person for auditors, and cause each to cooperate with all divisions, etc., concerned, in order to support directors and auditors.

#### Article 16 (Nomination and Remuneration Committee)

With respect to the appointment and dismissal and remuneration of the directors, as well as the plan for the successors, such as the chief executive officer, etc., we will establish the Nomination and Remuneration Committee, the majority of which is composed of independent outside directors, and we will secure the objectiveness, transparency, etc. of the procedures through the deliberation of such Committee.

#### Article 17 (Cooperation with Independent Outside Directors, Independent Outside Auditors, etc.)

We will regularly provide opportunities for independent outside directors, independent outside auditors, President and CEO, etc. to share opinions and the like, and will thereby aim at the exchange of information and the sharing of recognition.

#### Article 18 (Transactions between Related Parties)

For transactions involving director conflicts of interest and the like, such directors must obtain approval of the Board of Directors as required by laws and regulations, and we will provide guidance to officers and employees from time to time so that they will not impair the shared interests of shareholders.

#### Article 19 (Training)

We will provide explanation to directors and auditors from time to time, focusing on important matters under laws and regulations. The section in charge will provide explanation about the overview of management of our company, etc., at the time of their assumption of office, especially to outside directors and outside auditors, and provide other such opportunities so that they can deepen their understanding about management of our company, and we will also provide opportunities for lectures, etc., by outside experts and provide other such opportunities, and thus provide them with necessary

support.

Article 20 (Effectiveness, etc. of Board of Directors)

For the effectiveness, etc., of the Board of Directors, in addition to opportunities to share opinions twice a year, we have established a system where directors and auditors can give their opinions, evaluations, etc., from time to time. The results will be disclosed in the corporate governance report each year.

Article 21 (Dialogue with Shareholders)

We will hold dialogue with shareholders in the manner set forth in Exhibit 2 attached hereto.

Notice Concerning Shareholder Return Policy

※Approved by the Board of Directors  
and disclosed on April 27, 2015.

1. Dividends

In order to further enhance the distribution of profits to our shareholders in the long term, we have decided, as our basic policy, to implement a dividend payout ratio of 60% of our consolidated net profit.

2. Share buybacks

We aim to buy back our own shares in a flexible manner depending on the level of our stock prices, taking into account the balance with our investment in growth, and where the Five-Year Average Total Return Ratio(\*) does not exceed 80%.

(\*) Five-Year Average Total Return Ratio means the ratio of the total combined amount of dividends and the total amount of share buybacks, over the total amount of our consolidated net profit for a five-year period.

3. Cancellation of treasury shares

We aim to limit the number of our treasury shares that we hold to a maximum of 5% of the total number of issued shares. We will, as a general rule, cancel any portion exceeding that limit every fiscal year.

## Policy on Dialogue with Shareholders

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

### 1. Overview of SR (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 an SR Department, as a section responsible for the promotion of constructive dialogue with shareholders both within and outside Japan.

### 2. Policy on Promotion of Constructive Dialogue with Shareholders

The SR Department works on the following as measures for the promotion of constructive dialogue with shareholders.

#### (1) Dialogue with Shareholders

The SR 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.

### 3. Point of Contact for Dialogue

Contact information is posted on our website  
(<https://www.fanuc.co.jp/en/ir/index.html>)