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Electronic Components | Japan

Investor Visits in Singapore & Hong Kong

We held 31 one-on-one meetings with institutional investors in Singapore and Hong Kong during June 22–26, and a group lunch meeting with institutional investors in both Singapore and Hong Kong, mainly discussing MLCCs and ABF package substrates.

Key Takeaways

- We expect Murata Mfg's MLCCs to continue to see ASP growth driven by improvements and changes in product mix; our rating remains OW.
- The gap in corporate value between companies that implement price hikes readily and those that continuously enhance product competitiveness is likely to become more pronounced
- While we expect Iridium to continue expanding earnings, market consensus appears too high. Our rating remains UW.

Discussions focused mainly on MLCC and ABF package substrates: We assign investment ratings to 20 companies engaged in electronic components. In discussions with investors in Singapore and Hong Kong, the main topics included (1) the positioning of Murata and Taiyo Yuden in high value-added MLCCs for AI servers, (2) supply-demand and pricing of commoditized MLCCs, (3) differences between the MLCC market in 2018 and 2026, and (4) Iridium's technological competitiveness and valuation in ABF package substrates.

Murata's MLCCs to see significant ASP growth even without price hikes due to increasing sales of high value-added products for AI servers: We expect that in AI server accelerator boards, the total capacitance required of MLCC increases at roughly twice the rate with each new generation of GPUs, while installation space remains limited, supporting continued growth in demand for compact, high-capacitance, high value-added MLCCs. Murata has advanced miniaturization and higher capacitance of MLCC not only by refining and homogenizing the particle size of barium titanate (key material) and increasing the number of layers, but also by narrowing the width of external electrodes to increase volume of dielectric layers. It plans to increase sales to AI/data centers by 85-90% YoY in F3/27, assuming volume growth of ~40% and ASP growth of ~50%. The ASP increase does not assume unit price hikes for identical products, but rather reflects a roughly 50% rise driven by a higher mix of high unit price, high value-added products. Investor interest in our meetings was almost entirely focused on the extent of price hikes in commoditized products, with little attention paid to the likelihood of earnings expansion driven by growth in high value-added products. We expect the gap in corporate value between companies that raise prices indiscriminately and those that continuously improve product competitiveness to become increasingly evident.

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ELECTRONIC COMPONENTS

Japan

Industry View

In-Line

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Market share ranking for AI server high value-added MLCCs is 1) Murata, 2) SEMCO, 3)

Taiyo Yuden: We estimate MLCC market share in 2025 at 40.8% for Murata Manufacturing, 22.5% for SEMCO, and 11.3% for Taiyo Yuden. We estimate MLCC sales for AI/data centers accounted for 10-15% of Murata's total MLCC sales in F3/26, and forecast this will increase by 85–90% YoY in F3/27 to account for 20–25% of MLCC sales, and continue growing at a similar pace from F3/28 onward. For Taiyo Yuden, we estimate AI/data center MLCC sales accounted for 5–10% of total MLCC sales in F3/26, and will increase by 82-83% YoY in F3/27 to around 15% of MLCC sales, and continue expanding at a similar pace from F3/28 onward. Demand for MLCC such as 1608 size 100μF, 1005 size 47μF, and 0603 size 10μF is increasing significantly in AI servers, but it appears that only Murata can stably mass-produce all of these products. While the timing of when Taiyo Yuden will achieve stable mass production of all these MLCCs remains unclear, by the time it does so for products comparable to Murata's, we think Murata is likely to be mass-producing even smaller, higher-capacitance MLCCs. Although we expect Taiyo Yuden's earnings to benefit from increased sales of MLCC for AI servers/ data centers and higher utilization rates, we believe Murata remains the only company capable of stably supplying high value-added products, and thus the contribution of high value-added products to Taiyo Yuden's earnings will likely be limited. In addition, as Taiyo Yuden froze capex in 2H 2024, we estimate MLCC production capacity growth was limited to around 5% in F3/26, constraining its ability to capture new business.

The gap between companies that implement price hikes at each opportunity and those that continuously enhance product competitiveness will become more evident over the medium to long term:

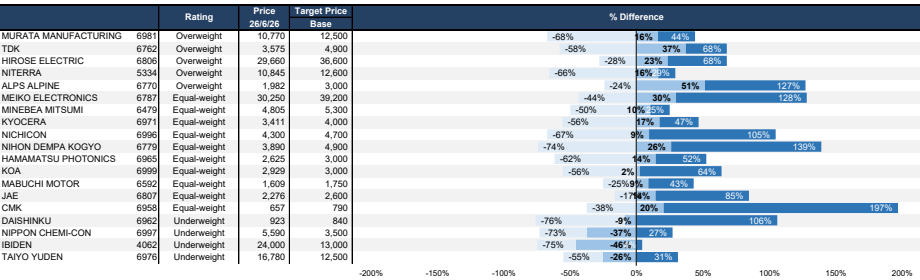
Many Japanese electronic component companies, including Murata, combine strong technological competitiveness with cost competitiveness. Many of these companies earn high levels of profit supported by their advanced products, while also maintaining strong cost competitiveness in commoditized products. Prices from distributors to customers for commoditized MLCC appear to be rising. We infer that Murata adjusts prices flexibly in line with market conditions for commoditized products. Murata does not proactively implement price hikes for commoditized products because while such increases may maximize short-term profits, they risk lowering barriers to entry, facilitating entry by companies from China, South Korea, and Taiwan, and ultimately leading to share erosion over the medium to long term. In contrast, many companies in China, South Korea, and Taiwan that pursue short-term profit maximization through indiscriminate price increases appear not to allocate sufficient resources to R&D or to improving production technology to enhance product competitiveness. While rising prices for commoditized products may boost short-term profits for companies focused on these products, we argue that they are unlikely to contribute to medium- to long-term market share gains or expansion in corporate value.

While we expect Ibiden to continue expanding earnings, market expectations appear too high:

We estimate Ibiden began volume shipments of ABF package substrates for NVIDIA's Rubin in 4Q F3/26, and expect sales of ABF package substrates for Rubin to exceed those for Blackwell in 1Q F3/27, driving continued earnings expansion through growth in high value-added ABF package substrates. We expect ABF package substrates to continue to become more value-added, driven in part by increases in SAP size. That said, we forecast OP at ¥94.7bn in F3/27 (company forecast ¥90bn, FactSet consensus ¥99.7bn), ¥128.5bn in F3/28 (company forecast ¥150bn, FS consensus ¥151.5bn), and ¥242.6bn in F3/31 (company forecast ¥300bn). While we expect continued earnings

growth, we believe market expectations for Ilden are too high. We expect earnings expansion driven by EMIB-T; however, we believe meaningful contribution to Ilden's earnings will materialize from F3/29 onward. While we expect pricing to significantly exceed that of existing ABF package substrates, we see it as difficult for EMIB-T products to achieve profit margins comparable to NVIDIA's existing offerings.

Exhibit 1: Electronic Components Industry: Gaps between recent share prices and PTs (base, bull, bear case fair value)



Source: FactSet, Morgan Stanley Research

Exhibit 2: Sales and OP for coverage electronic components companies

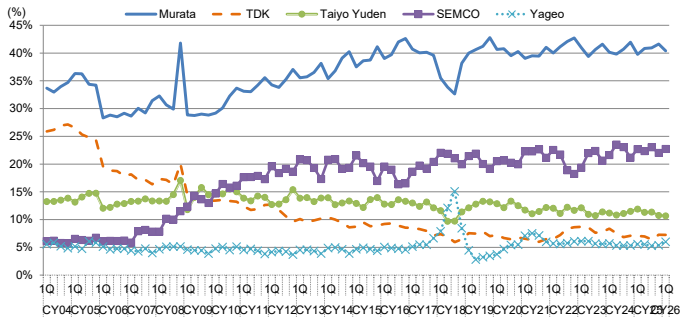
	F25	F26	F27	F28	F29	F30	F31	F32	F33	F34	F35	F36	F37	F38	F39	F40	F41	F42	F43	F44	F45	F46	F47	F48	F49	F50	F51	F52	F53	F54	F55	F56	F57	F58	F59	F60	F61	F62	F63	F64	F65	F66	F67	F68	F69	F70	F71	F72	F73	F74	F75	F76	F77	F78	F79	F80	F81	F82	F83	F84	F85	F86	F87	F88	F89	F90	F91	F92	F93	F94	F95	F96	F97	F98	F99	F100																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
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Exhibit 5 Sensitivity of OP to forex for coverage electronic components companies

		F26e	FX assumption (by company)		FX sensitivity (JPY bn/year)	Assumption:¥150/USD		Assumption:¥160/USD	
		OP (JPY bn)	USD/JPY	USD/JPY	USD/JPY	OP (JPY bn)	Change (%)	OP (JPY bn)	Change (%)
IBIDEN	4062	94.7	155.0	150.0	0.8	90.7	-4%	98.7	4%
NITERRA	5334	158.2	155.0	150.0	1.0	153.2	-3%	163.2	3%
MINEBEA MITSUMI	6479	121.5	155.0	155.0	1.5	114.0	-6%	129.0	6%
MABUCHI MOTOR	6592	27.2	155.0	150.0	0.3	25.7	-6%	28.7	6%
TDK	6762	335.8	155.0	150.0	2.0	325.8	-3%	345.8	3%
ALPS ALPINE	6770	49.1	155.0	150.0	1.2	43.1	-12%	55.1	12%
NIHON DEMPA KOGYO	6779	4.6	155.0	150.0	0.1	4.2	-9%	5.0	9%
MEIKO ELECTRONICS	6787	38.6	155.0	150.0	0.1	38.1	-1%	39.1	1%
HIROSE ELECTRIC	6806	47.3	155.0	150.0	0.3	45.7	-3%	49.0	3%
JAE	6807	8.9	155.0	153.0	0.3	7.4	-17%	10.4	17%
CMK	6958	3.2	155.0	150.0	0.0	3.2	0%	3.2	0%
DAISHINKU	6962	1.0	155.0	150.0	0.1	0.8	-25%	1.3	25%
HAMAMATSU PHOTONICS	6965	22.5	155.0	151.7	0.3	21.0	-7%	24.0	7%
KYOCERA	6971	132.6	155.0	150.0	1.0	127.6	-4%	137.6	4%
TAIYO YUDEN	6976	45.2	155.0	149.8	0.9	40.7	-10%	49.7	10%
MURATA MANUFACTURING	6981	431.9	155.0	149.1	4.5	409.4	-5%	454.4	5%
NICHICON	6996	9.4	155.0	145.0	0.1	8.9	-6%	10.0	6%
NIPPON CHEMI-CON	6997	7.0	155.0	153.0	0.3	5.7	-19%	8.3	19%
KOA	6999	3.2	150.0	157.0	0.1	3.2	0%	4.4	38%
Total		1,541.9			14.9	1,468.3	-5%	1,616.8	5%

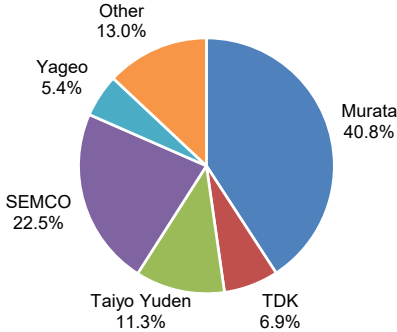
Note: Fiscal year for Hamamatsu ends in Sep, Mabuchi ends in Dec, e=Morgan Stanley Research estimates
Source: Company data, Morgan Stanley Research

Exhibit 4: MLCC market share



Source: Company data, Morgan Stanley Research

Exhibit 5: MLCC market share (CY25)



Source: Company data, Morgan Stanley Research



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Global Stock Ratings Distribution

(as of May 31, 2026)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1542	42%	465	51%	30%	707	43%
Equal-weight/Hold	1571	43%	369	40%	23%	723	44%
Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	551	15%	86	9%	16%	201	12%
Total	3,667		920			1632	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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INDUSTRY COVERAGE: Electronic Components

COMPANY (TICKER)	RATING (AS OF)	PRICE* (06/26/2026)
Shoji Sato		
ALPS ALPINE (6770.T)	O (03/17/2026)	¥1,982
Hamamatsu Photonics (6965.T)	E (06/17/2026)	¥2,625
Ibiden (4062.T)	U (02/04/2026)	¥24,000
Kyocera (6971.T)	E (06/25/2020)	¥3,411
Mabuchi Motor (6592.T)	E (11/03/2022)	¥1,609
Minebea Mitsumi (6479.T)	E (10/23/2025)	¥4,805
Murata Manufacturing (6981.T)	O (11/26/2025)	¥10,770
Nidec (6594.T)	NR (09/05/2025)	¥2,543
Niterra (5334.T)	O (01/17/2024)	¥10,845
Taiyo Yuden (6976.T)	U (06/17/2026)	¥16,780
TDK (6762.T)	O (08/02/2022)	¥3,575
Sota Harashima		
CMK (6958.T)	E (02/28/2025)	¥657
Daishinku (6962.T)	U (06/17/2026)	¥923
Hirose Electric (6806.T)	O (07/10/2024)	¥29,660
IRISO Electronics (6908.T)	E (08/02/2022)	¥2,957
Japan Aviation Electronics Industry (6807.T)	E (01/17/2024)	¥2,276
KOA (6999.T)	E (06/17/2026)	¥2,929
Meiko Electronics (6787.T)	E (04/03/2026)	¥30,250
Nichicon (6996.T)	E (11/10/2021)	¥4,300
Nihon Dempa Kogyo (6779.T)	E (03/07/2024)	¥3,890
Nippon Chemi-Con (6997.T)	U (09/20/2024)	¥5,590

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* Historical prices are not split adjusted.