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Asia Factory Automation & Robotics

FA cycle: Broader recovery, sharper differentiation—GCS takeaways and MIR 1Q26 review

China's FA sector entered 2026 with a much firmer footing, as momentum broadened well beyond a handful of end-markets and the narrative shifted from "is demand recovering" to "which players can convert robust order flow into profitable shipments." MIR's 1Q26 review shows FA sales up 7% Y/Y—the strongest since 4Q22—while IA and PA rose 2% Y/Y and 1% Y/Y, respectively. MIR also raised its full-year FA outlook by 3%, now forecasting 13% Y/Y growth in 2026E and 10% Y/Y in 2027E, citing a better demand pulse and support from structurally growing sectors. Notably, Inovance's IA order growth sustained above 40% Y/Y in May, extending the strong YTD momentum and underscoring the strength of the upcycle for leading platforms. The cycle is increasingly quality-led: PLCs and AC servos sustained over 10% Y/Y growth (with AC servo up 17% Y/Y), and industrial robots maintained double-digit growth at 14% Y/Y, with electronics and auto electronics still the key swing factors. At the same time, input-cost volatility and component tightness are resurfacing, making pricing discipline and delivery execution central to outcomes. Tier-one platforms with stronger solution breadth and supply-chain resiliency are better positioned to pass through costs and defend GPM, while smaller players risk being squeezed by faster cost resets and price-sensitive customers. Market share shifts reinforce this winner-takes-more setup: Inovance gained 6, 2, and 2 ppts Y/Y in small PLC, mid-to-large PLC, and AC servo, respectively, while Estun further strengthened its top-player status in robotics with a clearer mix upgrade angle. Humanoid robots remain a secondary option for 2026 earnings, but are already influencing capacity planning for precision components, with Leader Drive standing out as a direct beneficiary.

From a stock and sentiment perspective, the market reflects that much of the easy re-rating occurred in 2025, and 2026 is increasingly about execution—especially margin delivery—rather than just order momentum. Year-to-date, Japan and Taiwan have outperformed China on stronger order prints, while China FA and robotics names have shown a more two-speed pattern: Leader Drive and Estun have been the standout performers, supported by their respective drivers—humanoid-linked volume ramp for Leader Drive, and margin recovery off a low base with demand supported by lithium battery, energy storage, and AI-linked capex for Estun. Over the past month, sector sentiment has improved, with the group up c.7% on average versus a 16% YTD gain, helped by incremental Tesla supply chain progress, FA players' order growth pick-up in April–May, and 4Q25/1Q26 earnings risks being absorbed. Outside China, leadership has been underpinned by tangible order acceleration, with Fanuc's quarterly orders up 19% Y/Y in 1Q26 (vs. 9% Y/Y in 4Q25), and AirTAC and Hiwin's April sales reaccelerating to over 20% Y/Y, reinforcing a synchronized

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upturn even as investors remain focused on which platforms can translate volume into margin amid ongoing raw material cost pressures.

Sector results so far provide positive read-throughs, with 1Q26 earnings and YTD price action highlighting margin repair and constructive demand outlook. Our stock views remain constructive: we recommend buying on dips amid volatile share price swings in recent months, as we believe the FA upcycle remains intact and humanoid robot commercialization is still a key theme, despite near-term profit taking and ongoing sector rotation. We continue to favor leading names such as Inovance, Hengli Hydraulic, UBTech, Sanhua-A/H, Leader Drive, Estun, and Yiheda, which we believe are best positioned to benefit from accelerating market-share gains, robust new product launches, and the ongoing shift towards higher-value, innovation-driven growth in both automation and robotics.

China's FA data started 2026 on a firmer footing, with momentum broadening beyond a narrow set of end-markets

MIR's 1Q26 review shows China FA segment sales grew **7% Y/Y** (the strongest since 4Q22), while the broader IA market rose **2% Y/Y** and PA rose **1% Y/Y**. The headline reads encouraging, but the quarter also highlighted a familiar reality: winners are separating via end-market mix (notably exposure to AIDC-linked electronics and high-end manufacturing) and supply-chain execution, as input-cost volatility and component constraints resurfaced. The key debate into 2H26 is less "is demand recovering" and more "who can convert demand into profitable shipments."

A stronger 1Q26 print strengthens the cycle narrative, while PA remains the laggard. MIR's 1Q26 data points to a solid start to 2026, with **FA sales +7% Y/Y**, **IA +2% Y/Y**, and **PA +1% Y/Y**. Importantly, MIR lifted its full-year FA outlook by **3%**, now forecasting **FA +13% Y/Y in 2026E** and **+10% Y/Y in 2027E**, citing a better demand pulse and support from structurally growing sectors. The growth mix matters: electronics, semiconductors, robotics, NEV-related capex, and aerospace remain the cleaner demand pools, while PA is poised to stay muted given slower capex in oil & gas, metallurgy, and petrochemical, alongside softer replacement demand. In other words, the tape is improving, but it still rewards "right exposure + right execution" rather than broad beta.

Pricing actions are re-emerging, and the market is polarizing around who can pass through. Raw material inflation and periodic component tightness are bringing pricing discipline back into focus. Some suppliers (e.g., Inovance) have implemented price hikes to protect profitability, but the early signal from channel checks is that pricing is not moving uniformly across the stack. The mid-to-high end is showing clearer polarization: tier-one players with stronger product competitiveness, delivery reliability, and solution breadth are in a better position to push pricing through, while smaller players risk being squeezed between customers that remain price-sensitive and cost lines that reset faster than selling prices. This sets up a familiar "share shift + margin dispersion" pattern, where pricing power becomes a market-share tool rather than a purely defensive lever.

Product momentum remains healthiest in control and motion, with clear end-market drivers behind it. At the product level, **PLCs and AC servos sustained >10% Y/Y growth in 1Q26**, with **AC servo +17% Y/Y** leading the pack, consistent with a cycle that is upgrading toward higher content and higher-value motion/control. Low-voltage inverters posted a rebound to **+4% Y/Y** in 1Q26, but the read-through is that demand remains more mixed and sensitive to project cadence and export-linked EPC dynamics. The demand drivers look "quality" rather than purely cyclical: lithium battery-related activity surprised positively (including supporting infrastructure such as substations), auto customers accelerated production-line equipment procurement, and AI supply-chain capex (PCB/electronics/semiconductors) created spillover into selected adjacent categories (e.g., laser equipment). This mix supports the view that the cycle is increasingly shaped by advanced manufacturing capex rather than broad industrial volume alone.

Robotics growth moderated but stayed double-digit, with electronics still the key swing factor. MIR data shows the industrial robot market retained double-digit growth in 1Q26 (**+14% Y/Y**, vs **+17% Y/Y in 4Q25**), indicating moderation from a strong exit rate but not a break in trend. End-demand looks broadly positive Y/Y, including solar, with electronics (including auto electronics) leading at **>20% Y/Y**. Auto parts and lithium battery demand also stayed robust at **+19% Y/Y**. The more important takeaway for investors is that robotics demand is increasingly "application- and customer-specific," which tends to reward suppliers with a proven portfolio, fast iteration, and service capability, rather than a pure price-led strategy. This also links back to the broader FA theme: robotics is amplifying the premium on reliability, delivery, and solution integration.

Market share shifts are becoming more visible, and supply-chain execution is a differentiator again. The latest market landscape highlights two differentiators: (1) supply-chain resiliency amid renewed noise around chips and input costs, and (2) exposure to growth sectors such as AIDC-linked demand. Inovance expanded market share in **small PLC / mid-to-large PLC / AC servo by 6/2/2 ppts Y/Y** to **14%/6%/33%**, while losing share in low-voltage inverter as capacity and delivery priorities were tilted toward PLC and servo. In aggregate, Inovance stood out as the most visible share gainer, while most other share changes were small (typically <1 ppt). Among global peers, Mitsubishi lost **2 ppts Y/Y** share in servo, while Siemens gained **2 ppts Y/Y** in servo and low-voltage inverter, consistent with the theme that consolidation is playing out in favor of scaled, tier-one platforms.

Robot vendor dynamics show domestic leaders consolidating, but product mix still matters for "quality of share." Competitive dynamics

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in industrial robots continue to evolve, with Estun strengthening its "top player" status. Estun regained the No.1 position in 1Q26, together with Inovance and KUKA, each at **9.7%** share. Inovance was the most visible share gainer in the quarter (**+0.7 ppt Y/Y**), though its mix skews more toward smaller-sized robots versus Estun, which matters for ASPs, application mix, and margin structure. For Fanuc, ABB, and Yaskawa, shares broadly stabilized at around **~10% / ~5% / ~5%** over the past three years, albeit with a mild declining bias. Net-net, the structure suggests domestic players are gaining relevance, but investors still need to underwrite *where* the share is being won (product tier, applications, and customer quality), not just the headline share number.

China Summit takeaways point to a capacity-constrained upcycle with sharper winner-takes-more dynamics.

Shenzhen Inovance, Estun Automation, Leader Drive, and UBTech collectively reinforced a 2026 setup where demand is improving, but outcomes are poised to diverge based on who can scale capacity, protect margin via mix/solution attach, and convert structural opportunities (AI capex spillover + localization) into repeatable share gains.

2026 was consistently framed as an IA-led upcycle where "orders are not the bottleneck, delivery is." Multiple checks suggested 2026 demand is poised to be better than 2025 on a broader capex recovery and a firmer FAI backdrop, but the more actionable constraint is capacity and delivery capability—particularly in PLC/servo and select precision components where supply tightness can reappear. Management commentary emphasized near-term capacity expansion to clear backlog (one large player targeting ~30% capacity lift in 2Q26 to digest 1Q26 order accumulation), alongside a deliberate reallocation of capex toward IA versus NEV-type investments made in prior years. The implication is that reported revenue may lag order momentum in the near term (order-to-delivery commonly 1–3 months for standard products), but the strategic direction favors those who can scale without introducing margin leakage.

IA demand is broad-based, with AI capex providing both direct pull and spillover into "traditional" segments. Summit discussions converged on a view that 2026 demand is not a single-theme AI trade, even if AI/data center buildout is a key accelerant. Orders were described as strong across lithium battery & energy storage, electronics/3C, and semiconductor-adjacent supply chains, with a meaningful spillover into machine tools and adjacent equipment where compute/server buildout drives thermal/precision processing and manufacturing upgrades. Several speakers highlighted improving conditions in selected "traditional" sectors (e.g., injection molding, machine tools, pockets of process industries), suggesting a more durable upgrade cycle rather than a narrow stimulus pulse. The practical read-through is that end-market diversity is becoming a competitive advantage: suppliers exposed to both "new economy" capex and structurally upgrading legacy industries are better positioned to sustain growth if macro conditions remain uneven.

Pricing and raw material inflation are shaping margin dispersion, not just headline demand. Input pressure points cited included copper-related items, memory shortages affecting certain automation components, and PCB/inverter-linked costs, with PLC mentioned as a more impacted category YTD due to component sensitivity and demand intensity. Some players referenced two rounds of pricing actions in 1Q–2Q26, with additional rounds possible if cost inflation persists, while also acknowledging that pass-through cadence can lag cost resets quarter-to-quarter. The margin narrative was generally "stable to slightly improving" through mix upgrade, productivity gains, and supply-chain optimization (localization, longer-term supplier agreements), but with acknowledged noise around component availability and timing mismatch. The investor-relevant point is that the upcycle is rewarding discipline: players with pricing power and solution attach are more likely to hold GPM steady, while price-takers risk a margin squeeze even if revenue prints look fine.

Industrial robots are moving toward higher-quality growth, led by payload/mix upgrades and foreign substitution. Industrial robot discussions emphasized a shift toward mid-to-large payload and higher-end scenarios as the key "quality lever," with foreign-brand substitution still the structural runway—especially where system value-add, engineering requirements, and integration knowhow matter more than unit price. Demand remained concentrated in autos/auto parts, lithium battery & energy storage, and electronics, with broader general industrial applications improving at the margin. YTD growth sequencing was described as lithium battery/energy storage fastest, then electronics, then construction machinery and autos, broadly consistent with AI-capex-linked activity and manufacturing upgrade. OEMs increasingly emphasized "high-quality growth" (selective bidding, higher-margin scenarios, standardized workstations, after-sales expansion) rather than pure volume share, which is supportive for steadier margin progression even if commoditized segments remain highly competitive.

Humanoid robots remain a secondary optionality for 2026 earnings, but they are already influencing capacity planning and component tightness. Most IA players positioned humanoids as early-stage exploration leveraging existing industrial automation know-how rather than a core 2026 earnings driver; near-term financial outcomes are still dominated by IA and industrial robots. The more immediate implication is indirect: incremental humanoid-related demand adds to capacity tightness for certain precision components and increases the premium on scalable manufacturing, quality consistency, and supply-chain control. Leader Drive stood out as the more explicit humanoid supply-chain beneficiary due to harmonic reducer intensity in humanoids.

Peer read across from Asia and Europe underscores a selective but accelerating China FA upturn.

Asian and European peers are converging on the same message: China's FA recovery is real, but the "where" matters—

electronics/semis, data centers, and selected advanced manufacturing are doing the heavy lifting. Taiwan suppliers are the cleanest early-cycle read given their short-cycle order visibility, Japan is showing the sharpest China growth contribution in several platforms, and Europe is framing China as improving but still selective, with strength concentrated in electrification, motion, and localized automation portfolios.

The practical implication for investors is that China exposure is increasingly a quality filter rather than a simple beta call. Companies with (i) China-local product portfolios, (ii) ability to serve high-tech capex, and (iii) operating discipline to defend margins through mix and productivity are poised to show the most consistent earnings conversion as the cycle broadens.

Taiwan suppliers are signaling a synchronized upturn, with order backlogs and lead times pointing to continued strength. Taiwan automation and component suppliers continue to provide one of the clearest early-cycle reads for China FA, and the tone is constructive on both demand breadth and order conversion. Hiwin flagged "very hot" demand in tool machines and semiconductors, with China order lead times now at **3.5–5 months**, which typically indicates both improved end-demand and tighter near-term capacity allocation at the customer level. AirTAC reported record monthly revenue and record order-booked amount in **Apr 2026** despite fewer working days, and highlighted that orders are still outpacing shipments, pushing backlog to new highs—an important sign that the cycle is not just a one-off restocking event. The common thread across both is that the strongest demand pools remain electronics, batteries, machine tools, and general machinery, while the margin narrative is framed around production efficiency and mix, rather than price-led growth alone—consistent with a healthier cycle phase where "delivery + mix" becomes the P&L bridge.

Japanese players are increasingly calling out China as a fast-growing region, with orders and profit leverage improving on volume and mix. Japan's FA leaders are also seeing a clear China rebound, with several platforms pointing to China as a more meaningful growth and profit contributor in 2026. THK reported **+44% Y/Y** China revenue growth and **+107% Y/Y** China operating income growth in 1Q26, with orders up **+68% Y/Y**, and management positioning China as ~**30%** of group revenue in FY2026—an unusually strong read-through for both demand and operating leverage. Yaskawa highlighted strength tied to automation, semiconductors, and data centers, with AC servo momentum poised to pick up in 2H and robotics order strength particularly visible in semis and batteries, while also noting that a meaningful portion of China AC servo exposure comes via Japanese customers operating locally (important for understanding end-demand linkage and customer concentration). FANUC cited mid-teens% Y/Y China sales growth in FY2025 (c.**27%** of group sales), supported by robotics and FA demand tied to EV/general industry/machine tools. MISUMI delivered **+15.9% Y/Y** China sales growth in FY25/26 and is planning ~**16%** growth in FY26, supported by semis, telecom, automation, plus digital and localization initiatives—

together suggesting China is not only recovering but also rewarding localized go-to-market and workflow efficiency.

European read-through is constructive but more nuanced, with growth concentrated in high-tech manufacturing and localized portfolios. European peers are acknowledging improvement in China, but they frame it as selective rather than broad-based, with the "winners" tied to electrification, motion, and automation solutions serving data centers, semiconductors, and e-mobility. ABB reported China revenue growth of **+17%** with orders up **+9%**, and Siemens reported Automation orders **+7%** and revenue **+6%**, with Siemens also noting that local China-portfolio products are growing at a **mid-20s** rate—an important datapoint that localization and fit-for-China product design are increasingly decisive. At the same time, both characterize China as "generally challenging," reflecting uneven macro confidence and a more disciplined approach by customers and channels (e.g., stable distributor inventory rather than aggressive stocking). Pricing is described as stable, with no major margin dilution signal, and the margin framework leans on scale, productivity, and digitalization benefits rather than a "price-led" margin reset. Net-net, Europe's message aligns with Asia's: China is improving, but the growth is most reliable where it is tied to advanced manufacturing upgrades and export-competitive production.

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Table 1: Asian and European peer readthrough summary

Company	FY2026 Outlook	Demand Trends and Drivers	Guidance	China Orders	Pricing and Margins
Hiwin	Management expects 2026 to be a much better year than the past 2–3 years, with strong recovery and continued momentum, barring major external shocks.	Demand is being driven by recovery in semiconductors, AI-related automation, infrastructure, and robust tool machine orders. Orders are strong across Asia (esp. China), Taiwan, and the US, with Europe also improving. AI, semiconductor, and automation remain key growth areas.	No explicit full-year revenue/profit guidance, but management is confident in continued order strength and margin improvement, with backlog visibility of 3–5 months for core products. Robot segment expected to keep growing, with product mix shifting toward higher-value applications.	China orders have rebounded since late 2025, especially for ball screws, linear guides, and semiconductor/automation-related robots. Order lead times in China are now 3.5–5 months, and the market is described as "very hot" for both tool machines and semiconductors.	Gross margin for 1Q26 was 31.9% (up 4.9ppt QoQ, up 2.1ppt YoY), driven by RMB appreciation, higher utilization, and a price hike in March (7–15% depending on product/region). The price hike will show up more fully in 2Q–3Q. No further price hikes planned unless raw material costs spike. Margins expected to remain above 30% if FX and utilization remain stable. Product mix and custom orders (esp. for semis/robots) support higher margins.
AirTac	Management remains optimistic for 2026, expecting continued strong demand and policy support for the pneumatic industry, with record-high order backlog and robust shipment outlook for May.	Demand is being driven by China's 15th Five-Year Plan (intelligent manufacturing, industrial upgrading), rising market demand, and strong growth in battery, electronic equipment, machine tools, general machinery, and textile machinery sectors. New product launches and brand enhancement are increasing market share.	Management expects both orders and shipments to continue outperforming expectations, with order intake exceeding shipments and backlog at a record high. Geopolitical impacts on raw material costs are under control, and policy support is anticipated to remain favorable.	April 2026 saw record-high monthly revenue and order-booked amount, with orders exceeding shipments and backlog at a new high. YTD (Jan–Apr) 2026 revenue in China was RMB 3,129.6mn (+22% YoY), with April alone at RMB 937.5mn (+21% YoY).	Operating profit margin continues to increase sustainably, supported by improved production efficiency and favorable product mix. Raw material cost pressures from geopolitics remain manageable. Management expects further margin improvement as internal efficiency and sales mix initiatives continue.
THK	FY2026E China revenue forecast at ¥83.6bn (up 17% YoY), with Q1 run-rate suggesting upside risk if current momentum sustains. Group revenue target ¥276bn. China expected to contribute ~30% of group revenue.	Factory automation demand in China is rebounding sharply, led by electronics-related recovery (semiconductors, consumer electronics). Management describes China demand as "strong overall." Data center, e-cars, solar, batteries, and logistics also cited as growth verticals.	Management expects China to remain the key growth engine for FY2026, with electronics as the primary catalyst. Risks include U.S. tariffs, global supply chain/geopolitical uncertainty, and sustainability of the electronics cycle.	Q1 2026 China orders (THK China + THK Shanghai) were CNY 1,621mn, up 68.2% YoY and accelerating sequentially. Quarterly order trajectory shows clear inflection: 963 → 1,214 → 802 → 1,006 → 1,621 (CNY mn, Q1 2025–Q1 2026).	Q1 2026 China segment operating margin was ~14.6% (¥3,227mn op. income on ¥22,111mn revenue), the highest among all regions. Margin expansion driven by volume recovery and product mix. Management notes U.S. tariffs as a cost headwind at the consolidated level, but China margins remain robust.
Yaskawa	Revenue to rise 7% YoY to ¥580bn; operating profit to rise 27% YoY to ¥60bn (margin 10.3%). Growth led by Motion Control (revenue +19% YoY, margin 15%) and stable Robotics profit (revenue -3% YoY, margin 8.8%). Capex plan: ¥58bn.	Strong order intake driven by AI and semiconductor-related demand, especially for AC servo and drives. Semiconductor and data center investments are key, with robust demand in the US, Korea, Taiwan, and China. Robotics: all-time high shipments for semiconductors; automotive bottoming out, general industry steady.	Management expects both revenue and profit to increase, but outlook is cautious due to geopolitical risks (Middle East, tariffs). Motion Control plan is conservative, factoring in potential demand slowdown. Robotics profit to improve as low-margin projects phase out and higher value-added projects ramp up.	China: FY25/26 revenue +2.6% YoY. Semiconductor-related AC servo orders in China are expected to ramp up in 2H as local equipment enters mass production. Robotics order momentum in China is strong, especially for semiconductors and batteries. AI/data center demand is robust, but much of the AC servo business is with Japanese customers in China.	FY25/26 group margin 8.7% (down YoY on higher costs, FX). FY26 margin to recover to 10.3% as value-added mix improves, new product launches, and cost controls take effect. Motion Control margin to rise to 15% (from 10.3%), Robotics to 8.8% (from 8.3%). Price pass-through for higher costs is assumed, but competitive pressure in China remains.
FANUC	Net sales to rise 6% YoY to ¥909.6bn (new record); operating income to rise 15.5% YoY to ¥212.2bn (margin 23.3%); net income to rise 11% YoY to ¥184.9bn. All major divisions (FA, Robot, Robomachine, Service) expected to see continued growth.	Demand remains solid across all product lines, led by strong automation, EV, and semiconductor investment. FA (CNC/servo) and Robot divisions are key growth drivers. Factory operation and supply chain have improved. Americas and China are especially strong for robotics and automation; Europe rebounding.	Management expects both sales and income to increase, with net sales and profits projected to set new all-time highs. Outlook remains positive despite geopolitical and FX risks. Dividend payout ratio maintained at 60%.	China: FY2025 sales +14.6% YoY; Q4 orders +55% YoY, +37% QoQ. Robotics and FA divisions both saw strong growth, driven by EV, general industry, and machine tool demand. China now accounts for ~27% of consolidated sales.	FY2025 operating margin 21.4% (+1.5ppt YoY); FY2026 margin guided to 23.3% (+1.9ppt). Margin improvement driven by higher sales, cost control, and product mix. Pricing environment stable; cost increases offset by productivity and scale.
MISUMI	Net sales to rise 11.4% YoY to ¥491.5bn; operating income to rise 15.5% YoY to ¥55.0bn (margin 11.2%). Record-high sales and profit planned, with Americas, China, and Asia as key growth regions.	Automation demand remains robust, especially in semiconductors, data centers, and telecom. Digital MODEL Shift and region-specific strategies are driving growth. Americas and China are key contributors; Japan remains soft, and Europe is recovering.	Management expects record-high sales and operating income, with continued growth in automation, digital, and new business lines (e.g., Fictiv, meviy, agri-tech, robotics). Dividend payout ratio set at 35%, with a planned share buyback of ¥30bn.	China sales grew 15.9% YoY in FY25/26 (to ¥91.9bn), with further 16.1% growth planned for FY26. Demand is strong in semiconductors, telecom, and automation. Localized operations and digital initiatives are deepening market penetration.	FY25/26 group OI margin was 10.8% (down slightly YoY due to M&A costs and Fictiv consolidation). FY26 margin to improve to 11.2% as scale, product mix, and digital initiatives drive efficiency. Price increases (PU) and cost-down (CD) initiatives are in place to offset raw material and logistics cost risks.
ABB	Expects high single-digit to low double-digit comparable revenue growth for FY26, with operational EBITA margin to improve YoY (even excluding Q1 real estate gain). Book-to-bill to remain above 1.	Robust global demand for automation, electrification, and motion solutions. Data centers, utilities, marine/port automation, and machine builders are key growth drivers. Short-cycle businesses and project business both strong; industrial and process sectors (e.g., mining, oil & gas) more muted.	Raised FY26 growth and margin expectations after record Q1 orders (+24% comparable), strong backlog ($27.5bn, +22%), and solid execution. Management notes no material demand impact from Middle East conflict; only some regional disruption in Automation.	China Q1 orders +9% YoY (+3% comparable); revenues +17% YoY (+11% comparable). Electrification and Motion saw growth; Automation orders declined YoY but backlog remains strong. China market described as "generally challenging" but with positive momentum in key segments.	Q1 2026 group operational EBITA margin 23.5% (+320bps YoY, 70bps from business performance, 250bps from real estate gain). Electrification margin 24.0% (+80bps), Motion 18.5% (-110bps, diluted by Gamesa acquisition), Automation 14.7% (+50bps). Pricing positive but did not fully offset higher raw material/tariff costs; margin pressure from FX/commodity derivatives and mix.
Siemens	Group: 6–8% comparable revenue growth, book-to-bill >1, EPS pre-PPA €10.70–€11.10. Digital Industries (DI): revenue growth 7–10% (raised), margin 17–19% (raised). Smart Infrastructure (SI): revenue growth 8–10% (raised), margin 18–19%.	Factory automation demand remains robust, led by data centers (triple-digit order growth), semiconductors, electrification, and AI-driven upgrades. DI Automation and Software both grew strongly; Smart Infrastructure saw record orders from data center and semiconductor customers, especially in the US. China: gradual improvement, driven by high-tech manufacturing, exports (e-cars, semis), and strong local new product launches.	Group and segment guidance raised for FY26 after strong H1. DI and SI both raised revenue growth and margin targets. Management expects continued strong demand in automation, digital, and electrification, with high backlog visibility (record €124bn). Some caution on macro/geopolitical risks, but no material change in customer buying behavior so far.	China: Q2 Automation orders +7%, revenue +6%. Local China portfolio growing mid-20s%. DI Automation and Electrification both up; Smart Infrastructure revenue +9%. Market described as gradually improving, with stable distributor stock and strong demand in high-tech/AI, semis, e-cars, solar, batteries, logistics, marine.	DI margin 18.5% in Q2 (up 370bps YoY), driven by software and automation mix, SaaS transition, and Altair/Dotmatics synergies. SI margin 18.6% (up 10bps YoY), with strong operational leverage offsetting FX and commodity headwinds. Pricing stable; Q1 price increases in China holding. Management expects further margin expansion as SaaS drag fades and productivity gains continue.

Source: Company reports, Bloomberg Finance L.P. J.P Morgan Research. Data as of 1Q/2QFY26 and FY25/26 results.

Share price review

- The YTD tape shows Japan & Taiwan still ahead of China, given the continued laggards catching up trend, while China FA names have re-rated in 2025 with oversized gains realized in light of humanoid robot sector take-off and FA upcycle story, which might have priced in the most of the positiveness seen YTD regarding humanoid robot roll out and FA order pick-up trend, while margin became a realistic concern due to raw material cost inflation, which also served as a testament for FA players' management and execution capability through the cycle.

- As such, YTD the best performance within Chinese FA & Robotics space are Leader Drive and Estun Automation, which is underpinned by their respective fundamental drivers (i.e. humanoid robot sales pick up visibly, with % contribution to potentially reach 40~50% in 2026E vs ~20% in 2025; Margin recovery story off low base, with demand supported by lithium battery & energy storage and AI related demand).

- Over the past month, Chinese FA & Robotics sector sentiment appeared improving (+ 7% on average vs total gain at +16% YTD), on the back of 1) Tesla Supply Chain highlighting meaningful progress in volume ramp-up preparation since July-August; 2) FA players' order growth pick up in April-May; 3) 4Q25 & 1Q26 earnings risks played out.

- Outside China, we believe Japan FA players' share price outperformance is underpinned by strong order prints, with Fanuc's quarter orders picking up to 19% Y/Y in 1Q26 vs 9% Y/Y in 4Q25. Similarly, Airtac and Hiwin's monthly sales have also seen sequential acceleration to 21% Y/Y in April'26, vs 4M26 at 22% Y/Y and 12% Y/Y respectively.

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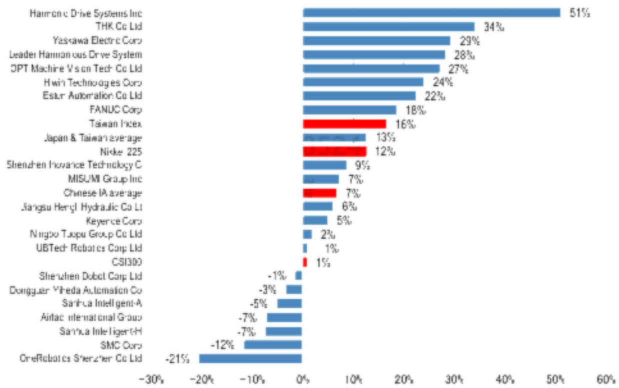
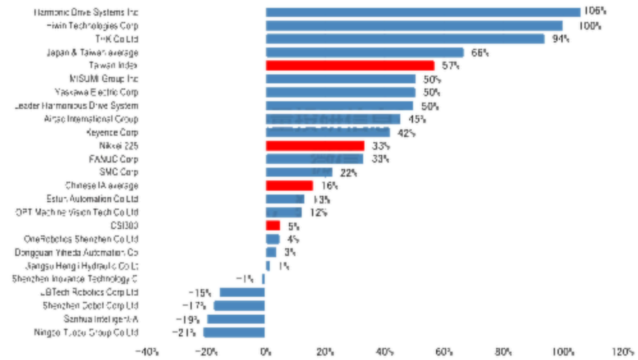
Figure 1: Asia Factory Automation & Robotics share price over the past month



Source: Bloomberg Finance L.P., priced as of June 1, 2026.

Figure 2: Asia Factory Automation & Robotics share price YTD



Source: Bloomberg Finance L.P., priced as of June 1, 2026.

Table 2: Asia Factory Automation & Robotics comp table

	BBG	JPM rating	Last Price	JPM PT	Upside/	Mkt Cap	Daily turnover	YTD	P/E (x)		EPS growth Y/Y		PEG(x)	ROE (%)	
	Ticker		LC	LC	Downside	US$Mn	US$Mn	Stock perf.	FY26E	FY27E	FY26E	FY27E	FY26E	FY26E	FY27E
China/HK automation															
Inovance	300124 CH	OW	75	84	13%	29,816	378.3	-1%	33	27	20%	23%	1.6	16.2	17.4
Estun	002747 CH	OW	27	28	5%	3,648	109.4	13%	112	72	380%	54%	0.3	8.8	10.1
OPT	688686 CH	NC	139	NA	NA	2,509	32.7	12%	63	48	44%	32%	1.4	8.2	9.9
Yiheda	301029 CH	OW	27	36	31%	2,570	50.4	3%	25	20	33%	24%	0.8	15.1	17.1
Hongfa	600885 CH	OW	35	45	29%	7,981	110.0	15%	26	21	19%	10%	1.4	15.4	16.6
Leader Drive	688017 CH	OW	287	264	-8%	7,785	298.3	50%	235	154	76%	53%	3.1	5.7	8.4
Sanhua-A	002050 CH	OW	45	60	35%	26,451	841.4	-19%	39	34	10%	17%	4.1	14.2	14.8
Sanhua-H	2050 HK	OW	31	42	37%	26,451	62.9	-20%	23	20	10%	17%	2.4	14.2	14.8
Jiangsu Hengli	601100 CH	OW	111	121	9%	22,059	175.3	1%	44	36	23%	24%	1.9	18.3	20.0
HCFA	688320 CH	NC	37	NA	NA	822	20.6	-1%	NA	NA	NA	NA	NA	NA	NA
SUPCON	688777 CH	NC	88	NA	NA	10,345	232.0	79%	82	64	92%	29%	0.9	7.9	9.6
Shuanghuan Driveline	002472 CH	NC	39	NA	NA	4,871	124.9	-18%	22	19	16%	17%	1.4	13.6	14.2
Zhongda Leader	002896 CH	NC	74	NA	NA	2,157	94.4	-17%	140	120	66%	17%	2.1	8.1	9.7
UBTech	9880 HK	OW	107	169	58%	6,866	99.1	-15%	-69	1112	37%	106%	-1.9	-10.0	0.7
Zhongda Leader	002896 CH	NC	74	NA	NA	2,157	94.4	-17%	140	120	66%	17%	2.1	8.1	9.7
Guomao Reducer	603915 CH	NC	16	NA	NA	1,546	24.8	-15%	31	27	39%	15%	0.8	8.2	8.9
Average									**63**	**126**	**62%**	**30%**	**1.5**	**10.1**	**12.1**
Asia (ex-China) automation															
Delta	2308 TT	OW	2420	2600	7%	200,365	724.2	151%	54	36	93%	52%	0.6	31.8	36.9
Hiwin	2049 TT	UW	388	160	-59%	4,370	77.2	100%	71	60	27%	18%	2.7	5.2	6.0
Airtac	1590 TT	OW	1350	1350	0%	8,606	49.3	45%	27	25	17%	10%	1.6	18.1	18.4
Keyence	6861 JP	NC	80220	NA	NA	122,351	364.5	42%	39	35	12%	12%	3.3	13.8	14.0
FANUC	6954 JP	NC	8081	NA	NA	49,779	278.9	33%	39	35	16%	10%	2.4	10.4	11.1
NSK	6471 JP	NC	1192	NA	NA	3,736	20.5	22%	19	15	37%	27%	0.5	4.7	5.8
SMC	6273 JP	NC	66520	NA	NA	26,644	158.4	22%	23	21	7%	10%	3.2	8.5	9.0
Harmonic Drive System	6324 JP	NC	7780	NA	NA	4,699	58.1	106%	134	89	241%	50%	0.6	6.7	9.5
Yaskawa	6506 JP	NC	7140	NA	NA	11,941	159.7	50%	37	32	42%	16%	0.9	9.9	10.8
THK	6481 JP	NC	7757	NA	NA	5,794	41.6	94%	27	24	NA	12%	NA	12.9	14.2
MISUMI	9962 JP	NC	3675	NA	NA	6,574	27.8	50%	24	21	3%	15%	9.5	11.5	12.8
Nabtesco	6268 JP	NC	5541	NA	NA	4,103	36.0	48%	26	25	59%	6%	0.4	8.1	8.3
Sumitomo	8316 JP	OW	5861	7550	29%	140,681	484.8	16%	12	11	16%	13%	0.8	11.2	12.0
Average									**41**	**33**	**48%**	**19%**	**2.2**	**11.8**	**13.0**

Source: Bloomberg Finance L.P. Priced as of June 1 2026, J.P. Morgan estimate for covered names.

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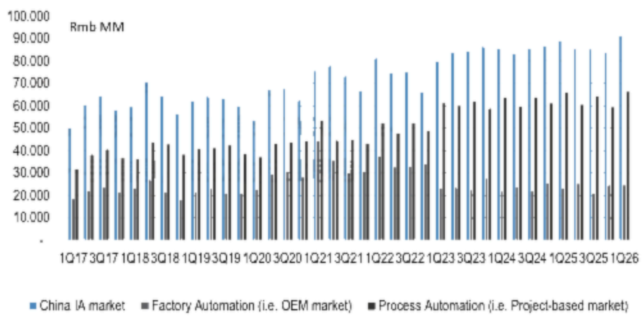
Key trends for Industrial Automation Demand

Figure 3: China IA market – market size

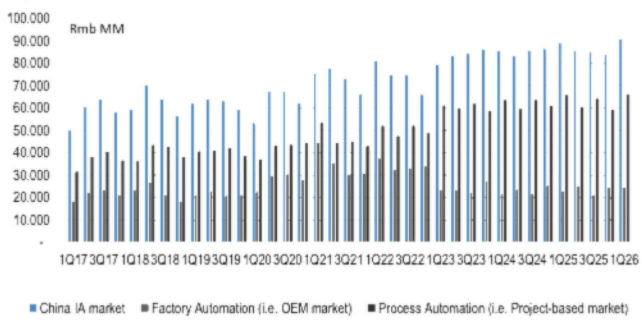


Source: MIR databank, J.P. Morgan.

Figure 4: China IA market – quarterly growth Y/Y

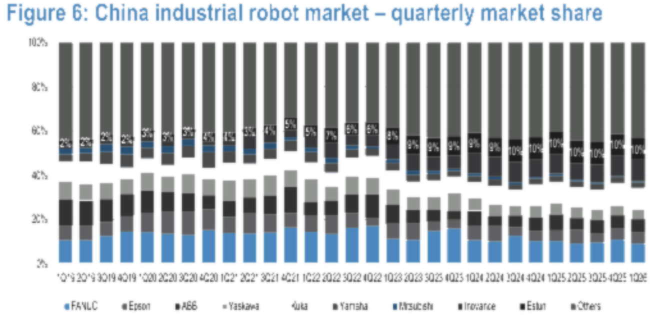
Source: MIR databank, J.P. Morgan.

Figure 5: China industrial robot market – industry sales



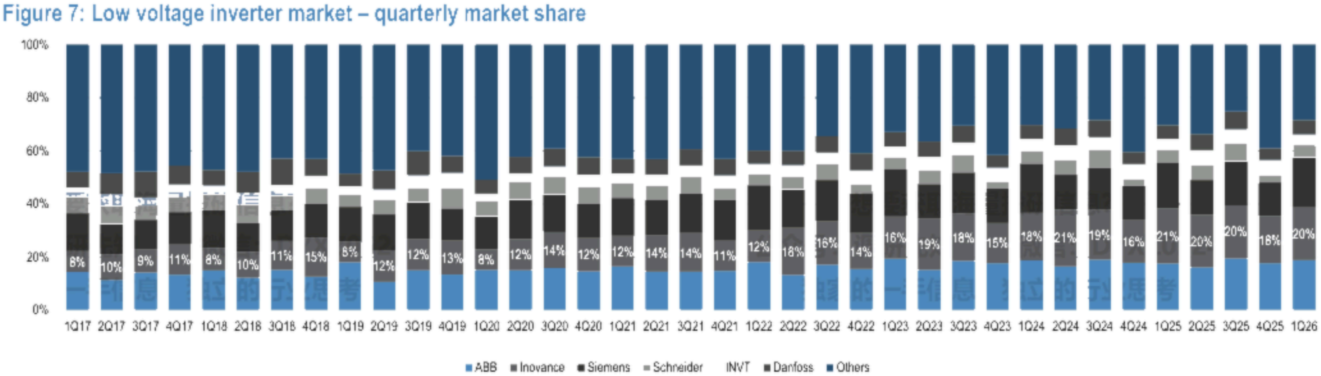
Source: MIR databank, J.P. Morgan

Figure 6: China industrial robot market – quarterly market share



Source: MIR databank, J.P. Morgan. Note that data labels showcased the market share trends of Estun

Figure 7: Low voltage inverter market – quarterly market share



Source: MIR databank, J.P. Morgan. Note that data labels showcased the market share trends of Inovance

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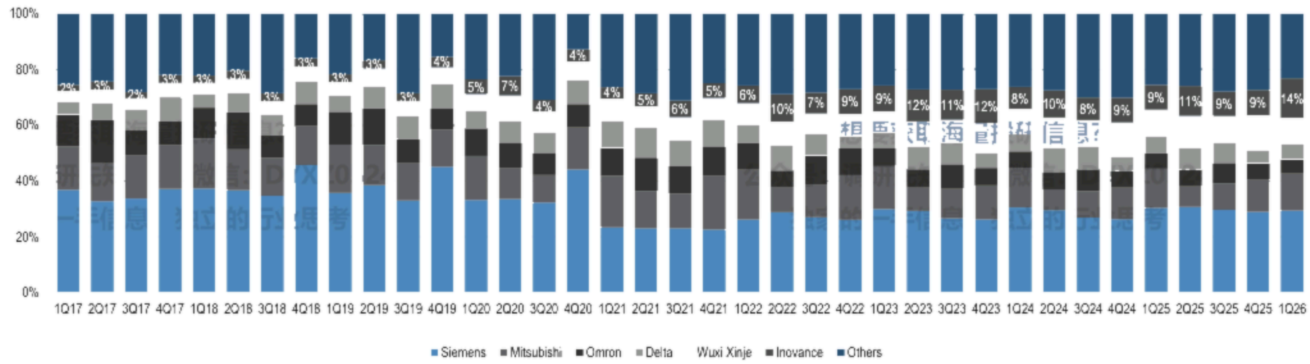
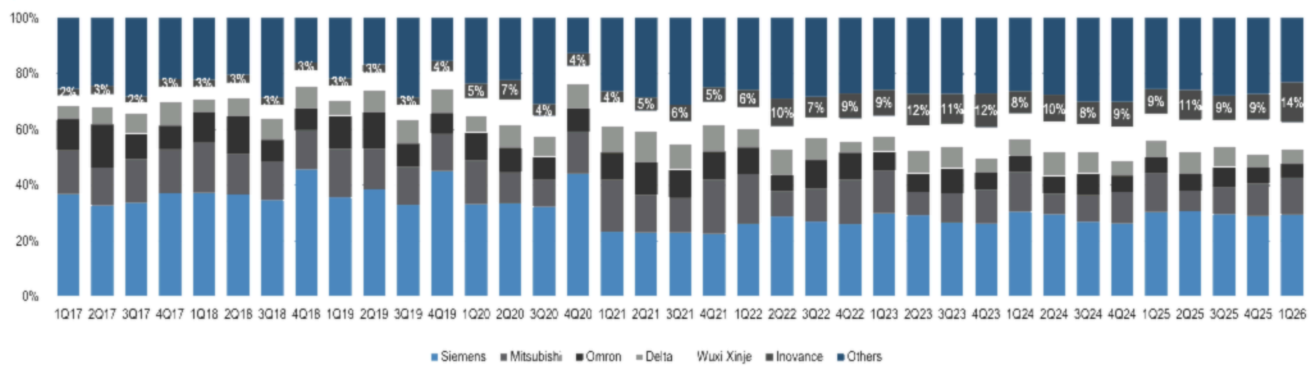
Figure 8: Small PLC market – quarterly market share



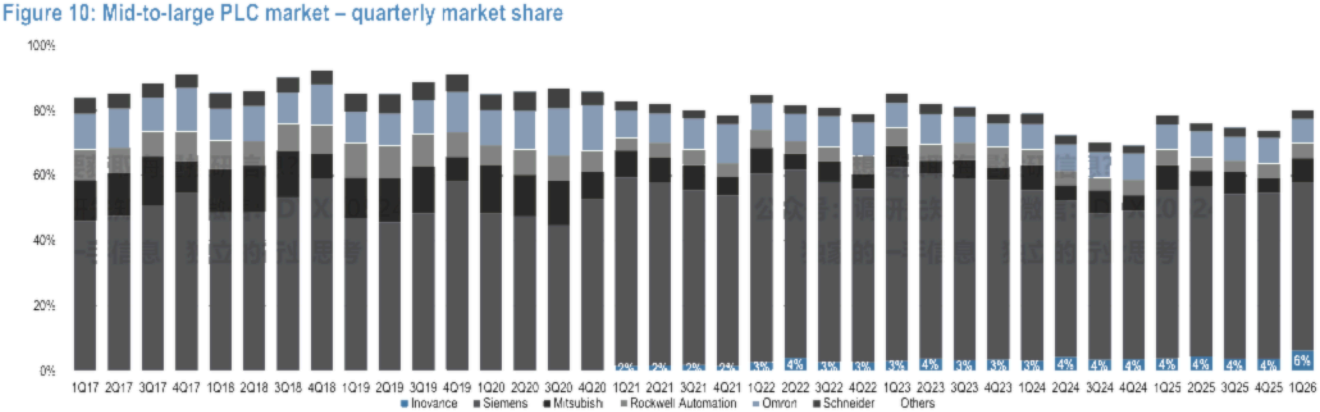
Source: MIR databank, J.P. Morgan. Note that data labels showcased the market share trends of Inovance

Figure 9: AC servo market – quarterly market share



Source: MIR databank, J.P. Morgan. Note that data labels showcased the market share trends of Inovance

Figure 10: Mid-to-large PLC market – quarterly market share



Source: MIR databank, J.P. Morgan. Note that data labels showcased the market share trends of Inovance

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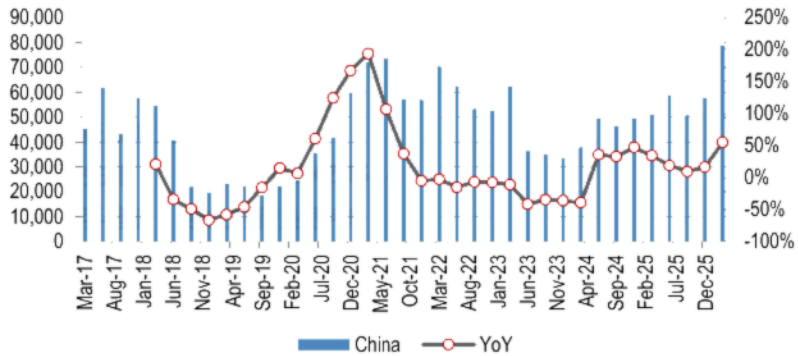
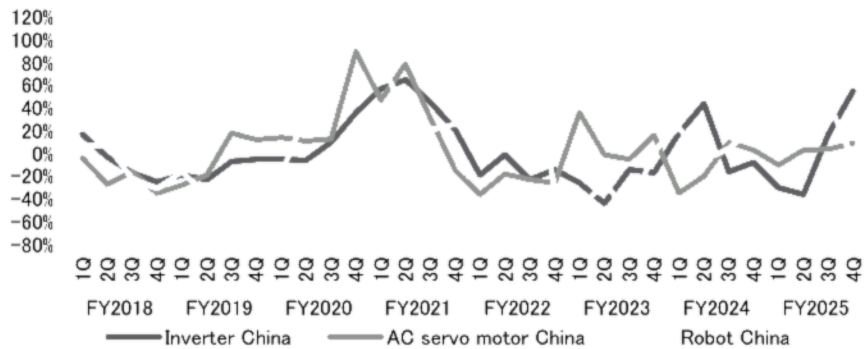
Figure 11: Fanuc quarterly order trend in China



Source: Company report

Figure 12: Yaskawa quarterly order trend in China



Source: Company report