

FANUC CORPORATION
Q&A Summary of the Telephone Conference
on Financial Results for the Second Quarter ended Sep. 30, 2025
(Oct. 31, 2025)

Q: Could you share the current status of your initiatives to apply AI to robots?

A: With growing attention on generative AI and physical AI, we are actively pursuing various initiatives. At the 2025 International Robot Exhibition in December, we plan to display a wide range of AI-related exhibits. We have previously exhibited products that utilize sensing technology and allow robots to move autonomously according to their surroundings, including at EMO 2025 in Germany this September. We aim to further refine these technologies and lead the industry. Physical AI is highly effective in lowering the barriers to automation and offers substantial opportunities for differentiation.

Q: How do you view humanoid robots?

A: We believe physical AI is also critical for humanoid robots. In physical AI, our strengths lie in various elemental technologies, such as vision sensors and other sensing technologies, which are also applicable to humanoid robots. Our business scope primarily covers industrial sectors, including manufacturing sites, so we will evaluate humanoid robots comprehensively based on performance, price, and reliability required in these industries, namely manufacturing. We realize that humanoid robots are needed not only for home use but also in manufacturing sites, so we closely monitor technological trends. Furthermore, for humanoid robots, not only hardware but also intelligence is vital, so we intend to pour even more efforts into intelligence by using AI. In addition to AI, technologies such as IoT and energy-saving solutions will be essential, and we will continue to advance development to outperform competitors.

Q: Regarding the revision of your full-year plan, what are the main factors behind the larger increase in profit compared to the increase in sales?

A: The primary factor is the expected rise in factory operating rates.

Q: What is your perspective on FA and ROBOMACHINE orders in the second half? Is the second-half sales plan at the same level as Q2?

A: Looking ahead, we expect the capital investment environment to gradually improve. However, due to factors such as U.S. tariffs and geopolitical risks, visibility remains limited, so we anticipate a roughly flat trend. We are preparing to meet delivery schedules in case orders improve.

Q: What is your outlook for ROBOT orders from Q3 onward?

A: In the U.S., rising labor costs and reshoring trends in manufacturing are driving relatively solid demand. Investments are shifting from EVs to HVs and ICE vehicles, and although there may be some time lag, we expect overall investment to remain robust.

In Europe, rising personnel costs are also bringing about a gradual increase in automation demand. Robot orders grew slightly in Q2, but it is unclear if this will continue steadily. However, to remain competitive, new equipment is necessary, so we expect capital investments to pick up moderately.

In China, automation investment is progressing rather stably, driven by new energy vehicles such as EVs, and strong IT-related demand.

In India, while the market is smaller than China, the need for automation is increasing, and we expect a moderate growth in demand.

In Japan, there is a strong wait-and-see attitude, but labor shortages are more severe than overseas, so the needs for automation remain high.

Overall, we believe we are entering a phase where production is not possible without automation, and demand will remain relatively strong. We will strive to grow sales by continuing to improve the performance of our robots, and at the same, will try hard to lower automation barriers through AI-driven teach-less solutions and collaborative robots.

Q: What impact do U.S. tariffs have on sales and orders?

A: There may be some timing differences between orders and sales. We heard there was a slight last-minute rush in demand before tariffs were implemented, but overall, the impact was insignificant. Orders in the automotive sector remain steady, while in general industries, companies with sufficient investment capacity continue to invest without hesitation, and can be said to be relatively stable.

Despite asking customers to absorb tariff-related price increases, orders remain strong. However, a hike in price is a reality, and this has led some customers to adopt a wait-and-see approach, but overall the situation can be said to be sound.

Q: How has the market responded to your new CNC product, the FANUC Series 500i-A?

A: We have revamped the previous FANUC Series 30i-MODEL B Plus. The new series can easily accommodate various machine tool configurations, and is capable of digital twin simulations with which predictive evaluation is possible with the accuracy of real machining, before actually cutting the workpiece. Ultimately, we aim to achieve first-pass yield without trial cutting, and we understand that customer expectations are high.

Although the replacement of machine tool controllers takes time, given the new series' technical superiority, we expect results to materialize over several years.

Q: What is the current status of robot applications in machining?

A: Loading and unloading of machine tools is a major application. In our own machining factories, we have an abundance of machine tools such as machining centers and lathes. Nearly 100% of these machine tools are used with robots, which transfer workpieces to and from machine tools in place of humans. However, generally speaking, many machining sites still rely on manual operations, and there is strong interest to introduce robots. Multi-product production has posed challenges for robotization, but interest in user-friendly robots, such as teach-less models and collaborative robots that can be installed without safety fences, is growing. Creating a system that integrates machine tools with robots can be complex, but in the case of collaborative robots, only minimal investment is required, and this has gained their high appraisal. The spread of this trend will transform machining sites. Our strength lies in our dominant share of machine tool controllers. Combining our CNC-equipped machine tools with our robots is simple – all that is necessary is to connect one Ethernet cable. Currently, it is not yet common to have one robot per machine tool, but this is a likely scenario in the future and represents a significant market opportunity.

Q: What is your assessment of the quality, reliability, and pricing of machine tool builders and robot manufacturers in China and India?

A: From the standpoint as a seller of machine tool controllers, we see that Chinese and Indian machine tool builders, who are our customers, place great importance on the European market. Their products are improving in performance year by year. We continue to promote the adoption of our CNCs by these Chinese and Indian machine tool builders, while also highlighting the value of our CNCs to European end-users and dealers to increase installation rates. As the technical capabilities of Chinese robot manufacturers continue to develop yearly, we will further differentiate through technologies such as AI and IoT to prevent them from catching up, and maintain our lead. For this end, in light of robots being used in factories for a long time, we are emphasizing our long-term benefits of the total cost of ownership (TCO), starting with the reduction in maintenance costs.

(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.)