FANUC CORPORATION
Q&A Summary of the Telephone Conference
on Financial Results for the Second Quarter ended September 30, 2026
(October 23, 2026)

Q. Amid the ongoing component shortages, what level of component availability is assumed in your earnings forecast? Also, is the component shortage problem unique to your company? Going forward, which is the greater bottleneck to increasing production, equipment capacity or component procurement?

A. Our current forecast is premised on the components that are expected to be procurable, at the time of the forecast. If the procurement situation improves in the future, we intend to further raise production levels in line with the improvement.

Our understanding is that the component shortage issue is not specific to our company, but rather an industry-wide challenge. Not only has there been a sharp rise in demand for memory and other semiconductor devices, electric and electronic components, and cables, demand has also surged for a broad range of materials, including mechanical parts, driven in part by the growing demand for semiconductor manufacturing equipment. To address this situation, we are strengthening collaboration with suppliers, while also expanding the use of second- and third-source suppliers.

With regard to production capacity, on the whole, we are capable of handling current demand since capital investments have been made in advance. While additional investments may become necessary depending on changes in product mix or the launch of new products, our primary bottleneck at present is stably securing components rather than expanding equipment capacity. To procure every required component, resources not only from the Purchasing Department and factories, but also from the R&D divisions are involved. In this manner, company-wide efforts are being made.

Q. How do you assess the risk of losing market share as customers switch to competitors' products in the short term due to supply shortages?

A. There is a possibility that supply shortages may result in some customers switching to competitors' products for the short term. We are aware that once a customer has replaced our product, it is not easy to have them come back. However, we have also heard from customers that they would be willing to reconsider our products once supply conditions improve. Therefore, our highest priority is to restore supply capacity as quickly as possible. Based on this, we will seek to minimize the impact and recover market share through the strong relationships we have built with customers, and the value of the products and services we have provided up to now.

Q. Could you comment on recent order trends and the outlook for FA and ROBOMACHINE?

A. In the FA business, while some orders are placed in advance due to longer lead times, demand remains strong even after adjusting for such advance orders, particularly in China, South Korea, Taiwan, India, and Japan. Demand related to AI data centers, as well as for machining parts for humanoid robots in China, has especially boosted the market.
As for ROBOMACHINE, inquiries remain strong for all product lines, ROBODRILL, ROBOSHOT, and ROBOCUT, particularly in applications related to AI semiconductors and AI data centers. Order levels continue to be high.
The annual machine tool order forecast released by the Japan Machine Tool Builders' Association (JMTBA) has been revised upward from approximately 1.7 trillion yen at the beginning of the year to 2.0 trillion yen. Furthermore, annualizing the actual orders received over the past nine months yields a pace of roughly 2.2 trillion yen, indicating that machine tool demand is stronger than originally anticipated. We believe our FA orders reflect these favorable market conditions.

Q. Operating margin rose to 26.0% in Q2 but is expected to decline in the second half. What factors are behind this contraction?

A. The operating margin for the first half of fiscal year 2026 was 24.6%, and 26.0% for Q2 alone, primarily due to higher factory utilization driven by increased production volume.
In the second half, however, we expect profitability to decline compared with the first half because of continued increases in material costs, rising logistics expenses, and our assumption of a stronger yen in the second half than the actual exchange rates recorded during the first half. For the full fiscal year, we expect an operating profit of 240.7 billion yen and an operating margin of 23.7%.

Q. Orders placed in advance due to longer lead times are increasing in China and other parts of Asia. How do you view the risk of order cancellations?

A. We are deeply apologetic about the extended lead times and for inconveniencing customers for having to wait. We are making every effort to speed up delivery to the extent that we can. In such a situation, customers are placing orders with future demand in mind.
As for order backlog, even during periods of prolonged lead times in the past, there have been almost no instances of large-scale order cancellations. Nevertheless, given the current environment of demand rising sharply, we will continue to communicate closely with our customers and carefully monitor order trends.

Q. You mentioned signs of recovery in automotive-related investment in the United States. What types of investments are beginning to move forward?

A. In the U.S. automotive industry, companies have been reassessing investment plans that previously focused heavily on electric vehicles, and investment projects related to internal combustion engine and hybrid vehicles are gradually advancing. We are also seeing signs of recovery in machine tool investments in the automotive and related sectors.
More recently, investment projects in the United States by both U.S. and Japanese automotive manufacturers have started to gain momentum. Currently, auto manufacturers appear to be leading investments. We hope this trend will gradually extend to auto parts suppliers as well.

(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.)