

**FANUC CORPORATION**  
**Q&A Summary of the Telephone Conference**  
**on Financial Results for the First Quarter ended June 30, 2021**  
**(July 29, 2021)**

**Q: There has been a significant upward revision of the forecast for the entire year, especially in the second half. It is explained that this is due to the increase in demands in various fields of FA, ROBOTS and ROBOMACHINES. Can you provide details according to region?**

A: Overall, the markets in China, the Americas and Europe are in a good state. Japan is also recovering. The annual forecast has been revised on the premise that a similar level of sales will continue in the second half of this fiscal year. FA, ROBOTS and ROBOMACHINES are all doing strongly, with the performances of FA and ROBOTS being particularly noteworthy. There was a temporary increase in demand for ROBOMACHINES, but it is expected that this will settle down from Q2 on. The global market is recovering from the effects of the trade friction between the U.S. and China along with COVID-19, therefore, the situation is predicted to continue being favorable for a while.

**Q: Do you think this momentum for bookings will continue? Please answer according to region.**

A: The recovery in Japan was slow compared to China, the Americas and Europe, but is expected to accelerate in the near future. Europe lagged behind the Americas in terms of recovery, but the European market is anticipated to continue being strong. There has been an extremely high amount of orders from China, especially for FA, but this includes orders placed in advance, therefore the situation is expected to balance out to some extent. Nevertheless, actual demands from China will continue to be high.

**Q: Can you provide information based on industries? What are your views on China's capital investments?**

A: All major industries are in good condition. In China, the IT related industries, and the construction machine industry are doing very well. The automotive industry is also favorable, particularly for EVs. The markets in the Americas and Europe are strong as well. In relation to ROBOTS, general industries, i.e.; non-automotive industries, are enthusiastic about robotization, and though there was a "wait and see" attitude regarding capital investments, they are presently precipitating investments as the economy recovers.

**Q: Bookings for ROBOTS have increased in the Americas. Can you explain the situation for each Business Division?**

A: On page 4 of the reference material, there is a pie chart depicting the sales of each division by region. In the Americas, sales of FA and ROBOMACHINES are low while sales of ROBOTS is quite high. Orders are coming in steadily. Sales for Q1 are less than the sales for Q4, but this is temporary, resulting from the time lag in recording sales.

**Q: Is it correct to think that the sales of ROBOMACHINES increased only due to temporary demands, and has not expanded otherwise?**

A: There was a temporary surge in demands for ROBODRILLS for manufacturing PCs and tablets, but apart from this, ROBOMACHINES are selling well for IT related applications, and there are demands for automotive components and machining as well.

The range of use of ROBOSHOTS is spreading, such as for high-precision lens molding, and is also doing favorably.

**Q: Do you perceive any risks to your FA business due to the trend in demands for ROBODRILLS for manufacturing PCs and tablets?**

A: There was a concentration of demands for ROBODRILLS for the production of PCs and tablets, but such demands will not last forever, though they will continue to be stable. In the same environment, machines equipped with FANUC CNCs made by machine tool builders are also used, leading to a favorable situation for our FA business.

The percentage of FANUC's FA products used in China is high in the IT related industries, but demands are also rising for parts machining of construction machines and in the semiconductor related industry. Also in the automotive industry, there is a high demand associated with EVs.

**Q: If bookings increase significantly, sales in the next quarter should rise. Due to this, it was expected that sales for Q1 would be higher. In Q1, there is a difference of 20 billion yen between sales and bookings, and the gap is large compared to the past. At the same time, it is said that the supply and demand of component parts is taxing. Is sales presumed to be consistent at around 180 billion yen for each quarter in your revised forecast? Despite having bookings of over 200 billion yen, is sales predicted to be 180 billion yen due to limitations in delivery and production?**

A: From the viewpoint of bookings, increasing the sales figure would be preferred, but the procurement of parts is extremely difficult at present. We are continuing to do our

best to obtain parts, but believe this tough situation will continue, thus leading to such a sales forecast. FANUC has invested in our factories during the past few years, so there is sufficient production capacity, but the global shortage of parts is presenting a strenuous challenge to our company as well.

**Q: Do you think that limitations on production due to the lack of parts will be resolved during this year?**

A: It is quite difficult to predict when this procurement problem will be resolved. We are braced to face a prolongation of this difficult situation, and our forecast is based on this assumption. As soon as the problem is solved, we would like to manufacture as many units as possible and deliver them to our customers.

**Q: With the supply and demand of parts being problematic, are your customers ordering CNCs based on expectations, and/or ordering in advance? Is China the only country which seems to be ordering in advance?**

A: FANUC CNCs are sold as units and used in upstream processes, therefore it is inevitable that orders are placed in advance. When deliveries take longer, there are cases where business partners order in advance, and this occurs in many countries, including Japan, and is not limited to China. The entire world is experiencing problems in acquiring parts. FANUC is doing its utmost to procure parts, being fully aware that this is a crisis.

**Q: Page 7 of the reference material shows bookings by region. Is the reason for the decrease in bookings for FA in China, a counter reaction to China having placed orders in advance? Though advance orders from China is less than in the previous quarter (Q4), is it correct to assume that some still remain?**

A: Orders for FA products quickly picked up in China, and with delivery time getting longer, there were advance orders in Q4. We are undergoing an adjustment phase at present. There appears to be a few advance orders still in Q1.

**Q: What is the operation level of your factories? What are your plans for the end of the fiscal year?**

A: The current extremely high rate of production is expected to continue for a while. If more parts can be procured, our production capacity is sufficient to handle the situation.

**Q: FANUC is pouring much effort in digitalization starting with FIELD system, but there is an impression that the contribution to your business performance is not substantial. What actions have you taken to handle customers' needs and**

**challenges? How will this contribute to FANUC's growth?**

A: Starting something new and establishing it as a business takes time. There are many customers who are interested, and attempts are being made. Though it may take time, our approach and structure are being strengthened in a steady and orderly fashion, in order to monetize such initiatives.

FANUC's IoT products are not limited to FIELD system. We also offer products such as MT-LINKi which is a more low-end machine monitoring system. As an extension, we expect to integrate it with FIELD system and DUCNET. As these IoT products are extremely compatible with our FA technologies, we have restructured our organization this July, and have united this team with the FA Business Division, to focus more on this area.

Over the past few years, FANUC has engaged in IoT and AI technologies, and have steadfastly produced results in terms of performance and maintainability among others. Though performance is important, ease of use is key for lowering the hurdle for their adoption, and we have succeeded in widely appealing to customers.

Such endeavors of the past years has brought about a massive amount of orders of all of our products.

**Q: The CRX collaborative robot, which targets ease of use, seems to be the opposite of your high-end DX, FIELD system and other products intended for professionals. Is it correct to think that difficulties, for example, in implementing FIELD system has been a "trigger" to become aware of the needs of customers, that is, to make products which are user-friendly such as the CRX?**

A: Customers wish to have something done to their factories. In response, we have offered FIELD system, which is a platform with which customers can configure freely as they like. Customers, however, encountered difficulties in using FIELD system. This led us to acknowledge that more efforts are required on our part or by application vendors to fill the gap between customers' requirements and FIELD system through customization, which is attuned to each individual customer, to enable onsite usage in their factories. We recognize that we must consider ease of use from the viewpoint of customers, and this is the same basis as pursuing ease of use of the CRX.

(Note: Any reference in this material about the future may be affected by uncertain factors, such as supply and demand trends, industry competition, and economic climate. Therefore, actual outcomes may differ.)