FANUC CORPORATION
Q&A Summary of the Telephone Conference on Financial Results for the First Quarter ended June 30, 2026 (July 31, 2026)

Q. FA orders have increased significantly. Do you think demand will continue at this level? Also, what is causing the gap between orders received and sales?

A. FA orders have surged since Q4 FY2025. In China, demand has been driven by semiconductors for data centers and AI servers, 3C (Computers, Communication, and Consumer Electronics) related industries, NEV (New Energy Vehicle), and machined components for humanoid robots. Orders have also recovered strongly in India, particularly in the automotive, two-wheeler, and infrastructure sectors, while Taiwan has seen robust growth centered on semiconductors and data server-related projects. Demand in Korea has also increased.

One explanation for the gap between orders and sales is the extended lead time for certain components. When delivery times for our products become longer, customers sometimes place orders earlier than usual. Therefore, it is difficult to determine whether the high order level recorded in Q1 will continue at the same pace going forward. Amidst this uncertainty, our focus is on procuring components and doing our best to normalize delivery times.

Q. Please describe the component procurement environment and its impact on market share.

A. We believe that in response to strong capital investments worldwide, the procurement environment is tight across the industry as a whole, rather than being influenced by company-specific factors. Extended lead times are being observed not only for semiconductors and electrical/electronic components, but also for a wide range of materials including mechanical parts. We are addressing these issues through maximum company-wide efforts, including the use of alternative components and second- and third-source suppliers.

In the market in China, it is a fact that our delivery times have become longer amid very strong demand, and we recognize that some customers have adopted competitors' products as a result. However, competitive dynamics vary significantly depending on the application and customer segment, so it would not be appropriate to conclude simply that our market share is declining. We will continue to strengthen relationships with customers in areas where they value our quality, reliability, service, and automation solutions that only FANUC can deliver, in aiming to achieve mid-to-long-term business development.

Q. Could you provide an update on Physical AI and related business opportunities?

A. Physical AI is attracting significant attention, and we are receiving inquiries from many customers. For example, technologies demonstrated at our New Products Open House Show were highly appreciated. One example was an application where objects with varying shapes and orientations could be handled with just general instructions, not requiring individual teaching of each workpiece. While most implementations are still at the trial stage, we expect more and more to lead to actual orders in the future. We foresee a large-scale expansion in demand not so far from now.

Q. Why is profit growth relatively limited compared with the projected increase in sales in the full-year outlook?

A. The current forecast assumes overall growth across all business segments, and not to a particular product line such as FA, ROBOT or ROBOMACHINE. For profits, however, we have factored in the continued rise in component costs, the time lag and uncertainties associated with passing on the cost increases to sales prices, as well as the impact of U.S. tariffs, to the extent currently identifiable. Decisions regarding passing on costs to prices are based on factors such as product value, supply-demand conditions, customer relationships, and the situation of competitors. We will continue to combine cost reduction and productivity improvements to find a balance with pricing adjustments, in order to support both the advancement of our customers and our own profitability.

Q. What are your future capital investment plans and production capacity?

A. At present, our production capacity has not reached its limit. However, demand for FA products has exceeded our expectations, and we believe that it is about time to begin investments for the next phase. This is one of the reasons why capital expenditure is expected to rise this fiscal year compared with the previous year. As for robots, we have proactively expanded production capacity in response to the long lead times experienced in the past, and therefore currently have room to manufacture more. For the time being, we believe demand can be accommodated through installing additional equipment in existing facilities. However, if demand surpasses our outlook due to the broadening implementation of Physical AI, constructing new buildings on sites that we have already acquired could become an option.

Q. What is the potential for improving medium- to long-term profitability as Physical AI becomes widely adopted?

A. We expect Physical AI to drive further growth in robot demand. Our strategy is to focus on industrial automation, which is our area of expertise, and leverage our competitive strengths to boost profits. We believe there is potential to improve profitability by offering standardized software packages, including Physical AI-based modules and common applications, while maintaining win-win relationships with system integrators. Supporting open platforms is not intended just for our Company. We are also proposing a framework that enables collaboration with a wide variety of partners, and aim to progress strategically.

(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.)