

**FANUC CORPORATION**  
**Q&A Summary of the Telephone Conference**  
**on Financial Results for the Third Quarter ended December 31, 2024**  
**(January 27, 2025)**

**Q: Compared to three months ago, are there any changes in your immediate environment for orders? Please reply according to the product line and region.**

A: It is our understanding that basically there has not been much change compared to three months ago. FA has seen some fluctuations, but is more or less the same. As for ROBOTs, spot orders were received mainly in the U.S. and China, which moderately improved orders for Q3, but it is difficult to foresee whether this will continue. Orders for ROBOMACHINE have gradually been increasing from Q1, and these have materialized from Q3, so we expect an increase in sales in Q4 as well. There is no significant change in Service, and the steady state is continuing.

**Q: Orders for ROBOTs have increased in the U.S. and China. What kind of trend are you expecting for the next quarter and for the new fiscal year?**

A: ROBOT inventory adjustments have progressed substantially and FANUC Headquarters is receiving orders which are in line with orders actually received locally. At present, it is expected that orders for Q4 will exceed those in Q3. The “wait and see” attitude was prevalent, but it is a fact that there have been activities in some parts which have led to orders. Still, on the whole, the direction in which policies and tariffs are heading is unclear, so the impression is that the majority are retaining their stance of “wait and see.”

**Q: Operating profits for Q3 was largely impacted by unrealized profits in terms of accounting. How much was the effect of the weakening of the yen? If inventory adjustments continue to be achieved, will unrealized profits gradually exert less influence?**

A: Excessive inventory has steadily decreased from month to month, and is becoming normal on the whole. As such the degree of influence is expected to decrease. The impact of unrealized profits for the past three months is minus 11.6 billion yen, as can be seen in the graph on Page 6. As you mention, this is largely due to the changes in the currency rate. The plus 3.5 billion yen for unrealized profits for nine months is mainly the result of decrease in inventory.

**Q: The global trend of machine tools as depicted in statistics seem to deviate from the trend in FANUC's FA business. What is the short-term trend of your FA business?**

A: Overall, orders of CNCs from machine tool builders to FANUC tend to precede orders for machine tools. This time as well, we believe that after FANUC's orders increase, the orders for machine tools will grow as usual.

As far as we can surmise, orders for deliveries to China will remain flat. It is inevitable that the gas pedal is pressed a bit harder when beginning to place orders to our Company, making the initial volume large. But after this settle downs, the speed of orders levels out, as if it were cruising. Actual shipments of our CNCs do not change dynamically. It is our understanding that after shipping to China, the products are delivered to local machine tool builders.

**Q: Sales and profits for the FA business are not as high as in the past. What countermeasures are you planning?**

A: There is competition regarding CNCs and the price war is getting fiercer every year. We emphasize that the total cost of ownership is lower when using our CNCs when contemplating their high reliability and maintainability, and strive to have the value of our products be recognized. In addition, with our flagship CNC, the 500i-A, we are aiming to increase our shares in high-end machines such as those for 5-axis machining, especially in Europe and the Americas. We are also developing functions which will differentiate our CNCs such as the 0i series.

Worth noting is that efficiency is strongly in demand, not only on the shop floor, but in actual design sites of machine tool builders. We can approach this area with our digital twin technology which has been appraised as being superior in being an exact replica compared to the technology of other companies. With our digital twin technology, a machine's dynamic characteristics, including those of servo components, is reproduced with high accuracy as a digital twin so that the precision of the machined surface can be known without having to actually cut as in the real world.

With such selling points, we are taking actions to have the value of our products be recognized even more.

As for profits, they are perceived as being the profits of the entire company and not just CNCs. We are in the midst of making efforts to change the entire company to become more muscular, through such means as making more efficient capital investments to increase overall profits.

**Q: What are your thoughts on making good use of cash?**

A: What is most required and urgent in manufacturing sites is to improve ease of use. There may be expenditures for development to pursue ease of use by utilizing AI technologies among others, and this is regarded as being one way to use cash. Furthermore, there may be investments in M&A in advanced areas such as AI and

IoT if there are good opportunities.

**Q: Tell us about the order status in China. Have they not gained momentum yet, or will momentum increase in the future? Please describe the feel of China's local environment in more detail.**

A: Overall business sentiment in China cannot be said to be in an ideal condition. However, with the underlying support of the economy by the Chinese government, a certain level of orders are being received for FA, ROBOT and ROBOMACHINE. As the Chinese New Year approaches, we will pay attention to what happens after this period. Our current forecast expects that orders will continue to be steady to some extent, but since the Chinese market is quite volatile, we are making efforts to obtain information as early as possible.

**Q: From 2019, investments in North America has been accelerated as part of your strategic investment plans. What is the progress, background and results?**

A: As there are not many machine tool builders in the United States, sales of FA products is limited, and our business in the U.S. is centered on ROBOTs. Also, the U.S is a large market in terms of the consumption of machine tools. Therefore, after selling machine tools fitted with FANUC CNCs, service for these machines is a great source of revenue.

Our company has extremely high shares of ROBOTs in the American market, and it is increasing steadily. Being conscious of further solidifying our position and elevating our presence in North America, since 2019, we have focused not only in investing in the neighborhood of our American Headquarters (Detroit) but also in Mexico and Canada.

It is strongly stressed that in the U.S., acquiring workers is difficult and management in the manufacturing industry and in factories is becoming strenuous year by year. Against such a background, requests to enhance productivity by using robots are increasing, and the market itself is expanding. Therefore, we feel that this market has great growth potential for us.

**Q: What is the breakdown of ROBOT customers? Are they mainly related to the automotive industry?**

A: We gather data to analyze trends by dividing into the three categories of automotive, automotive parts and general industry. It is true that compared to the good times, the automotive and automotive parts industry is facing a drastic downturn. On the other hand, we are winning orders in general industry, which is exceedingly extensive in the areas it covers.

There is no change in that a large part of demands is derived from automotive-related sectors. This can be said not only for ROBOTs but also for FA products and ROBOMACHINEs. However, in the past several decades, the introduction of robots

has progressed beginning in the automotive-related areas to expand into non-automotive related areas. In our Company as well, the percentage of General Industry is gradually increasing yearly.

The percentage of automotive and automotive parts is relatively high in the U.S., while the percentage of General Industry is high in Europe. Moreover, General Industry is composed of a relatively large percentage of small and medium-size companies, where winning orders tend to be difficult. For instance the present high interest rate is resulting in some postponement of orders. Nevertheless, by appealing the benefits of using our ROBOTS to improve efficiency, we are turning opportunities into orders and sales. Our Sales Divisions are collaborating with system integrators and dealers to promote our products.

**Q: What was the situation of ROBOMACHINE in Q3?**

A: In Q3, orders were won in India and Vietnam, mainly with ROBODRILL, while orders from China slightly decreased. The IT-related sectors are difficult to forecast and the ups and downs are substantial. The main markets are in China, India and Vietnam. Despite there being volatility in each quarter, we are trying hard to receive orders.

**Q: What are your expectations for the market in India?**

A: The scale of the Indian market is a fraction of that of China for FA, ROBOT and ROBOMACHINE, but the growth rate is exceptionally high, and we consider this market to have great potential for FA, ROBOT and ROBOMACHINE. FANUC established a subsidiary in India more than 30 years ago which is in operation. At present, there are 23 sites supporting entire India. In the future, in light of India being an immensely important market, we will focus on enriching these sites and establishing more sites.

(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.)