

(TRANSLATION)

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Consolidated Quarterly Financial Results

(based on Japanese standards)

For the three months ended June 30, 2019

July 29, 2019

Company name: FANUC CORPORATION Stock exchange listing: Tokyo Stock Exchange
Stock code: 6954 URL: <https://www.fanuc.co.jp>
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Scheduled date of filing quarterly report: August 8, 2019
Scheduled date of commencing of dividend payments: -
Availability of supplementary briefing material on quarterly financial results: Available
Schedule of quarterly financial results briefing session: Scheduled

1. Consolidated Financial Results for the Three Months Ended June 30, 2019 (April 1, 2019 – June 30, 2019)

(1) Consolidated Results of Operations

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

Three months ended June 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	%
2019	134,634	(26.4)	28,595	(47.5)	32,063	(47.2)	23,282	(47.9)
2018	182,835	8.5	54,493	7.9	60,762	9.0	44,724	9.5

Note: Consolidated comprehensive income: April-June 2019: ¥13,503 million (69.0)%
April-June 2018: ¥43,495 million (4.0)%

Three months ended June 30	Net income per share	Net income per share (diluted)
	Yen	Yen
2019	120.75	—
2018	230.73	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2019	1,507,347	1,344,245	88.7
March 31, 2019	1,625,340	1,445,146	88.5

(Reference) Equity: June 30, 2019: ¥1,337,098 million

March 31, 2019: ¥1,437,775 million

2. Dividends

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

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

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

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

Note: The forecasts of the 2nd quarter-end and year-end dividends for the year ending March 31, 2020, will be disclosed promptly upon their availability.

3. Consolidated Financial Forecasts for the Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)
 (% for the 2Q cumulative period and for the full year represent changes from the same quarter of the previous fiscal year and 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
2 nd Quarter (Cumulative)	264,400	(23.4)	43,100	(56.2)	49,100	(56.2)	35,700	(56.3)	185.59
Fiscal period	524,200	(17.5)	71,300	(56.3)	81,000	(55.8)	60,300	(60.9)	313.85

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

*Notes

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

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

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

1. Changes associated with changes in accounting standards : Yes

2. Changes in accounting principles other than 1 : No

3. Changes in accounting estimates : No

4. Revisions/restatements : No

Note: For details, please see “3. Other Information (3) Changes in Accounting Principles and Accounting Estimates, and Revisions/Restatements” on Page 9 in Attachment.

(4) Number of shares outstanding (Common shares)

1. Number of shares outstanding at the end of the period (including treasury stocks)				
	June 30, 2019	204,031,841 shares	March 31, 2019	204,040,771 shares
2. Number of treasury stocks				
	June 30, 2019	12,125,934 shares	March 31, 2019	10,210,522 shares
3. Average number of shares during the period				
	April-June 2019	192,813,688 shares	April-June 2018	193,837,377 Shares

* 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 2nd quarter-end and the year-end dividends for the year ending March 31, 2020, 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
2. Consolidated Quarterly Financial Statements	5
(1) Consolidated Quarterly Balance Sheet	5
(2) Consolidated Quarterly Statement of Income and Consolidated Quarterly Statement of Comprehensive Income	7
Consolidated Quarterly Statement of Income	7
Consolidated Quarterly Statement of Comprehensive Income	8
3. Other Information	9
(1) Changes in Significant Subsidiaries during the period	9
(2) Adoption of Simplified and Specifically Applied Accounting Method for Quarterly Consolidated Financial Reporting	9
(3) Changes in Accounting Principles and Accounting Estimates, and Revisions/Restatements	9
(4) Note on Premise of a Going Concern	9
(5) Note on the Substantial Change in Shareholders' Equity	9

1. Results of Operations and Financial Position

(1) Results of Operations

The FANUC Group's results for the first quarter (April to June 2019) are as follows.

In the FA Division, demands in the machine tool industry, the primary market for FANUC CNC systems, declined in China and Taiwan due to the impact of the trade friction between the United States and China, and demands in South Korea also remained sluggish due to a slowdown in domestic demands. Demands stagnated in Europe as well, as can be seen in the restraining of investments by many companies (mainly automobile-related) that export products to China. Demands also decreased in Japan compared with the corresponding period of the previous fiscal year when sales were robust. This is due to a pause in capital investments and a slowdown in exports mainly to China. 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 declined compared with the corresponding period of the previous fiscal year.

In the Robot Division, although capital investments remained at a relatively high level both in the automobile industry and the general industries in Japan, capital investments continued to be sluggish in the automobile industry of the Americas and, in China, both the automobile industry and the general industries remained cautious about capital investments. As a result, sales in the Robot Division decreased compared with the corresponding period of the previous fiscal year.

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

Under these circumstances, to continue management from a long-term perspective with our eyes on the future and without being affected by short-term variability, the FANUC Group is promoting initiatives that allow our customers to build and maintain a highly reliable, efficient, and innovative production system without anxiety through our products and services, by uniting as one group under the slogans "one FANUC," "Reliable" "Predictable" "Easy to Repair," and "Service First." Furthermore, we are making efforts, as IoT initiatives, to spread the FIELD system (FANUC Intelligent Edge Link and Drive system), an open platform in which various companies can participate, with enrichment of

applications (including those made by partner companies), while proceeding with the application of AI technology to our products. At the same time, we are focusing on the enhancement of product competitiveness, strengthening of sales and service activities, automation and robotization of factories, and rationalization of business operations.

As a result, during the three months from April to June 2019, FANUC posted consolidated net sales totaling ¥134,634 million, down 26.4%, consolidated ordinary income totaling ¥32,063 million, down 47.2%, and consolidated net income totaling ¥23,282 million, down 47.9%, compared with the corresponding period of the previous fiscal year.

Looking at the performance by business group, the FA Division posted consolidated sales totaling ¥43,501 million, down 28.5%, the Robot Division posted consolidated sales totaling ¥47,103 million, down 19.5%, the Robomachine Division posted consolidated sales totaling ¥22,083 million, down 47.4%, and the Service Division posted consolidated sales totaling ¥21,947 million, up 2.2%, compared with the corresponding period of the previous fiscal year.

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

(2) Financial Position

Total assets were ¥1,507,347 million, down ¥117,993 million compared with the end of the previous fiscal year.

Total liabilities were ¥163,102 million, down ¥17,092 million compared with the end of the previous fiscal year.

Total net assets were ¥1,344,245 million, down ¥100,901 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 (8,930 shares, ¥88 million) on May 31, 2019 based on the shareholder return policy that we announced on April 24, 2019. (This policy is written in the Consolidated Annual Financial Results for the Year ended March 31, 2019) (There was no effect on the amount of total net assets.)

(3) Financial Results Forecasts

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

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

For the first half of the fiscal year 2019 (April 1, 2019 through September 30, 2019)

(Millions of yen)

	Previous forecast (released on April 24, 2019)	New forecast	Comparison with Previous forecast (%)
Net sales	266,400	264,400	(0.8)
Operating income	41,300	43,100	4.4
Ordinary income	44,800	49,100	9.6
Net income	31,200	35,700	14.4

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

(Millions of yen)

	Previous forecast (released on April 24, 2019)	New forecast	Comparison with Previous forecast (%)
Net sales	536,900	524,200	(2.4)
Operating income	75,700	71,300	(5.8)
Ordinary income	84,700	81,000	(4.4)
Net income	62,300	60,300	(3.2)

Note: The currency rate applied to the period from July 1, 2019 to March 31, 2020 is averaged at 100 yen/US dollar and 115 yen/Euro.

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	March 31, 2019	June 30, 2019
Assets		
Current assets		
Cash and bank deposits	607,155	473,078
Notes and accounts receivables, trade	106,204	97,939
Marketable securities	15,000	55,000
Finished goods	71,042	68,186
Work in progress	55,174	53,640
Raw materials and supplies	29,930	28,834
Other current assets	24,302	10,320
Allowance for doubtful accounts	(1,123)	(1,053)
Total current assets	907,684	785,944
Noncurrent assets		
Property, plant and equipment		
Buildings	301,179	313,651
Land	145,885	145,663
Other, net	127,512	124,326
Total property, plant and equipment	574,576	583,640
Intangible assets	9,603	9,555
Investments and other assets		
Investment securities	86,674	84,604
Others	47,259	44,058
Allowance for doubtful accounts	(456)	(454)
Total investments and other assets	133,477	128,208
Total noncurrent assets	717,656	721,403
Total assets	1,625,340	1,507,347

(Millions of yen)

	March 31, 2019	June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payables, trade	36,567	32,977
Accrued income taxes	15,007	9,174
Warranty reserves	8,215	8,114
Other current liabilities	75,278	66,652
Total current liabilities	135,067	116,917
Long-term liabilities		
Net defined benefit liability	42,097	42,346
Other long-term liabilities	3,030	3,839
Total long-term liabilities	45,127	46,185
Total liabilities	180,194	163,102
Net assets		
Shareholders' equity		
Common stock	69,014	69,014
Capital surplus	96,265	96,265
Retained earnings	1,380,439	1,325,147
Treasury stock, at cost	(91,040)	(126,683)
Total shareholders' equity	1,454,678	1,363,743
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,111	9,456
Foreign currency translation adjustment	(6,677)	(17,536)
Remeasurements of defined benefit plans	(19,337)	(18,565)
Total accumulated other comprehensive income	(16,903)	(26,645)
Non-controlling interests	7,371	7,147
Total net assets	1,445,146	1,344,245
Total liabilities and net assets	1,625,340	1,507,347

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

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	182,835	134,634
Cost of goods sold	103,385	82,153
Gross profit	79,450	52,481
Selling, general and administrative expenses	24,957	23,886
Operating income	54,493	28,595
Non-operating income		
Interest income	972	1,067
Dividends income	534	537
Equity in earnings of affiliates	3,515	2,259
Foreign exchange gains	1,792	—
Miscellaneous income	622	868
Total non-operating income	7,435	4,731
Non-operating expenses		
Removal expenses of noncurrent assets	485	363
Foreign exchange losses	—	747
Miscellaneous expenses	681	153
Total non-operating expenses	1,166	1,263
Ordinary income	60,762	32,063
Income before income taxes	60,762	32,063
Income taxes-current	14,597	5,924
Income taxes-deferred	1,330	2,532
Total taxes and others	15,927	8,456
Net income	44,835	23,607
Net income attributable to non-controlling interests	111	325
Net income attributable to owners of parent	44,724	23,282

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net income	44,835	23,607
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,115)	345
Foreign currency translation adjustment	774	(11,892)
Remeasurements of defined benefit plans	328	772
Share of other comprehensive income of affiliates accounted for using equity method	(1,327)	671
Total other comprehensive income	(1,340)	(10,104)
Comprehensive income for the three months ended June 30	43,495	13,503
Comprehensive income attributable to:		
Owners of parent	43,445	13,540
Non-controlling interests	50	(37)

3. Other Information

(1) Changes in Significant Subsidiaries during the period (changes in specific subsidiaries that caused change in scope of consolidation): None

(2) Adoption of Simplified and Specifically Applied Accounting Method for Quarterly Consolidated Financial Reporting: None

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

(Changes in Accounting Principles)

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

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

(4) Note on Premise of a Going Concern: None

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

As resolved at the Board of Directors' meeting held on April 24, 2019, the Company repurchased 1,923,000 shares of its common stock. As a result, including the increase resulting from the repurchase of shares less than one unit, its treasury stock increased by ¥35,643 million during the three months ended June 30, 2019, and was ¥126,683 million as of June 30, 2019.