

**FANUC CORPORATION**  
**Q&A Summary of the Telephone Conference on the**  
**Financial Results for the Year ended March 31, 2023**  
**(April 26, 2023)**

**Q: The percentage of ROBOT bookings has risen to reach almost half the total, but is this accompanied by the increase in profitability?**

A: The operating margin of ROBOTs is gradually improving. The number of inquiries is quite high at present, and more customers are prioritizing delivery time over prices. As FANUC's ROBOTs are high in reliability, cases are emerging in which not only the initial cost, but also the total cost of ownership (TCO) is considered, resulting in the awareness and high appraisal that the overall cost is low when using our ROBOTs over a long span, for example, for 10 or 15 years.

**Q: Regarding investments, it was mentioned that FANUC is aiming for “maximum return with minimum investments.” What specifically do you have in mind?**

A: We are presently discussing the formation of a structure for increasing the production capacity of ROBOTs, and we foresee the necessity of a new factory in the near future. Also, efficiency in existing factories will be optimized to decrease capital investments as much as possible, while increasing production capacity in parallel. In considering how to efficiently increase production in constructing new factories, we are contemplating ways to minimize investment amounts, such as by dividing investments into steps.

**Q: In comparing the performance of Q3 and Q4, what is the background of the decrease in operating profits exceeding the decline in sales? In addition, in the forecast for the next year, profits are expected to decrease more than the drop in sales. What is behind this?**

A: Inventory adjustments have generated a slight gap between sales and production. The major cause is that when factory operation decreases even modestly, the profit and loss of manufacturing is impacted negatively. Furthermore, in our forecast for FY2023, we have surmised that the cost of materials will continue to rise, and have taken into account that expenditures will increase due to investments for increasing production capacity. Also, our calculations are based on currency exchange rate assumptions with the yen being higher than the actual market rates.

**Q: What are the booking trends per product line?**

A: For FA, the inventory at Beijing-Fanuc is decreasing and Headquarters is receiving more orders from them. South Korea and Taiwan are also adjusting inventories, and though it may take some time to recover, we expect inquiries to increase gradually. Although the state of inquiries at the local level will be the determining factor, it can be said in general

that Q4 has hit the bottom.

ROBOTs are riding on a tailwind in terms of inquiries. However, production is unable to keep up, and delivery time continues to be long. Inventories in our Group Companies are increasing, and although order adjustments are being made for some models, shortages remain for most ROBOT models, which leads us to believe that bookings will retain a good state. At the same time, we cannot say for sure that bookings will increase in a stable manner.

ROBOMACHINEs savored a one-time booking in the IT-related sector in Q4, but the future is completely unseeable, and we do not expect such high-level bookings to continue in our present plans.

**Q: Please explain the situation of parts shortages.**

A: Electric and electronic parts can be procured to the extent that is necessary for production. Nevertheless, even a minute increase in production will generate concerns of a shortage, which is why we are trying to accumulate stock. Overall, stocks have increased largely, but there are parts with just a little more than the minimum in stock. Therefore in the procurement process, we are placing emphasis on acquiring such parts. Although we would like to manufacture more ROBOTs, some parts, especially mechanical parts, cannot be obtained, which makes us unable to fulfill our customers' orders.

Measures are being taken such as having our suppliers increase their production capacity. If this proves to be difficult, we increase the number of suppliers that we work with. If such manufacturing limitations become more lax, we expect to be able to ship more ROBOTs.

**Q: What is your outlook on inventory adjustments and bookings?**

A: For FA bookings, China and all other markets are in the process of adjusting inventories due to our long delivery time resulting from parts shortages. If an economic stimulus package is issued in China, which is the largest market, there is a possibility that demands may double or increase even more. So in order to be prepared, it is necessary to have a certain amount of inventory.

For ROBOTs, we are unable to completely deliver according to our customers' orders, and bookings will continue to be in a good state. ROBOT inventory increased in overseas Group Companies, but this is starting to decrease. However, in order to reach an adequate level, our forecast presumes that some adjustments will be made.

**Q: For the FA business, how do you perceive the growth of the CNC market?**

A: Of FANUC's business divisions, ROBOTs are experiencing the highest growth. Though not as much as ROBOTs, the FA business has the capability to grow steadily. Since high shares have already been attained, an increase may be limited, but shares remain low in Europe, and there is much room for growth in India. Furthermore, through steadfast efforts, such as having customers use more motors or add more options, it is possible to increase the unit price. With the synergy between higher sales volumes and higher unit prices, there is ample

potential for stable growth.

In addition, FANUC's CNC salespersons are selling ROBOTS to machine manufacturers, which also contributes to higher unit prices. Although the combination of ROBOTS and machine tools is attracting attention, this is still not widespread. Therefore, we foresee substantial opportunities for a CNC salesperson to engage in the sales of ROBOTS.

**Q: How would you describe the competition with the local Chinese manufacturers?**

A: FANUC is fighting in an area which does not directly come into conflict with local Chinese CNC manufacturers. That is, we are doing business in the middle range and higher level areas. However, the Chinese government is focusing on domestic production of CNCs, and we are hearing that local Chinese manufacturers can offer simultaneous 5-axis machining functions to some extent. Based on this background we will not be arrogant and monitor the trends carefully.

**Q: What is FANUC's position, development and potential in the Indian market?**

A: I visited the IMTEX exhibition in Bangalore in January and felt firsthand that the local machine manufacturers are significantly increasing their skills, such as in the design, function and performance. This growth may not be comparable to the rapid development in China, but the further growth of India is beyond doubt. Although FANUC has high shares in India, we will pour more efforts in having Indian customers select our CNCs. The market is extremely price sensitive, so we are differentiating ourselves from competitors who offer low-price products. When a machine manufacturer elevates from a low-end CNC to a higher level, they tend to choose middle range or high-end CNCs such as ours. They become our targets, and we are concentrating on promoting FANUC to capture such opportunities. We are fully convinced that India will eventually become the most important market next to China.

**Q: What is the situation of FANUC ROBOTS in the United States?**

A: The United States is a market in which FANUC ROBOTS have attained an extremely high share. From a global viewpoint, I believe FANUC ROBOTS boast the highest share in the U.S. This applies uniformly to the automotive and automobile component industries as well as general industries. Robotization is advancing in all areas. China was the first to introduce robots for investments in EVs. American manufacturers are also starting EV-related investments, and we are starting to receive inquiries for car body and battery-related solutions. Another aspect is that there is enthusiasm in the U.S. to enhance productivity by using robots. This is propelled by labor shortages, lack of skills and other factors. Such an environment underlines our belief that this favorable state will continue.

(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.)