

Japan: opportunities in automation

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Investment manager Donald Farquharson explores Japan's automation revolution, highlighting the country's expertise in robot development and key industry leaders.

Your capital is at risk. Past performance is not a guide to future returns.

Donald Farquharson: War, pandemics, and population decline may seem like an inescapable threat to global markets and wealth creation, but each one offers structural support to what is an inimitable Japanese opportunity: automation. Partly due to its demographics – Japan's working age population peaked as long ago as 1995 – Japan has had more experience and a greater need to automate processes. Robot density is one of the highest in the world and still growing at a high single digit rate.

Japan has produced global leaders in robots – such as FANUC and Yaskawa – but also dominates the market in many critical components, such as the motors made by Nidec, pneumatic parts made by SMC, or sensors supplied by Keyence. Automation fits perfectly to Japan's expertise in incremental learning, or kaizen, and has enabled a valuable ecosystem from materials to complete systems to develop and dominance in much of the equipment which enables the production of today's semiconductors.

We remain hugely excited by this expanding opportunity and by Japan's evident edge. Keyence, for example, specialises in machine vision and the eyes which enable increasingly intelligent and collaborative robots: it is more than eight times the size of its next largest competitor, giving it an overwhelming R&D and distribution advantage.

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