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Asia Pacific Machinery: Automation: Taiwan trip takeaways: Focus shifts to "can you produce?" and "can you raise prices?" amid S/D tightness

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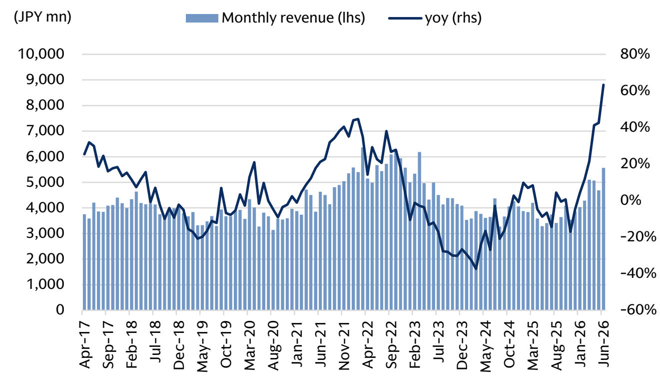
We examined Taiwan related to Japanese FA companies from June 29 through July 2 where trends suggest that not only semiconductors and electronic components, but also many FA product areas are being driven by AI/DC demand. Supply-demand tightness is visible across the board, and our impression is that price hikes driven by supply-demand tightness — in addition to rising raw material and labor costs — are imminent in the FA sector as well. However, the degree of tightness and the magnitude of price increases vary significantly by product, depending on the extent of supply-demand imbalance. While some products are experiencing longer lead times, we also heard of cases where price hikes have yet to be implemented. In this report, we summarize our key takeaways for FA-related components where trends were particularly notable.

Electrical/Electronic Components Led by Sensors: Upstream Price Hikes Appear Likely to Pass Through Directly Downstream

Upstream price hikes in product areas at the center of this AI/DC-driven cycle — namely semiconductors and electronic components — are directly prompting price increases in downstream electrical products. We highlight electrical and electronic components, primarily sensors, as the most prominent example of this dynamic, though supply-demand conditions appear to be tightening and the market outlook improving for more general-purpose components as well. We believe Buy rated Keyence and Omron are among the relatively larger beneficiaries of this trend, and the closer a company is to the electronic components side of the supply chain, the greater the benefit should be.

In our previous report, we highlighted Suzuden (7480.T; Not Covered) monthly revenue trends as a leading indicator of the degree of supply-demand tightness. Suzuden's June monthly revenue figure announced on July 1 showed growth of over 60% yoy, accelerating from the 40%-plus yoy growth seen through April–May. We continue to focus on electrical and electronic components — centered on sensors — as the most noteworthy area within FA in this cycle.

Exhibit 1: Suzuden (7480.T, NC) - Trends in monthly revenues



Source: Company data

Linear Motion Components: Ball Screws Are Particularly Tight

Linear motion components were among the products most visibly supply-constrained during the upcycles of 2016–2018 and 2021–2022 over the past decade. However, we believe the dynamics in this cycle are somewhat different.

First, ball screws are tighter than linear guides. Based on our research, this reflects particularly strong demand from back-end semiconductor manufacturing equipment, as well as PCB-related products (including not only PCB manufacturing itself but also related products such as connectors). Multiple Taiwanese linear motion component companies have begun implementing price hikes. A first round of increases — primarily for ball screws — was announced from late 2025 through early 2026, followed by a second round this spring (March–April), driven primarily by raw material cost increases stemming from changes in the Middle East situation, with price hikes announced across all linear motion components including not only ball screws but also linear guides. The magnitude of increases differs, with ball screws up approximately 20% and linear guides up approximately 10%. Regarding lead times, ball screws appear to have extended from approximately two months as of autumn 2025 to over five months currently. On the other hand, comments suggest that delivery time issues for linear guides are not as severe as for ball screws, with lead times remaining at around three months — not significantly changed from prior levels. This appears to reflect the difference in each product's degree of direct involvement in data center demand.

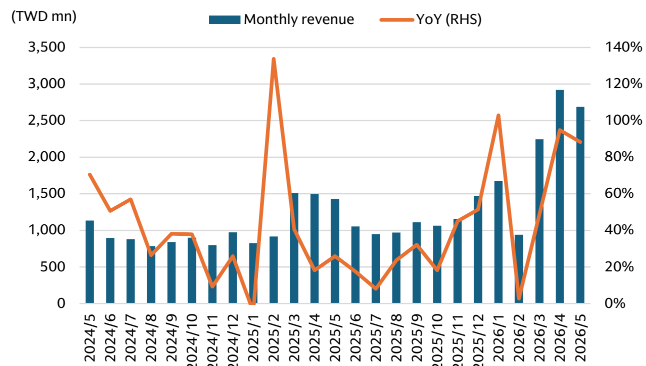
CNC: Dynamics Are Markedly Different from Other Product Categories

CNC is a case where lead time elongation at specific companies has become notable, resulting in an acceleration of revenue growth for Taiwanese companies. We estimate that a share shift similar to that observed in other FA products is underway, as the revenue growth rate of Syntec Technologies (7750.TW; Not Covered) is beginning to exceed China mainland revenues and revenue growth rates of Japanese CNC suppliers including Fanuc. Revenue growth in April–May in particular was particularly strong, and the trend acknowledged by both machine tool manufacturers and machine tool trading companies alike is the elongation of lead times at Japanese CNC makers, primarily Fanuc. While the root cause remains unclear, we have heard that this bottleneck has caused lead times to extend sharply from two to three months to more than double that.

As a result, the acceleration in Syntec's revenue growth appears to be gaining further momentum. The trend suggests this could be a potential catalyst for accelerating substitution away from Japanese companies — a trend that has been observed in FA in the past — and we will continue to monitor developments closely.

Regarding pricing trends, the dynamics are clearly different from other product categories. Perhaps because supply-demand tightness is giving rise to share substitution, there are reportedly no signs whatsoever of price increases. We estimate this reflects the very high profitability of CNC equipment itself, as well as a response by leading Japanese players including Fanuc (Sell) to guard against share substitution.

Exhibit 2: Syntec Technologies (7750.TW) - Trends in monthly revenues

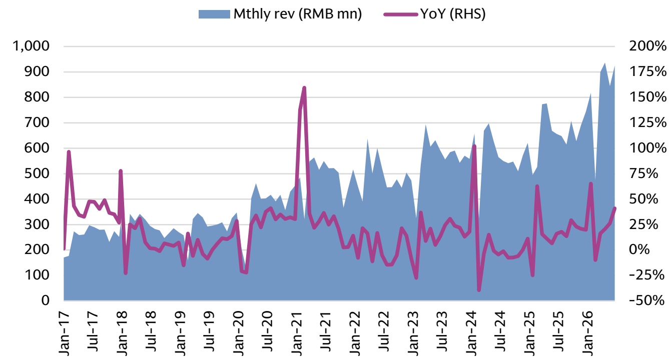


Source: Company data

Our View: Focus Shifts Beyond Order Upside to "Can You Produce?" and "Can You Raise Prices?"

Beginning with Yaskawa Electric's 1Q earnings on July 10, it will be possible to confirm the business conditions and order trends of individual FA companies in the Japanese machinery sector. Moreover, since Taiwanese FA companies will also have announced their June monthly revenue trends by that point, we believe that the magnitude of demand upside will be quickly priced into equity valuations. AirTAC's monthly revenue trends are already strong (Exhibit 3), and as with Suzuden mentioned above, we believe other manufacturers' trends could also reflect a firm underlying tone. With this, we believe the focus should now be on whether companies are able to continue production without disruption and meet demand in an environment where supply constraints are visible across the board, and whether they are able to implement price hikes driven by supply-demand tightness — in addition to rising raw material and labor costs. We maintain our positive view on the Japan FA sector. Stay Buy on Keyence/Omron/Yaskawa (on CL).

Exhibit 3: AirTAC (1590.TW) - Trends in monthly revenues



Source: Company data

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