FANUC CORPORATION
Q&A Summary of the Telephone Conference on the Financial Results for the Year Ended March 2021
(April 27, 2021)

Q: What is the percentage of CNCs used in machine tools related to the manufacturing of automobile engines, of the total of CNC machines? What is the reason for the strong revival of demands for FA products?

A: The percentage related to automobile engines are not at hand. In general, the demand for machine tools in the automotive industry in a broad sense, is said to comprise approximately half of all demands. It can be said that FANUC is at this level. Aside from the automotive industry, there are many inquiries for various other applications, such as semi-conductors, construction equipment, laptop PCs and tablets.

Q: It is presumed that demands are inclusive of anticipatory demands. Therefore, will this surge subside, or will it remain relatively strong? What is the outlook especially for China and India?

A: China is doing extremely well with a sharp increase in orders. As there is a possibility that orders are being issued in advance, it is uncertain at this stage whether such a high level of orders will last long term. On the other hand, there are no indications of a severe downturn, leading us to expect that demands will remain relatively high for quite some time. When the COVID-19 situation stabilizes in India, it is hoped that they will return to the road to recovery.

Q: Is it correct to assume that the 4th quarter did not include any temporary surge in demand from the IT related sector, and that prospects for the IT market are considered to be insubstantial in the future as well?

A: As mentioned before, there is a considerable amount of inquiries related to PCs and tablets for ROBODRILLs, but the future is unclear. It is presumed that from the middle of the 2nd quarter of Fiscal Year 2021, ROBODRILLs will not retain its current high pace. FA sales is believed to continue being relatively steady, but it is hard to discern at present whether the level of bookings in the 4th quarter will persevere into the first half of 2021, and forecasts are made on this basis.

Q: It was reported in the media that the capacity for building ROBOT systems in SHANGHAI-FANUC will increase several times than the present. What is the reason for such a commitment?
It seems to be a different approach and strategy compared to other FANUC Group companies such as FANUC America, so please explain the background. Are system integrators in China not developing?

A: The market in China is experiencing an extremely stable growth, and the capacity for constructing ROBOT systems as well as the building of SHANGHAI-FANUC is already insufficient. As continuous growth is foreseen, a large building will be constructed on a big plot of land, in preparing for the future. Though SHANGHAI-FANUC is number one in China even at present, the target is to secure this position more firmly.
Compared to other countries, the number of system integrators in China is limited, and in some cases SHANGHAI-FANUC engages in system integration. Nevertheless, FANUC's basic way of thinking is consistent throughout the world, with our role being merely to support system integrators in order to build a win-win relationship.

Q: Will Japan experience another peak in capital investment of a scale of 100 billion yen? What are FANUC's directions regarding capital investment, depreciation and R&D expenses?

A: When the capacity of the ROBOT factory eventually becomes full, construction of a new factory will most likely be required. Presently, many orders are being received (not limited to ROBOTs), and in order to accommodate, equipment and facilities to be installed inside the buildings are being enhanced. Due to the COVID-19 pandemic in Fiscal Year 2020, expenditure was drastically reduced, but from Fiscal Year 2021, investments will be made step by step.
Depreciation is expected to be at the same level or slightly higher, as equipment and facilities which were being prepared but not used, will gradually start to be put into operation.
R&D expenses will be assiduously assessed in order to promote developments, which will result in a small increase.

Q: It seems that the fixed costs of the Mibu Factory is excessive and is hampering profitability. Will this be resolved in the near future? How do you perceive the balance between capacity, fixed costs and sales?

A: Production capacity of some models is under pressure and capital investments will proceed step by step. As for new investments for FA, there is no more space in the factories in Headquarters, so Mibu will be the focus when setting up new lines.

Q: How is FIELD system progressing, especially regarding the installment base?

A: Development and promotion has been pursued over the last few years, but it has not reached a level which can be disclosed as an individual business. The number of potential customers showing interest is increasing dramatically. Presently, sales activities are narrowed down to the mechanical machining sector in which FANUC excels most.

Q: Please provide information on the booking trends according to region.

A: Though orders in the Americas decreased somewhat, this was seen as balancing out the high orders of the 3rd quarter. The markets in the Americas are doing very well. We hope that the Japanese market will gradually improve. Europe is also recovering slowly, and this trend will most likely continue. In China, FA, ROBOT and ROBOMACHINE are maintaining an exceedingly good state. India is a market with high potential and inquiries for FA is substantial. South Korea as well, has many inquiries mainly for FA. In Taiwan, the FA business is favorable, especially for exports to China. As such, almost all markets are recovering steadily.

Q: Are there any other markets besides China where there are concerns that demands are anticipatory?

A: Due to the nature of our products, in Taiwan, South Korea and India, besides China, there are concerns of a lesser or greater degree that demands for our FA products may be for anticipatory or precautionary reasons.

Q: Regarding anticipatory demands for FA, are there any changes in the lead time for CNCs? Are there any parts which are low in supply?

A: Since the increase in demands was sudden, the lead time has become a bit longer. When the lead time becomes longer, orders for the far future increases further, making it difficult to see the true picture of actual demands and anticipatory demands. The speedy recovery of the manufacturing industries worldwide is putting pressure on the supply of necessary materials and other items. FANUC is pouring more efforts into procurement and delivery.

Q: According to FANUC's business forecast, the operating profit margin for the second half of the fiscal year is expected to decline. What is the reason for this?

A: The decrease in profit margin in the second half is envisaged to be partly due to the rise in expenses such as those for logistics, business trips, and exhibitions, but basically the main reason is a slowdown in sales.

Q: Is it correct to presume that shares for ROBOTs and CNCs are increasing? What is the driving factor?

A: From our perspective, the increase in ROBOT shares stems from their high reliability being recognized, and the good support that FANUC offers. The cost, not only in terms of the initial cost, but the total cost of ownership, is appreciated by customers.

In Europe, we have made inroads mainly into the automotive sector, with our shares increasing yearly. As for CNCs, high shares are maintained due to their excellent reliability, along with FANUC's outstanding support, as we have over 260 service offices around the world, covering 109 countries. FANUC has introduced new schemes for service such as FabriQR, and are aiming to further increase our products' shares and service revenue.

(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.)