

## (TRANSLATION)

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### Consolidated Quarterly Financial Results

(based on Japanese standards)

For the six months ended September 30, 2018

October 29, 2018

Company name: FANUC CORPORATION Stock exchange listing: Tokyo Stock Exchange  
Stock code: 6954 URL: <https://www.fanuc.co.jp>  
Representative: (Title) Chairman (Name) Yoshiharu Inaba  
Contact: (Title) Manager, Public Relations (Name) Keisuke Fujii TEL: (0555)84-5555  
Scheduled date of filing quarterly report: November 9, 2018  
Scheduled date of commencing of dividend payments: December 3, 2018  
Availability of supplementary briefing material on quarterly financial results: Available  
Schedule of quarterly financial results briefing session: Scheduled

#### 1. Consolidated Financial Results for the Six Months Ended September 30, 2018 (April 1, 2018 – September 30, 2018)

##### (1) Consolidated Results of Operations

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

Six months ended September 30	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2018	344,951	(0.8)	98,428	(8.4)	112,035	(5.4)	81,693	(4.7)
2017	347,612	35.2	107,396	37.0	118,397	45.7	85,763	42.5

Note: Consolidated comprehensive income: April-September 2018 ¥89,688 million (10.0)%  
April-September 2017 ¥99,666 million 277.2 %

Six months ended September 30	Net income per share	Net income per share (diluted)
	Yen	Yen
2018	421.45	—
2017	442.41	—

##### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2018	1,738,724	1,500,379	85.9
March 31, 2018	1,728,227	1,467,630	84.6

(Reference) Equity: September 30, 2018: ¥1,493,085 million

March 31, 2018: ¥1,461,590 million

#### 2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end Dividends	Full year
	Yen	Yen	Yen	Yen	Yen
2017	—	265.45	—	297.75	563.20
2018	—	598.19	—	—	—
2018 (forecast)	—	—	—	—	—

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

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

Note: The forecasts of year-end dividends for the year ending March 31, 2019, will be disclosed promptly upon their availability.

3. Consolidated Financial Forecasts for the Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)  
 (% represents changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal period	626,000	(13.8)	150,900	(34.3)	165,300	(33.8)	142,300	(21.8)	734.13

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

\*Notes

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

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

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

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

(4) Number of shares outstanding (Common shares)

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

	September 30, 2018	204,040,771 shares	March 31, 2018	204,059,017 shares
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2. Number of treasury stocks
 

	September 30, 2018	10,206,535 shares	March 31, 2018	10,220,284 shares
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3. Average number of shares during the period
 

	April-September 2018	193,836,282 shares	April-September 2017	193,852,478 shares
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\* The report of the quarterly financial results is not subject to audit by certified public accountant or audit firm.

\* Any forecasts described in this report are subject to uncertain factors such as supply and demand trends, industry competition, economic conditions, and others in major markets. Actual results may differ from these forecasts. The forecasts of the year-end dividends for the year ending March 31, 2019, will be disclosed promptly upon their availability.

## Table of Contents of Accompanying Documents

1. Results of Operations and Financial Position .....	2
(1) Results of Operations .....	2
(2) Financial Position .....	3
(3) Financial Results Forecasts .....	3
(4) Interim Dividends .....	4
2. Consolidated Quarterly Financial Statements .....	6
(1) Consolidated Quarterly Balance Sheet .....	6
(2) Consolidated Quarterly Statement of Income and Consolidated Quarterly Statement of Comprehensive Income .....	8
Consolidated Quarterly Statement of Income .....	8
Consolidated Quarterly Statement of Comprehensive Income .....	9
(3) Consolidated Quarterly Statement of Cash Flow .....	10
3. Other Information .....	11
(1) Changes in Significant Subsidiaries during the period .....	11
(2) Adoption of Simplified and Specifically Applied Accounting Method for Quarterly Consolidated Financial Reporting .....	11
(3) Changes in Accounting Principles and Accounting Estimates, and Revisions/Restatements .....	11
(4) Additional Information .....	11
(5) Note on Premise of a Going Concern .....	11
(6) Note on the Substantial Change in Shareholders' Equity .....	11
(7) Significant Subsequent Events .....	11

## **1. Results of Operations and Financial Position**

### **(1) Results of Operations**

The FANUC Group's results for the second quarter (April to September 2018) are as follows.

In the FA Division, demands in the machine tool industry, the primary market for FANUC CNC systems, remained at a high level in Japan, Europe, the Americas, and India, while there was a slight downward trend seen in China and Taiwan in the latter half of the quarter. With regard to our lasers, we continued focusing efforts on expanding sales of fiber laser oscillators both domestically and abroad. As a result, net sales in the FA Division increased compared with the corresponding period of the previous fiscal year.

In the Robot Division, although the automobile industry saw a trough in capital investments in the Americas and sales in China were weak, sales in Japan and Europe remained favorable. As a result, sales in the Robot Division slightly increased compared with the corresponding period of the previous fiscal year.

In the Robomachine Division, the short-term demand in the IT-related industry for the ROBODRILLS (compact machining centers) had settled, but other markets, mainly the automobile part processing market, generally remained favorable. In addition, sales of the ROBOSHOTs (electric injection molding machines) remained robust, while sales of the ROBOCUTs (wire-cut electric discharge machines) remained unchanged.

Amidst such circumstances, the FANUC Group, under the slogans, "one FANUC," "Reliable" "Predictable" "Easy to Repair," and "Service First," united as one group to promote the provision of our highly reliable products and related services, in order to empower our customers to build and maintain efficient and innovative production systems. In addition, while proceeding with the application of AI technology to our products, we made efforts to expand sales of LINK *i* products, which the FANUC Group has been promoting for some time, as well as to enhance functions of and spread our new product, FIELD system (FANUC Intelligent Edge Link and Drive system), as IoT initiatives.

As a result, during the six months from April to September 2018, FANUC posted consolidated net sales totaling ¥344,951 million, down 0.8%, consolidated ordinary income totaling ¥112,035 million, down 5.4%, and consolidated net income totaling ¥81,693 million, down 4.7%, compared with the corresponding period of the previous fiscal year.

Looking at the performance by business group, the FA Division posted consolidated sales totaling ¥119,551 million, up 13.5%, the Robot Division posted consolidated sales totaling ¥111,351 million, up 1.5%, the Robomachine Division posted consolidated sales totaling ¥68,774 million, down 23.6%, and the Service Division posted consolidated sales totaling ¥45,275 million, up 6.5%, compared with the corresponding period of the previous fiscal year.

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

## **(2) Financial Position**

### ① Assets, Liabilities and Net Assets

Total assets were ¥1,738,724 million, up ¥10,497 million compared with the end of the previous fiscal year.

Total liabilities were ¥238,345 million, down ¥22,252 million compared with the end of the previous fiscal year.

Total net assets were ¥1,500,379 million, up ¥32,749 million compared with the end of the previous fiscal year.

We cancelled our treasury shares exceeding the 5% of the total number of issued shares (18,246 shares, ¥163 million) on May 31, 2018 based on the shareholder return policy we announced on April 27, 2015. (There was no effect on the amount of total net assets.)

### ② Cash Flow

Cash and cash equivalents (hereinafter "Cash") for the first half of the current fiscal year amounted to ¥727,364 million, up ¥1,461 million from the end of the previous fiscal year.

(Cash flow from operating activities)

Cash provided by operating activities during the six months ended September 30, 2018 amounted to ¥119,058 million, up ¥6,916 million compared with the same period of the previous fiscal year. This was mainly due to the decrease in receivables, trade.

(Cash flow from investing activities)

Cash used in investing activities during the six months ended September 30, 2018 amounted to ¥68,044 million, up ¥37,605 million compared with the same period of the previous fiscal year. This was mainly due to the increase in the purchases of property, plant and equipment.

(Cash flow from financing activities)

Cash used in financing activities during the six months ended September 30, 2018 amounted to ¥56,968 million, up ¥15,609 million compared with the same period of the previous fiscal year. This was mainly due to the increase in dividends paid.

## **(3) Financial Results Forecasts**

The robust short-term demand in the IT-related industry during the previous fiscal year is not expected at this point in time. It is also anticipated that the situation will remain difficult and unpredictable in general, due to uncertain factors including continuing trade friction between countries and its impact, as well as foreign exchange fluctuations.

The present forecast for consolidated financial results for the fiscal year 2018 is as follows:

For the fiscal year 2018 (April 1, 2018 through March 31, 2019)

(Millions of yen)

	Previous forecast (released on July 25, 2018)	New forecast	Comparison with Previous forecast (%)
Net sales	637,400	626,000	(1.8)
Operating income	159,400	150,900	(5.3)
Ordinary income	173,800	165,300	(4.9)
Net income	145,200	142,300	(2.0)

Note: The currency rate applied to the period from October 1, 2018 to March 31, 2019 is averaged at 100 yen/US dollar and 120 yen/Euro.

#### (4) Interim Dividends

Our basic policy of distributing profits to shareholders, announced on April 27, 2015, is as follows.

##### 1. Dividends

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

##### 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%.

(Note) 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 income for a five-year period.

##### 3. Retirement 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, retire any portion exceeding that limit every fiscal year.

Since its announcement on April 27, 2015, we have carried out the distribution of profits to shareholders based on the above policy. For interim dividends for this fiscal year, we will pay the amount equivalent to a half of the additionally required distribution amount (\*) to realize a Five-Year Average Total Return Ratio of the maximum of 80% for the period of the last five years including this fiscal year as special dividends in place of a share buyback, in addition to the ordinary dividends of 60% of our consolidated first half net income.

\* (The total amount of net income for each fiscal year from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2018 + the forecast net income for the fiscal year ending March 31, 2019) × 20% - the total amount of share buybacks that were already carried out in each relevant fiscal year.

As a result, interim dividends for this fiscal year are as follows:

	First half	Second half	Full year
Current period (fiscal year ending March 31, 2019)		(Forecast)	(Forecast)
Dividends per share	¥598.19		
(Ordinary dividends)	(¥252.87)	Undetermined	Undetermined
(Special dividends)	(¥345.32)		
Payout ratio	141.9%		
(Ordinary dividends)	(60.0%)	—	—
(Special dividends)	(81.9%)		
(Reference) Previous period (fiscal year ended March 31, 2018)			
Dividends per share	¥265.45	¥297.75	¥563.20
Payout ratio	60.0%	60.0%	60.0%

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

(Millions of yen)

	March 31, 2018	September 30, 2018
<b>Assets</b>		
Current assets		
Cash and bank deposits	602,329	735,492
Notes and accounts receivables, trade	175,460	119,526
Marketable securities	145,000	15,000
Finished goods	71,680	72,533
Work in progress	56,405	58,008
Raw materials and supplies	22,033	29,447
Other current assets	30,030	20,321
Allowance for doubtful accounts	(1,424)	(1,192)
<b>Total current assets</b>	<b>1,101,513</b>	<b>1,049,135</b>
Noncurrent assets		
Property, plant and equipment		
Buildings	230,204	274,528
Land	143,036	145,146
Other, net	112,637	122,408
<b>Total property, plant and equipment</b>	<b>485,877</b>	<b>542,082</b>
Intangible assets	7,064	8,007
Investments and other assets		
Investment securities	89,946	85,375
Others	44,198	54,531
Allowance for doubtful accounts	(371)	(406)
<b>Total investments and other assets</b>	<b>133,773</b>	<b>139,500</b>
<b>Total noncurrent assets</b>	<b>626,714</b>	<b>689,589</b>
<b>Total assets</b>	<b>1,728,227</b>	<b>1,738,724</b>



(Millions of yen)

	March 31, 2018	September 30, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payables, trade	52,901	43,540
Accrued income taxes	46,466	31,576
Warranty reserves	7,047	7,571
Other current liabilities	83,686	84,382
Total current liabilities	190,100	167,069
Long-term liabilities		
Net defined benefit liability	67,562	68,373
Other long-term liabilities	2,935	2,903
Total long-term liabilities	70,497	71,276
Total liabilities	260,597	238,345
<b>Net assets</b>		
Shareholders' equity		
Common stock	69,014	69,014
Capital surplus	96,265	96,265
Retained earnings	1,398,977	1,422,796
Treasury stock, at cost	(91,020)	(90,964)
Total shareholders' equity	1,473,236	1,497,111
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,090	11,779
Foreign currency translation adjustment	(619)	7,640
Remeasurements of defined benefit plans	(24,117)	(23,445)
Total accumulated other comprehensive income	(11,646)	(4,026)
Non-controlling interests	6,040	7,294
Total net assets	1,467,630	1,500,379
<b>Total liabilities and net assets</b>	<b>1,728,227</b>	<b>1,738,724</b>

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

Consolidated Quarterly Statement of Income

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	347,612	344,951
Cost of goods sold	193,474	196,621
Gross profit	154,138	148,330
Selling, general and administrative expenses	46,742	49,902
Operating income	107,396	98,428
Non-operating income		
Interest income	1,533	2,016
Dividends income	1,019	1,014
Equity in earnings of affiliates	7,305	8,068
Foreign exchange gains	1,274	3,136
Miscellaneous income	1,486	1,488
Total non-operating income	12,617	15,722
Non-operating expenses		
Loss on sales and retirement of noncurrent assets	348	395
Removal expenses of noncurrent assets	190	1,284
Miscellaneous expenses	1,078	436
Total non-operating expenses	1,616	2,115
Ordinary income	118,397	112,035
Income before income taxes	118,397	112,035
Income taxes-current	36,554	34,108
Income taxes-deferred	(4,162)	(3,991)
Total taxes and others	32,392	30,117
Net income	86,005	81,918
Net income attributable to non-controlling interests	242	225
Net income attributable to owners of parent	85,763	81,693

## Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net income	86,005	81,918
Other comprehensive income		
Valuation difference on available-for-sale securities	3,510	(1,311)
Foreign currency translation adjustment	6,896	10,813
Remeasurements of defined benefit plans	3,829	672
Share of other comprehensive income of affiliates accounted for using equity method	(574)	(2,404)
Total other comprehensive income	13,661	7,770
Comprehensive income for the six months ended September 30	99,666	89,688
Comprehensive income attributable to:		
Owners of parent	99,506	89,314
Non-controlling interests	160	374

### (3) Consolidated Quarterly Statement of Cash Flow

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
<b>Cash flows from operating activities</b>		
Income before income taxes	118,397	112,035
Depreciation and amortization	15,909	17,869
Increase (decrease) in allowance for doubtful accounts	124	(214)
Increase (decrease) in net defined benefit liability	(4,744)	677
Interest and dividend income	(2,552)	(3,030)
Equity in (earnings) losses of affiliates, net	(7,305)	(8,068)
(Increase) decrease in receivables, trade	(4,662)	56,883
(Increase) decrease in inventories	(19,713)	(6,648)
Increase (decrease) in payables, trade	12,614	(10,496)
Other	21,259	(1,647)
Subtotal	129,327	157,361
Interest and dividends received	7,600	11,014
Income taxes paid	(24,818)	(48,874)
Other	33	(443)
Net cash provided by operating activities	112,142	119,058
<b>Cash flows from investing activities</b>		
Payment into time deposits	—	(22,510)
Proceeds from withdrawal of time deposits	—	22,294
Purchases of property, plant, and equipment	(27,759)	(65,312)
Other	(2,680)	(2,516)
Net cash used in investing activities	(30,439)	(68,044)
<b>Cash flows from financing activities</b>		
Purchases of treasury stock	(151)	(107)
Dividends paid	(40,554)	(57,746)
Other	(654)	885
Net cash used in financing activities	(41,359)	(56,968)
Effect of exchange rate changes on cash and cash equivalents	3,019	7,415
Net increase (decrease) in cash and cash equivalents	43,363	1,461
Cash and cash equivalents at beginning of period	774,761	725,903
Cash and cash equivalents at end of period	818,124	727,364

### 3. Other Information

- (1) Changes in Significant Subsidiaries during the period  
(changes in specific subsidiaries that caused change in scope of consolidation): None
- (2) Adoption of Simplified and Specifically Applied Accounting Method for Quarterly Consolidated Financial Reporting: None
- (3) Changes in Accounting Principles and Accounting Estimates, and Revisions/Restatements: None
- (4) Additional Information  
(Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)  
Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 of February 16, 2018) and other new rules have been applied since the beginning of the first quarter ended June 30, 2018. “deferred tax assets” are reflected in “investments and other assets” and “deferred tax liabilities” are reflected in “long-term liabilities.”
- (5) Note on Premise of a Going Concern: None
- (6) Note on the Substantial Change in Shareholders’ Equity: None
- (7) Significant Subsequent Events  
(Return of substitutional portion of Employees’ Pension Fund)  
The FANUC Employees’ Pension Fund enrolled in by FANUC CORPORATION, and received a notice dated October 1, 2018 to the effect that the return of the substitutional (past) portion of the Employees’ Pension Fund was approved by the Minister of Health, Labor and Welfare. Consequently, FANUC CORPORATION recognizes the extinction of the retirement benefit obligation related to the substitutional portion of the Employees’ Pension Fund incidental to such approval, as well as the gains incidental thereto, pursuant to paragraph 46 of the “Guidance on Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan Guidance No. 25). As a result thereof, we are planning to book 24,968 million yen extraordinary income, gains on the return of the substitutional (past) portion of the Employees’ Pension Fund, in the third quarter of the fiscal year ending March 2019. The final amount is currently being calculated and may fluctuate. As of October 1, 2018, FANUC CORPORATION has shifted from the previous system, Employees’ Pension Fund system, to Defined-Benefit Corporate Pension system, which is a new one.