

JX Advanced Metals

5016.T 5016.JP / EQUITY: JAPAN STEEL, NONFERROUS METALS, WIRE & CABLE

Nikkei: Company plans to increase InP substrate production capacity by up to 10x

Quick Note

First impression positive: If true, this could alleviate production constraints caused by strong demand

On 15 June, the online edition of the *Nikkei* reported that JX Advanced Metals will invest ¥120bn to expand production capacity for indium phosphide (InP) substrates, raising capacity to 7–10x the 26/3 level (when including similar investments already under way), and that the company expects to generate operating profits of tens of billions of yen in 31/3. The company's production capacity plan disclosed on 10 February had called for only a 3x increase. We have not confirmed the accuracy of the report, but if true, this would be positive news in our view.

InP substrates are compound semiconductors used in optical devices, including light-emitting and receiving elements for optical transceivers. According to the company's 2025 estimates, it holds a roughly 40% share of the global market for InP substrates (external sales basis), with AXT and Sumitomo Electric Industries among its competitors for external sales. The Chinese government has imposed restrictions on InP exports for military purposes, so AXT, which has manufacturing facilities in China, is now required to apply for permits for each customer when exporting InP substrates. Meanwhile, demand for optical devices is very strong, and we think supply/demand conditions for InP substrates are currently tight. We estimate that since China introduced export controls, average InP substrate prices have risen by 2–3x, depending on wafer diameter.

JX Advanced Metals is not affected by China's export controls, making expansion of its InP substrate capacity highly meaningful. Given the strength of demand for optical devices for data centers, we do not think a production capacity increase of up to 10x is excessive. We estimate that InP substrates generated sales of ¥6.0bn and operating profits of ¥1.5bn in 26/3 and think that it is possible that InP substrates could indeed generate operating profits of tens of billions of yen in 31/3 as noted, assuming progress is made with increasing production capacity and hiking prices.

Rating

Neutral

Target price

JPY 4,500

Closing price

JPY 3,766

15 June 2026

(Note: Quick Note reports are not a vehicle for changes to ratings, target prices, or earnings forecasts)

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Appendix A-1

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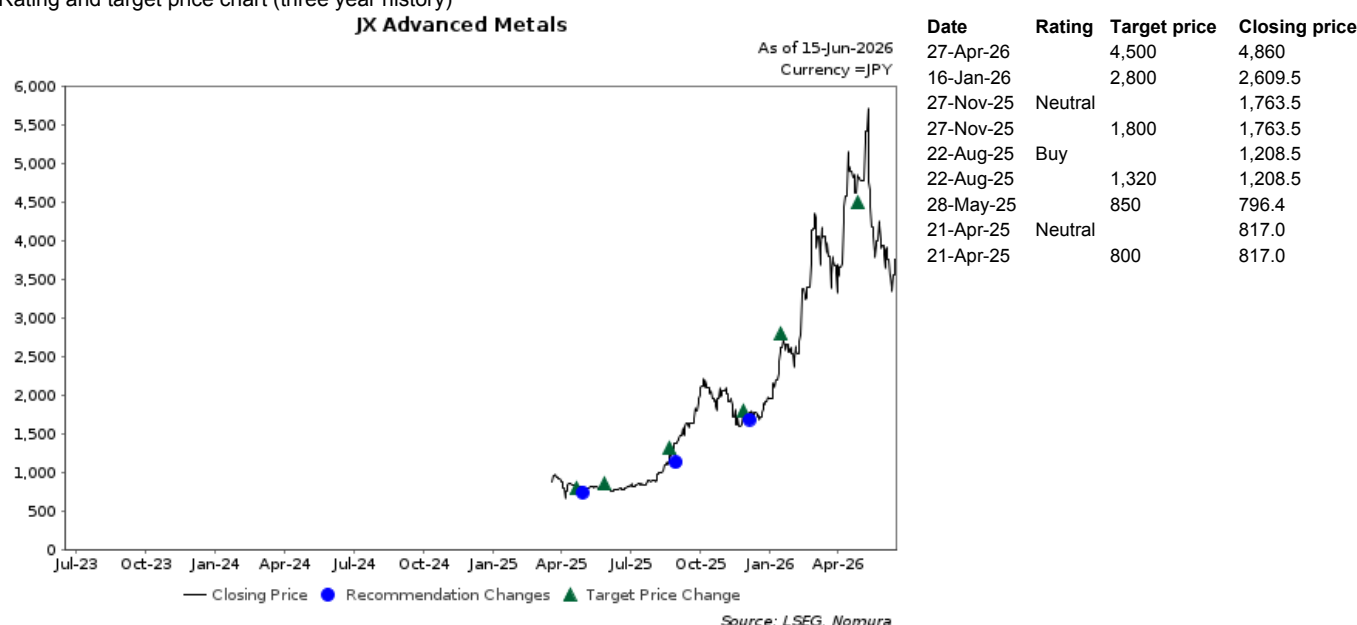
Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
JX Advanced Metals	5016 JP	JPY 3,766	15-Jun-2026	Neutral	N/A	A4,A5,A6,A7,A11

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JX Advanced Metals (5016 JP)

JPY 3,766 (15-Jun-2026) Neutral (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We obtain our target price of ¥4,500 by multiplying our 27/3 EPS forecast of ¥197.9 by a P/E of 22.8x, based on a sum-of-the-parts methodology. For the semiconductor materials segment, we use a fair-value P/E that represents a 15% premium to the average P/E of 24.2x (based on FY26 EPS) for rivals Tokyo Ohka Kogyo and Fujimi. For the ICT materials segment, we use a fair-value P/E that represents a 15% discount to the average P/E of 37.7x for rivals Mitsui Mining & Smelting, Furukawa Electric, Sumitomo Electric Industries, and Fujikura. For the metals & recycling segment, we use a fair-value P/E that represents a discount of 5% to the average P/E of 20.1x for rivals Mitsubishi Materials and Sumitomo Metal Mining. We derive our overall fair-value P/E of 22.8x using the weighted average of the fair-value P/Es for each segment based on their weightings (24% for semiconductor materials, 12% for ICT materials, and 64% for metals & recycling) in our 27/3 operating profit forecast. We apply a premium or discount to the average P/Es for comparable companies used in our calculation depending on whether our FY27 profit growth forecast for JX Advanced Metals is higher or lower than that of the companies in question.

Risks that may impede the achievement of the target price Factors that could cause the share price to move substantially above our target price include increased sales of semiconductor materials as a result of technological changes in semiconductors. Rapid growth in demand for end products such as smartphones, PCs, and servers could also boost sales of semiconductor materials and ICT materials. Operating profits could exceed our forecast if the company were to make major progress with revising prices for AI server-related products or if metal prices were to rise or the yen were to weaken versus other currencies. Factors that could cause the share price to come in substantially lower than our target price include lower demand for end products, a deterioration in metal prices and/or treatment charges, yen appreciation, and fiercer market competition for mainstay products.

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In addition, all products carry the risk of losses owing to price fluctuations or other factors. Fees and risks vary by product. Please thoroughly read the written materials provided, such as documents delivered before making a contract, listed securities documents, or prospectuses. Transactions involving Japanese equities (including Japanese REITs, Japanese ETFs, and Japanese ETNs, Japanese Infrastructure Funds) are subject to a sales commission of up to 1.43% (tax included) of the transaction amount (or a commission of ¥2,860 (tax included) for transactions of ¥200,000 or less). When Japanese equities are purchased via OTC transactions (including offerings), only the purchase price shall be paid, with no sales commission charged. However, Nomura Securities may charge a separate fee for OTC transactions, as agreed with the customer. Japanese equities carry the risk of losses owing to price fluctuations. Japanese REITs carry the risk of losses owing to fluctuations in price and/or earnings of underlying real estate. Japanese ETFs and ETNs carry the risk of losses owing to fluctuations in the underlying indexes or other benchmarks. Japanese Infrastructure Funds carry out the risk of losses owing to fluctuations in price and/or earnings of underlying infrastructures.

Transactions involving foreign equities are subject to a domestic sales commission of up to 1.045% (tax included) of the transaction amount (which equals the local transaction amount plus local fees and taxes in the case of a purchase or the local transaction amount minus local fees and taxes in the case of a sale) (for transaction amounts of ¥750,000 and below, maximum domestic sales commission is ¥7,810 (tax included)). Local fees and taxes in foreign financial instruments markets vary by country/territory. When foreign equities are purchased via OTC transactions (including offerings), only the purchase price shall be paid, with no sales commission charged. However, Nomura Securities may charge a separate fee for OTC transactions, as agreed with the customer. Foreign equities carry the risk of losses owing to factors such as price fluctuations and foreign exchange rate fluctuations.

Margin transactions are subject to a sales commission of up to 1.43% (tax included) of the transaction amount (or a commission of ¥2,860 (tax included) for transactions of ¥200,000 or less), as well as management fees and rights handling fees. In addition, long margin transactions are subject to interest on the purchase amount, while short margin transactions are subject to fees for the lending of the shares borrowed. A margin equal to at least 30% of the transaction amount (at least 33% for online transactions) and at least ¥300,000 is required. With margin transactions, an amount up to roughly 3.3x the margin (roughly 3x for online transactions) may be traded. Margin transactions therefore carry the risk of losses in excess of the margin owing to share price fluctuations. For details, please thoroughly read the written materials provided, such as listed securities documents or documents delivered before making a contract.

Transactions involving convertible bonds are subject to a sales commission of up to 1.10% (tax included) of the transaction amount (or a commission of ¥4,400 (tax included) if this would be less than ¥4,400). When convertible bonds are purchased via OTC transactions (including offerings), only the purchase price shall be paid, with no sales commission charged. However, Nomura Securities may charge a separate fee for OTC transactions, as agreed with the customer. Convertible bonds carry the risk of losses owing to factors such as interest rate fluctuations and price fluctuations in the underlying stock. In addition, convertible bonds denominated in foreign currencies also carry the risk of losses owing to factors such as foreign exchange rate fluctuations.

When bonds are purchased via public offerings, secondary distributions, or other OTC transactions with Nomura Securities, only the purchase price shall be paid, with no sales commission charged. Bonds carry the risk of losses, as prices fluctuate in line with changes in market interest rates. Bond prices may also fall below the invested principal as a result of such factors as changes in the management and financial circumstances of the issuer, or changes in third-party valuations of the bond in question. In addition, foreign currency-denominated bonds also carry the risk of losses owing to factors such as foreign exchange rate fluctuations.

When Japanese government bonds (JGBs) for individual investors are purchased via public offerings, only the purchase price shall be paid, with no sales commission charged. As a rule, JGBs for individual investors may not be sold in the first 12 months after issuance. When JGBs for individual investors are sold before maturity, an amount calculated via the following formula will be subtracted from the par value of the bond plus accrued interest: (1) for 10-year variable rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used, (2) for 5-year and 3-year fixed rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used.

When inflation-indexed JGBs are purchased via public offerings, secondary distributions (uridashi deals), or other OTC transactions with Nomura Securities, only the purchase price shall be paid, with no sales commission charged. Inflation-indexed JGBs carry the risk of losses, as prices fluctuate in line with changes in market interest rates and fluctuations in the nationwide consumer price index. The notional principal of inflation-indexed JGBs changes in line with the rate of change in nationwide CPI inflation from the time of its issuance. The amount of the coupon payment is calculated by multiplying the coupon rate by the notional principal at the time of payment. The maturity value is the amount of the notional principal when the issue becomes due. For J17 and subsequent issues, the maturity value shall not undercut the face amount. Purchases of investment trusts (and sales of some investment trusts) are subject to a purchase or sales fee of up to 5.5% (tax included) of the transaction amount. Also, a direct cost that may be incurred when selling investment trusts is a fee of up to 2.0% of the unit price at the time of redemption. Indirect costs that may be incurred during the course of holding investment trusts include, for domestic investment trusts, an asset management fee (trust fee) of up to 5.5% (tax included/annualized basis) of the net assets in trust, as well as fees based on investment performance. Other indirect costs may also be incurred. For foreign investment trusts, indirect fees may be incurred during the course of holding such as investment company compensation.

Investment trusts invest mainly in securities such as Japanese and foreign equities and bonds, whose prices fluctuate. Investment trust unit prices fluctuate owing to price fluctuations in the underlying assets and to foreign exchange rate fluctuations. As such, investment trusts carry the risk of losses. Fees and risks vary by investment trust. Maximum applicable fees are subject to change; please thoroughly read the written materials provided, such as prospectuses or documents delivered before making a contract.

In interest rate swap transactions and USD/JPY basis swap transactions ("interest rate swap transactions, etc."), only the agreed transaction payments shall be made on the settlement dates. Some interest rate swap transactions, etc. may require pledging of margin collateral. In some of these cases, transaction payments may exceed the amount of collateral. There shall be no advance notification of required collateral value or collateral ratios as they vary depending on the transaction. Interest rate swap transactions, etc. carry the risk of losses owing to fluctuations in market prices in the interest rate, currency and other markets, as well as reference indices. Losses incurred as such may exceed the value of margin collateral, in which case margin calls may be triggered. In the event that both parties agree to enter a replacement (or termination) transaction, the interest rates received (paid) under the new arrangement may differ from those in the original arrangement, even if terms other than the interest rates are identical to those in the original transaction. Risks vary by transaction. Please thoroughly read the written materials provided, such as documents delivered before making a contract and disclosure statements.

In OTC transactions of credit default swaps (CDS), no sales commission will be charged. When entering into CDS transactions, the protection buyer will be required to pledge or entrust an agreed amount of margin collateral. In some of these cases, the transaction payments may exceed the amount of margin collateral. There shall be no advance notification of required collateral value or collateral ratios as they vary depending on the financial position of the protection buyer. CDS transactions carry the risk of losses owing to changes in the credit position of some or all of the referenced entities, and/or fluctuations of the interest rate market. The amount the protection buyer receives in the event that the CDS is triggered by a credit event may undercut the total amount of premiums that he/she has paid in the course of the transaction. Similarly, the amount the protection seller pays in the event of a credit event may exceed the total amount of premiums that he/she has received in the transaction. All other conditions being equal, the amount of premiums that the protection buyer pays and that received by the protection seller shall differ. In principle, CDS transactions will be limited to financial instruments business operators and qualified institutional investors. Transfers of equities to another securities company via the Japan Securities Depository Center are subject to a transfer fee of up to ¥11,000 (tax included) per issue transferred depending on volume. No account fee will be charged for marketable securities or monies deposited.

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