FANUC CORPORATION
Q&A Summary of the Telephone Conference on the Financial Results for the Year ended March 31, 2025 (April 23, 2025)

Q: Looking back on FY2024, what are your views on the plans for entire FY2025?

A: Q4 of FY2024 was extremely good in terms of both orders and sales. Bookings will be reflected in future sales, and registered as sales for Q1 and Q2 of FY2025. However, there are some fluctuations according to the quarter, so at this point, we do not perceive this pace to continue.

As for profit/loss of FY2024, profits were boosted profoundly by the weakening of the yen. Recently, the yen has reverted to becoming stronger, and we cannot foresee how long the effects will last. Presently, we think this will induce the decrease in the annual profit for FY2025.

On the other hand, disregarding how tariffs will evolve, we can feel that the United States is motivated to expand the manufacturing industry. If the manufacturing industry, including parts and supply chain, recover, this may create large business opportunities for our ROBOTs and CNCs that are used in machine tools.

For the consolidated performance forecast for FY2025, we have decided to forego its disclosure for the reasons below.

There are numerous obscure factors such as the impact of tariffs in the United States, related effects on the global economy, currency rate trends, and geopolitical risks, and we believe that overall, a state in which we cannot let our guard down will continue.

After evaluation by considering various scenarios, it was determined that the disclosure of profit/loss forecast values in an environment where there are so many uncertainties will incur a risk of confusing stakeholders in making judgments, and that is why we have decided to refrain from disclosing.

We expect to promptly disclose the consolidated performance forecast for FY2025 when a rational estimation becomes possible, by carefully assessing the effects and other factors of the U.S. tariffs.

Q: In Q4 bookings, were there any temporary demands or demands at the last minute?

A: We have not heard that there were any last-minute demands. However, the bookings that were initially expected in April were moved up to March, bringing about a few cases of timing differences. Due to this, there may be some numbers that were moderately inflated.

Q: What are your thoughts on the effects of tariffs, and your future measures?

A: I will explain the effects of tariffs from a short-term, mid-term and long-term perspective.

First, for the short term, due to the future not being clear, customers will tend to withhold capital investments. This may delay orders from customers. If the tariff rates become high in the future, customers will become cautious about capital investments, which may decrease our bookings.

Next, for the mid-term, there will be a difference in the tariff rates between countries, with some countries having an advantage and others disadvantages. For example, before the announcement of the 90 day pause on tariffs, the EU's reciprocal tariff was 20% and Japan's reciprocal tariff was 24%. As our main business competitors in the United States are European, the difference in the tariff rates may become an impediment to us. What is more, the currency rate is unstable and unpredictable, with the yen currently being strong, so we must carefully monitor this progression as well.

Finally for the long term, we believe that the tariff situation will eventually settle down. It is without doubt that the U.S. manufacturing industry will revitalize, and we assume that this will have a positive effect on our company's business. There is a labor shortage problem in the manufacturing industry, and production will be difficult if robotization does not spread. Therefore, we expect the robot market to expand. Also, looking at the entire flow extending to supply chain, demands for machining will rise, which in turn will lead to increase in demands for necessary machine tools and CNCs to be fitted to these machine tools.

At present, we still have not passed on costs to our customers in the form of a price increase, but we are contemplating passing on such cost increases as something that correlates to tariffs, namely as a surcharge.

Q: What are your intentions on manufacturing ROBOTs in the United States? Are you considering manufacturing that includes a complete production line consisting of all processes, and manufacturing of parts such as controllers and motors in addition to knock-down production and assembly?

A: Basically, all production is conducted in Japan, but there is an exception for paint robots which are developed and manufactured in the United States. As we have recently expanded and enriched our base in the United States, there is ample possibility that manufacturing other than paint robots will be done in the U.S., though this will depend on how the tariff situation will turn out.

In fact, paint robots have been manufactured in the U.S. for many years, so the knowhow of producing robots is available, along with supply chain to some extent. Still, significantly more massive products than paint robots will have to be handled. Therefore, importing and procuring parts and units other than from the U.S., and just engaging in assembly are not expected to be beneficial in terms of cost. If solid estimates reveal that there is a likelihood to have sufficient return on investments and that products can be manufactured at a low cost, we are open to the idea of local production and local consumption.

Also, controllers and motors are manufactured with a high rate of automation among our products, and we believe that the costs are much lower when manufactured with automation in Japan. However, if an extremely high tariff is imposed in the future, it will become necessary to consider local production of parts such as controllers and motors. Even if we increase automation and cut down on costs to manufacture controllers and motors in Japan, if tariffs hike up prices, there is a possibility that manufacturing in the U.S. may become less expensive. That is why we are evaluating this as an option as well.

Q: Booking amounts of China and other Asian regions in Q4 are at a high level. What is the background?

A: Regarding Asian regions excluding China, in Q4, bookings for ROBOMACHINE in India and Vietnam increased, and bookings for FA products also improved a bit in South Korea.

In China, the government is promoting the replacement of old equipment and other initiatives, raising demands for machine tools. Also, IT-related and EV-related investments are flourishing, presenting more situations in which machine tools of Japanese machine tool builders are required. Furthermore, there are many cases where Chinese machine tools with FANUC CNCs are used. Against such a background, demands for CNC in China are growing steadily.

Q: You mentioned that sales of ROBOMACHINE were increasing in India and Vietnam in the meeting for the previous quarter. IT-related demands are difficult to predict, but do you think such demands will last?

A: There is a trend for EMS companies to relocate their manufacturing bases from China to India or Vietnam, and ROBOMACHINE bookings have increased alongside from the previous quarter. However, this increase is not consistent, and there is a tendency that after a surge, there will be a pause, and after some time, an increase will reoccur.

As a general direction, we are seeing a trend for IT-related manufacturing to shift to Vietnam or India, so in the mid-to-long term, we hope that such demands will arise, even if intermittently.

Q: Please provide information on the amounts for capital investments, depreciation and R&D on page 14 of the material, and your future outlook.
In 2024, you seem to have narrowed down investments but will this level continue?

A: The capital investment amount differs by year, and FY2024 saw a slight decrease from the previous year to become 40.1 billion yen. Since many capital investments were made before the COVID-19 pandemic, investments during FY2022 to FY2024 were mainly for new models, and large-scale investments have not become necessary. For this reason, FY2025 is believed to retain the same level.

As for depreciation, there was a slight drop in FY2024, but we foresee a modest increase in FY2025.

Regarding R&D costs, we are carefully examining how to spend efficiently, and as the manner of expenditure has become more "muscular," we expect an increase in FY2025.

Q: During the financial results meeting three months ago, you said that inventory adjustments of ROBOTs were about to be completed. Has this actually happened? Also, was the status of inventory adjustment different by model? For example, was the collaborative robot inventory more excessive?

A: When looking at the whole picture, your understanding that ROBOT inventory adjustments were nearly fully completed at the end of December is correct. However, there are differences among countries. Moreover, when categorizing into automotive, automotive parts and general industries, automotive-related projects have a long lead time which resulted in maintaining a large stock. Therefore, some excessive inventory is left for the automotive industry, but not at a level at which we have to decrease the operating rate of our factories.

As for inventory adjustment per model, there was no notable difference. In general, it is said that the adequate level for collaborative robots is approximately 10% or slightly more than 10% when compared to conventional industrial robots, and this applies to our company as well. In our case, the number of conventional industrial robots is immense, so it can be said that inventory adjustments are proportional to the number of units per model.

Q: In Q4, were the numbers for production, shipping and procurement suitable for your inventory?

A: Yes. Before the pandemic, we had a certain level of ROBOTs and other products in our inventory to accommodate projects which required immediate delivery. When the supply chain was disrupted by COVID-19, having inventory led to winning projects needing immediate delivery. For this reason, overseas group companies have more inventory of finished products than even before the pandemic, and considering such changes in approach as well, we have reached a suitable level. Projects requiring immediate delivery can be attended to speedily with products in our inventory, and quickly lead to sales. As a result, we are able to make good use of our inventory.

(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.)