

FANUC CORPORATION
Q&A Summary of the 2020 Q3 Financial Results Conference
(Teleconference) held on January 27, 2021

Q: Bookings for the Third Quarter has improved dramatically. Do you think this trend will last? Please explain according to each region. Bookings for China has greatly increased. Will this continue in China? Also, what are the specific sectors in the general industries in China?

A: We realize that bookings for the Third Quarter has vastly increased, but it is unclear whether this will extend to the Fourth Quarter. As for China, we must take into account that bookings have already been received for deliveries for some time ahead, in consideration of the Chinese New Year. In China, inquiries are coming in from a broad range of industries such as IT related sectors, construction equipment and automotive industries. In the Americas as well, inquiries are increasing from the automotive industry, including those for EVs, along with those from general industries. There are also prospects for the increase in capital investments in Japan in the near future.

Q: I have questions on the United States and China. In the United States, do you see demands for delayed renewals of existing production lines in addition to new capital investments? In China, is automation being promoted further in the general industries? Do you see any effects of new products such as collaborative robots?

A: In the United States, the automotive and related industries are recovering, and after experiencing a downturn in capital investment projects, we are seeing an upturn, and the timing has come for next investments. Business activities in the general industries in China, especially those related to IT, are becoming even more vibrant, and orders are being received from various industries. The percentage of volumes for collaborative robots is still limited, but there are many inquiries for the new collaborative robot series, CRX, and we are increasing production capacity.

Q: The quarterly bookings for robots is higher than any so far and has set a new record. In China, are there different users and industries compared to the past? As for robots, are bookings for compact-size robots increasing?

A: We have the impression that demands for automation in China is increasing dramatically. Inquiries are coming in from a broad range of industries such as “3C (Computer, Communication, Consumer Electronics),” logistics, and the medical sector. Due to the increase in applications outside the automotive industry, the percentage of compact robots is rising.

Q: It is assumed that the operating profit margin will rise to a higher level in the Fourth Quarter. What is the reason for this? Is the improvement in the capacity utilization rate of the Mibu Factories having an effect?

A: It is my understanding that the present capacity utilization rate of the factories of FA, Robots, ROBOMACHINES are improving altogether. The depreciation of the Mibu Factories is having less impact on profits with the improvement in the capacity utilization rate.

Q: What are your future directions regarding cost control for selling, general and administrative expenses, R&D and personnel expenses?

A: R&D expenditure is necessary for future growth. We are hiring talented personnel for research and development, training and rewarding them appropriately, and motivating them to create good products. This is our approach. Selling, general and administrative expenses are being streamlined and being made more efficient with the promotion of DX, among other means.

Q: Do you see any realistic results in FANUC's factories from FIELD system or DUCNET (Digital Utility Cloud)?

A: FIELD system is being deployed in our own factories and has proved to be effective in the visualization and improvement of manufacturing sites. We intend to apply such experiences in our customers' factories. DUCNET will also be used in our factories to understand its value first-hand, and this shall be conveyed to our customers.

(Note: The outlook for the future, market trends in product demand, state of competitors, economic situation, and others that are included in this material are not completely clear at this point, therefore, your understanding is requested that such contents may deviate from actual events.)