

Fanuc parts the curtains on its secretive culture

Kana Inagaki in Oshino, Japan



Yoshiharu Inaba, [Fanuc's](#) chief executive, does not have enough hours in his day. Most of his time as head of the world's biggest industrial robot company is spent talking with clients ranging from [Apple](#) and [Samsung](#) to [Ford](#). Now he has to squeeze into his schedule meetings with US [activist investor](#) Daniel Loeb and other shareholders.

"We want to use as much time as we have for the company," Mr Inaba says as he arrives 20 minutes late to an interview with the Financial Times. He spent the morning meeting the heads of Fanuc's top two clients. "I could have met another customer if we did not have this interview," he quips with a laugh.

Fanuc competes in the global market for industrial robots with three other big players: Japan's [Yaskawa Electric](#), Switzerland's ABB and Germany's [Kuka](#). To maintain its lead, Mr Inaba has ruthlessly guarded his company's technologies, comparing them with "military secrets in combat".

"I'm quite chatty, so I actually want to talk," Mr Inaba says. "But it's a double-edged sword," he adds, citing the risk of information leaking to rivals if the company engages too much with the outside.

With some reluctance Fanuc is parting the curtains on its secretive culture as it opens up to investors and promises to bolster [shareholder returns](#). From next month it will have a division dedicated to communicating with shareholders, and will offer them plant tours. Mr Inaba says he will also consider increasing the number of outside directors on the board, which is primarily company insiders.

Fanuc's shift — echoing changes at [Hitachi](#), [Sony](#), and trading house [Mitsui](#) — is being driven by a broader corporate governance overhaul orchestrated by Prime Minister Shinzo Abe. The company has also benefited from the [Abenomics](#)-engineered weaker yen, since it exports about 80 per cent of its factory robots and controls for machinery tools, all of which it makes in Japan.



But Mr Inaba, the 66-year-old son of Fanuc's charismatic founder Seiueemon Inaba, says he felt compelled to shift gears from a “sense of crisis” about the way the company was being viewed from the outside.

He insists the changes are nothing to do with Mr Loeb's hedge fund Third Point, which last month bought a stake in Fanuc and is urging the group to make better use of its \$6.8bn cash pile.

“We are not a yellow cult group or a reclusive, secretive society,” Mr Inaba, wearing his yellow jacket, says. “That kind of an image is extremely negative to Fanuc.”

Nearly 40 years ago, his father — whose favourite colour is actually blue — adopted yellow as the company's corporate colour because it made Fanuc's robots stand out.



In its factories, armies of yellow robots work busily around the clock moving machinery parts, overseen by fewer than five people on standby for maintenance work and monitored remotely by a handful of others.

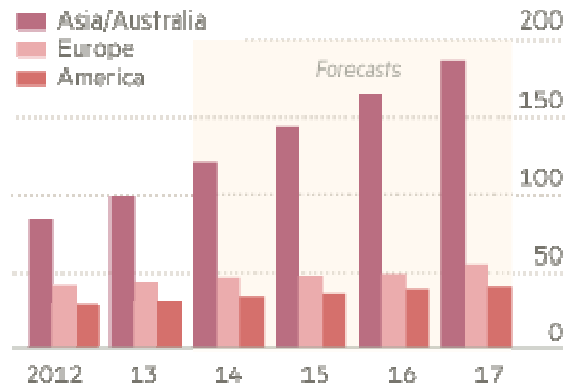
Spun out of Japanese electronics maker [Fujitsu](#) in 1972, Fanuc's headquarters is nestled in a forest at the foot of Mount Fuji, guarded at the entrance by two statues of Japanese Shinto gods.

Almost all of its buildings are yellow, as are the buses and Suzuki cars used by staff to move about the vast campus. Receptionists are dressed in yellow, and even hand towels and calendars are yellow. “Perhaps we overdid it,” Mr Inaba admits.

But as a result of that effort, Fanuc's robots are found on production lines the world over, for everything from cars and smartphones to beverages and drugs.

Annual supply of industrial robots

Units ('000)



Source: IFR World Robotics 2014

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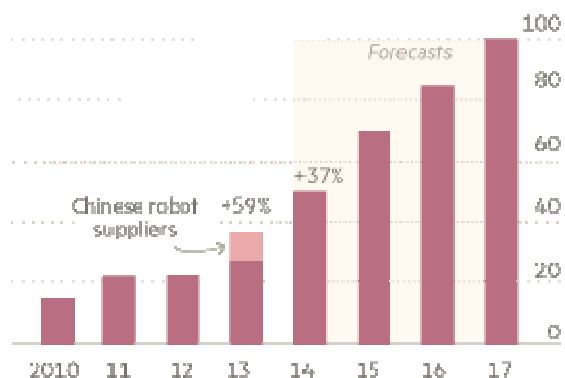
Investors including Mr Loeb remain fascinated by the company's ultra-focused management policy and high profit margins of 40 per cent.

The company expects a 67 per cent rise in full-year net profit to Y185bn (\$1.6bn). Since Mr Loeb revealed his stake in mid-February, shares in Fanuc, which has a market capitalisation of \$43bn, have climbed 18 per cent to hit record highs.

Analysts have raised concerns that orders for Fanuc's Robodrill machine tools, used to make metal cases for iPhones and other smartphones, could be reaching a peak. But Mr Inaba says he is counting on growth in the [Chinese market](#), where rising labour costs have increased demand for industrial robots.

Annual supply of industrial robots to China

Units ('000)



2015-17: +25% per year on average

Sources: IFR World Robotics 2014

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He hopes to expand the company's market share in Europe, India, Brazil and Africa. The US market, of which Fanuc holds about 50 per cent, is also booming, with Fanuc having clinched orders from Ford, [Tesla](#) and aircraft manufacturers, according to Goldman Sachs analysts.

“We are also going to plant the seeds for future growth,” Mr Inaba adds, though he declines to give any details.

Mr Inaba, who took over from his father in 2003, began his career at Japanese truckmaker [Isuzu](#) and was not groomed to run the company. Soft-spoken and relaxed, he claims he has not inherited his father’s authoritarian management style.

Still, he says he learnt from his father the need to adapt quickly to changes. That flexibility is being tested as Fanuc tries to woo more people into investing in its future.

Making peace with robots

A new green “[collaborative](#)” [robot](#) may soon join Fanuc’s army of yellow factory robots.

The recently revealed robot is installed with sensors and other safety technologies that will allow it to stop immediately when it comes in contact with a human being.

“Robots are considered a dangerous presence since they have become so powerful, to carry heavy items at a faster speed,” says Yoshiharu Inaba, Fanuc’s chief executive. “But robots can work together with humans.”

Mr Inaba also says robots will not be [stealing the jobs of humans](#) any time soon even if they become more intelligent. “Robots make products for human beings. It’s up to human beings to decide whether what the robots made are good or not,” he said.