

**FANUC CORPORATION**  
**Q&A Summary of the Telephone Conference**  
**on Financial Results for the Second Quarter ended Sep. 30, 2023**  
**(Oct. 31, 2023)**

**Q: Has there been any changes in the situation compared to three months ago?**

**At the Conference for Q1, orders for Q3 and Q4 were forecasted to improve to some extent. Is this forecast still the same?**

A: Three months ago, it was anticipated that China would slightly recover. However the pace of recovery was slow, and the “wait and see” attitude for capital investments remains to this day. In our overseas group companies, inventory of finished products has increased. This has led to inventory adjustments, resulting in the decrease in orders to FANUC Headquarters. Inventory is gradually decreasing but is taking more time than what was expected three months ago.

Orders for Q3 and Q4 are likely to maintain the same level as Q2. The reason is the overall trend to “wait and see” regarding capital investments, which is not limited to China. In Europe and in the United States as well, high interest rates among other factors, have induced this attitude.

**Q: Regarding inventory adjustments especially for FA, do you have an estimate of when this will end? Please inform us of your present situation.**

A: Inventory adjustments are still continuing. The majority of FA inventory is accountable to China, but since the Chinese economy is not in a good state, the pace of inventory adjustments is slower than expected, and will take time.

Nevertheless, even if inventory adjustments will not be completed, if actual demands increase, orders will grow in parallel. The situation must be monitored carefully.

**Q: Please explain the status of ROBOT orders by region and industry.**

A: The inventory of ROBOTs as well has increased in overseas group companies. This is due to advance orders being placed during the period when delivery time became longer. At present, inventory adjustments are in progress, resulting in the decrease in orders to FANUC Headquarters.

Since there is a backlog of orders accumulated from the past, overseas offices are experiencing good sales. Still, the “wait and see” attitude for capital investments is prevalent in China, and in addition, the same attitude is starting to appear in Europe and in the United States, due to inflation and high interest rates. The impression is that orders in overseas group companies is becoming slightly sluggish.

Currently, we are encountering a temporary phase of making adjustments, accompanied by a “wait and see” attitude for capital investments. However, the problem of labor shortage is a reality that has not changed, and it is expected that the trend for automation using robots will grow stronger in the mid-to-long term.

**Q: Please tell us about the completely renovated CNC (FANUC Series 500i-A). How will this increase added value?**

A: The lineup of FANUC CNCs consists of the middle-end 0i series and the high-end 30i series. The new 500i-A is the successor of 30i.

In terms of volume, China is the formidable market for 0i, while Japan and European countries prefer high-end CNCs. The presence of FANUC CNCs in Europe is currently rather weak due to historical reasons, and to make further inroads into the European market, 30i could not be said to be sufficient. Also, European customers are used to operating locally-made CNCs. To supersede this familiarity, it was assessed that performance had to be further enhanced, and this is the background in which the 500i-A was born. This CNC will be exceedingly useful in not only winning European machine tool builders, but also for machine manufacturers in Japan and other countries to penetrate the high-end markets in Europe and other regions.

Compared to ROBOTs, the increase in sales volume of CNCs is not substantial. Therefore, we believe that emphasis should be placed on how to increase added value. Software options such as Servo Learning Oscillation, AI thermal displacement compensation, and AI Servo Monitor will add more value, and through these options, we are striving to raise the unit price.

In order to facilitate our approach to improve added value, we have high hopes that this new CNC platform will make a contribution.

**Q: What is the situation of channel inventory?**

A: Of FANUC's overseas group companies, the only joint ventures are the companies in China. Basically, we sell our ROBOTs to our overseas subsidiaries. Besides our subsidiaries' inventories, dealers also have our products in stock, but the volume is small. Each overseas group company sells products to end users and dealers while having to decrease their own inventory. This has brought on a situation in which orders to FANUC Headquarters has decreased. If the economy was healthy as in the past, with capital investments being made actively, inventory would have decreased more quickly. However, the "wait and see" attitude for capital investment has slowed down the pace of inventory adjustments. In order to speed this up, our approach is to proactively promote our added values to customers, instead of lowering prices.

**Q: For inventory adjustment, is decreasing the production volume being considered?**

A: Needless to say, inventory adjustment would be accelerated if less were produced. However, in light of our relationship with suppliers, a sharp decrease in production would entail negative aspects. Although the rate of the decrease in inventory will be lower and will take more time, it is perceived that inventory will decrease at a moderate pace without having to significantly lower our current production level.

**Q: Is there a risk that channel inventory will generate uncertainty in next year's forecast?**

A: Such risks certainly exist, but after various simulations, the approach we have presently

adopted was deemed to be the best. Depending on the future environment, such as the market getting worse, a more aggressive approach will be required, but for now, we shall work on reducing our inventory at a modest pace.

**Q: Compared to the operating income after the downward revision in Q1, there has been an upward revision of 3.6 billion yen. Is this upward revision of sales and profits attributable to the currency rate?**

A: The changes in the currency rate have indeed increased sales and profits. However, the yen weakened dramatically in Q1, which increased the amount of elimination of intra-group profits in inventory. This had an impact on Q1 results and is the foremost reason why Q2 improved relative to Q1.

**Q: Despite business confidence being low worldwide, your service results were extremely good. Are services that did not exist in the past, such as FIELD system, contributing? Please explain the background.**

A: Our efforts to increase the profitability of our service business has gradually borne fruit and has become evident. This is the basic reason.

Customers' adoption of our IoT platform has just begun, and making its use widespread is a challenge for the future. We are increasing the sales of service bit by bit, such as by recommending maintenance agreements which are beneficial to customers, and conducting preventive maintenance. We feel there is much more room for growth.

As FANUC expands its business going forward, service will occupy a substantial percentage. Our CNCs, ROBOTS and ROBOMACHINEs are installed in great numbers throughout the world. By leveraging these products to connect to the service business, further opportunities will be created.

**Q: What is the state of ROBOSHOT orders?**

A: The injection molding machine market on the whole is in a poor state, and this is the same with our ROBOSHOT business. On the other hand, according to our calculation, the share of ROBOSHOT has not dropped. Therefore, it can be said that we are putting up a good fight in an unfavorable market.

There are various applications for ROBOSHOT such as those related to smartphone lenses, light guide plate and precision connectors. Regarding connectors, the volume will increase tremendously for EVs. However, the mindset to invest is not positive, so it is difficult to predict when this will happen.

Besides these applications, there are many injection molding machines which are not electric in the world. Especially as Europe has been slow in adopting electric technology, there is great potential to increase ROBOSHOT sales by focusing on saving energy.

(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.)