

FANUC CORPORATION
Q&A Summary of the Telephone Conference
on the Financial Results for the First Quarter ended June 30, 2024
(July 29, 2024)

Q: What is the status of the inventory adjustment of ROBOTs, the environment for receiving orders, and your outlook?

A: The state of ROBOT inventory differs with the country. China has almost reached the appropriate level. Europe and the United States are behind, but consumption is progressing steadily. There may be a temporary slowdown due to the “wait and see attitude,” but at present, we expect the inventory level to become nearly adequate at the beginning of next year.

Orders can be said to be favorable overall, when considering that inventory reduction is proceeding simultaneously. In manufacturing industries all over the world, there is a structural challenge of not being able to attract human resources. Therefore, when looking at the United States, Europe, China and Japan, in each country and region, expectations for robotization are quite high.

Q: Is FANUC considering increasing the production capacity of ROBOTs?

A: In the past, we were thinking of quickly constructing new factories to keep up with the increase in demands. Since then, demands have slightly stagnated.

After ample assessment, we have come to the conclusion that we can cope for the next few years without building a new factory. This is possible, for example, by increasing equipment within existing factories, utilizing equipment and facilities effectively, or converting existing buildings that were intended for other purposes to ROBOT manufacturing factories. However, a few years ago, there was an immense surge in demands, so we shall monitor the trends very carefully.

Q: Orders for FA in Q1 were strong. What is your forecast for the future?

A: China had the greatest positive impact on FA orders. Furthermore, orders in Japan and Asian countries other than China have increased. Inventory has normalized in China, which means that the inquiries we receive reflect actual demands. There are many inquiries from the automotive industry, with focus on EVs, and also from IT related sectors. From this, we get the feeling that our CNCs for such applications are a bit ahead and are indicative of the demands of machine tools.

Also, such developments for EVs and IT, which are centered in China, are stimulating demands for our ROBOMACHINES. The increase in bookings and sales of ROBODRILL and ROBOSHOT are due to such circumstances.

Q: This quarter, there was an upward revision of your yearly performance forecast. What is the state according to each business and region?

A: Overall, actual orders in Q1 far surpassed the forecast three months ago, and sales for Q1 were also strong, boosting both sales and profits. Though the performance of each quarter may not be consistent, we believe that the forecast for FA related and ROBOMACHINE related products will be better than our previous forecast, and in general, ROBOTS will retain the same level.

Orders for FA in Q1 were extremely good, but before the COVID-19 pandemic, orders for FA were favorable in April, May and June, after which there was a standstill in July, August and September. That is why we do not take it for granted that this steady trend will continue into Q2. As the market is tremendously volatile, we will carefully monitor the trends in order to deal with increase in demands.

As for specific regions, we anticipate that China and North America will relatively be performing well, and we also expect that India will grow steadily.

Q: Do you think that you will be able to maintain your shares in the Chinese NC market?

A: We observe our shares on a monthly basis, but have not seen a decrease. We believe that not only approaching machine tool builders, but also influencing end users are the reasons that our shares are maintained.

This is derived from internal data that cannot be disclosed, but I would like to say that we will continue to watch without fail every month, and strive to increase our presence.

Q: Why did ROBOTS orders for the Americas decrease in Q1?

A: The main reason is the postponement of EV-related projects, resulting in orders being pushed back in correlation. In contrast to such projects being delayed, some investments in HV and ICE vehicles are being brought forward. Though there may be a temporary slowdown, in the long term, orders are predicted to pick up.

Q: What are FANUC ROBOTS' advantages compared to robots of local Chinese manufacturers?

A: Currently, we believe we are leading in terms of technology, quality and reliability. In order to prevent local Chinese manufacturers from catching up, we will continue to enhance technology, quality and reliability. We are aware that the prices of local Chinese manufacturers are very competitive. Therefore, we shall endeavor to continue to be superior, basically in the middle range and higher range markets, so as not to allow these manufacturers to close the gap.

We are conscious that local manufacturers are becoming extremely empowered, so we are taking measures to halt them from catching up. We are preparing on the strong assumption that they will become a great threat, and shall not let our guard down.

Q: How do you view your position in the market in India?

A: We are offering sales and services through more than 20 sites in India. Our business towards India is centered on CNCs for machine tools. In other words, the FA business contributes to a large percentage of our business in India.

India has a large population and labor costs are still relatively low, so the desire to invest in robotization is not as strong as in other countries. At the same time, the manufacturing industry is having a hard time hiring employees, and even when they are hired, they do not stay for long. For such reasons, India is becoming more enthusiastic about robotization year by year, as can be seen by the rapid improvement of our ROBOT business over the last two to three years.

The volume of ROBOMACHINES is not so big, but looking at the annual rate, their growth is outstanding. EMS is being relocated from China to India which is creating demands for ROBODRILLS and ROBOSHOTS. In the future, we shall be sure to be involved in EMS projects, and as such projects naturally include robotization, we will try to win in both product lines.

FANUC's FA products have a very high share. ROBOT and ROBOMACHINE both have top class shares as well. Such high shares reflect the results of having been doing business in India for quite a long time.

At the same time, we shall not be satisfied with the present state, and shall elevate our presence in the Indian market which will develop further. For this end, we are strengthening our human resources and our sites.

Q: What is the trend in orders for ROBOSHOT according to product, region and industry?

A: From Q4 to Q1, orders and sales of ROBOSHOT have increased mainly in China and Taiwan.

One of the sales points of our ROBOSHOT is their energy saving features, as well as precision molding. There are many exceedingly high-precision applications such as producing smartphone lenses, and those pertaining to connectors and the medical field. The major part of this increase is attributable to IT-related projects, but there is also much growth in smartphone-related and vehicle-related projects. Our ROBOSHOT lineup has clamping forces ranging from 15 tons to 450 tons, and our best sellers in terms of volume are the 50 ton, 100 ton and 150 ton machines.

(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.)