Morgan Stanley | MUFG

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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.


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**ELECTRONIC COMPONENTS**

| | |
|---|---|
| **Japan** | |
| Industry View | **In-Line** |

## 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 Ibiden 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) Ibiden'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.

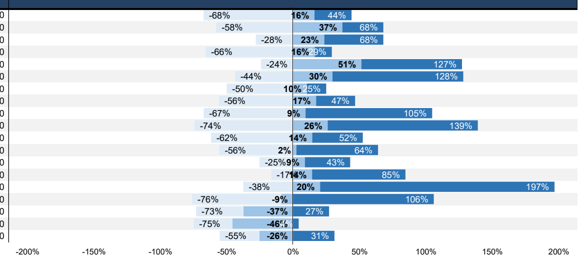
**Market share ranking for AI server high value-added MLCCs is 1) Murata, 2) SEMCO, 3) Taiyo Yuden:** We estimate MLCC market share in 2025 at 40.8% for Murata Manufacturing, 22.5% for SEMCO, and 11.3% for Taiyo Yuden. We estimate MLCC sales for AI/data centers accounted for 10-15% of Murata's total 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 Ibiden are too high. We expect earnings expansion driven by EMIB-T; however, we believe meaningful contribution to Ibiden'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)

| | | Rating | Price 26/6/26 | Target Price Base | % Difference | | |
|---|---|---|---|---|---|---|---|
| MURATA MANUFACTURING | 6981 | Overweight | 10,770 | 12,500 | -68% | 16% | 44% |
| TDK | 6762 | Overweight | 3,575 | 4,900 | -58% | 37% | 68% |
| HIROSE ELECTRIC | 6806 | Overweight | 29,660 | 36,600 | -28% | 23% | 68% |
| NITERRA | 5334 | Overweight | 10,845 | 12,600 | -66% | 16% | 29% |
| ALPS ALPINE | 6770 | Overweight | 1,982 | 3,000 | -24% | 51% | 127% |
| MEIKO ELECTRONICS | 6787 | Equal-weight | 30,250 | 39,200 | -44% | 30% | 128% |
| MINEBEA MITSUMI | 6479 | Equal-weight | 4,805 | 5,300 | -50% | 10% | 25% |
| KYOCERA | 6971 | Equal-weight | 3,411 | 4,000 | -56% | 17% | 47% |
| NICHICON | 6996 | Equal-weight | 4,300 | 4,700 | -67% | 9% | 105% |
| NIHON DEMPA KOGYO | 6779 | Equal-weight | 3,890 | 4,900 | -74% | 26% | 139% |
| HAMAMATSU PHOTONICS | 6965 | Equal-weight | 2,625 | 3,000 | -62% | 14% | 52% |
| KOA | 6999 | Equal-weight | 2,929 | 3,000 | -56% | 2% | 64% |
| MABUCHI MOTOR | 6592 | Equal-weight | 1,609 | 1,750 | -25% | 9% | 43% |
| JAE | 6807 | Equal-weight | 2,276 | 2,600 | -17% | 14% | 85% |
| CMK | 6958 | Equal-weight | 657 | 790 | -38% | 20% | 197% |
| DAISHINKU | 6962 | Underweight | 923 | 840 | -76% | -9% | 106% |
| NIPPON CHEMI-CON | 6997 | Underweight | 5,590 | 3,500 | -73% | -37% | 27% |
| IBIDEN | 4062 | Underweight | 24,000 | 13,000 | -75% | -46% | [illegible] |
| TAIYO YUDEN | 6976 | Underweight | 16,780 | 12,500 | -55% | -26% | 31% |




Source: FactSet, Morgan Stanley Research

**Exhibit 2:** Sales and OP for coverage electronic components companies

| (JPY bn) | | F25 1Q | 2Q | 3Q | 4Q | F26 1Qe | 2Qe | 3Qe | 4Qe | F21 | F22 | F23 | F24 | F25 | F26e | F27e | F28e | F29e | F30e | F26Ce 1He | 2He | F26Ce | F26e FSE | F27e FSE | F28e FSE | +1Q FSE |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sales** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| *USD/JPY:Average Rate* | | *144.5* | *147.5* | *154.0* | *156.9* | *155.0* | *155.0* | *155.0* | *155.0* | *112.4* | *135.4* | *144.5* | *152.5* | *150.6* | *155.0* | *155.0* | *155.0* | *155.0* | *155.0* | | | | | | | |
| IBIDEN | 4062 | 97.5 | 98.0 | 103.1 | 117.6 | 117.8 | 122.5 | 132.1 | 137.6 | 401.1 | 417.5 | 370.5 | 369.4 | 416.2 | 509.8 | 614.5 | 730.2 | 877.6 | 976.4 | 230.0 | 270.0 | 500.0 | 516.3 | 646.3 | 796.5 | 116.9 |
| NITERRA | 5334 | 169.9 | 181.2 | 174.9 | 205.2 | 200.1 | 202.2 | 205.4 | 205.6 | 491.7 | 562.6 | 614.5 | 653.0 | 731.2 | 813.2 | 854.8 | 919.7 | 990.6 | 1,068.3 | 391.0 | 399.0 | 790.0 | 786.3 | 841.3 | 959.4 | 191.4 |
| MINEBEA MITSUMI | 6479 | 366.9 | 411.4 | 453.9 | 432.2 | 417.1 | 440.7 | 436.7 | 416.6 | 1,124.1 | 1,292.2 | 1,402.1 | 1,522.7 | 1,664.4 | 1,711.2 | 1,766.0 | 1,839.2 | 1,910.5 | 1,985.6 | 846.5 | 843.5 | 1,690.0 | 1,693.7 | 1,775.1 | 1,838.8 | 405.2 |
| MABUCHI MOTOR | 6592 | 47.0 | 48.0 | 52.1 | 53.4 | 50.4 | 55.5 | 57.6 | 55.3 | 134.6 | 156.7 | 178.7 | 196.2 | 200.4 | 218.8 | 233.7 | 249.0 | 265.8 | 283.8 | 104.6 | 108.4 | 213.0 | 210.5 | 220.3 | 232.6 | 53.8 |
| TDK | 6762 | 535.8 | 647.6 | 675.2 | 646.3 | 651.8 | 703.2 | 719.3 | 693.7 | 1,902.1 | 2,180.8 | 2,103.9 | 2,204.8 | 2,504.8 | 2,768.0 | 3,020.6 | 3,295.6 | 3,600.9 | 3,938.7 | - | - | 2,580.0 | 2,694.5 | 2,885.6 | 3,126.2 | 633.9 |
| ALPS ALPINE | 6770 | 238.9 | 266.8 | 255.5 | 258.3 | 251.5 | 271.0 | 276.0 | 266.0 | 802.9 | 933.1 | 964.1 | 990.4 | 1,019.5 | 1,064.5 | 1,157.6 | 1,222.2 | 1,300.1 | 1,385.1 | 508.0 | 537.0 | 1,045.0 | 1,047.1 | 1,089.9 | 1,117.6 | 243.3 |
| NIHON DEMPA KOGYO | 6779 | 12.7 | 14.0 | 13.2 | 14.8 | 14.8 | 15.3 | 15.6 | 16.2 | 45.4 | 52.5 | 50.3 | 53.1 | 54.6 | 61.9 | 66.6 | 72.4 | 79.7 | 89.1 | 29.5 | 31.1 | 60.6 | 61.9 | 66.6 | 72.4 | 14.8 |
| MEIKO ELECTRONICS | 6787 | 53.1 | 58.4 | 60.5 | 68.5 | 73.7 | 78.2 | 85.2 | 86.7 | 151.3 | 167.3 | 179.5 | 206.8 | 240.6 | 323.8 | 412.9 | 482.1 | 539.7 | 595.1 | - | - | 320.0 | 320.7 | 397.6 | 471.1 | 70.0 |
| HIROSE ELECTRIC | 6806 | 49.0 | 53.1 | 54.5 | 54.7 | 57.2 | 58.9 | 59.5 | 59.0 | 163.7 | 183.2 | 165.5 | 189.4 | 211.3 | 234.6 | 254.6 | 275.4 | 298.2 | 323.4 | 115.0 | 115.0 | 230.0 | 230.6 | 248.3 | 268.6 | 55.1 |
| JAE | 6807 | 51.6 | 58.8 | 56.3 | 61.1 | 55.6 | 61.9 | 57.0 | 60.6 | 225.1 | 235.9 | 225.8 | 221.6 | 227.9 | 235.1 | 236.9 | 245.1 | 248.0 | 251.3 | 120.0 | 120.0 | 240.0 | 237.2 | 246.3 | 257.2 | 57.4 |
| CMK | 6958 | 22.8 | 24.4 | 25.8 | 27.2 | 23.8 | 25.6 | 26.7 | 27.5 | 81.5 | 83.8 | 90.6 | 95.5 | 100.2 | 103.6 | 106.2 | 109.2 | 112.5 | 116.2 | - | - | 104.0 | 104.8 | 109.6 | 114.6 | 24.0 |
| DAISHINKU | 6962 | 9.4 | 10.2 | 10.0 | 10.0 | 10.2 | 10.6 | 10.1 | 10.0 | 41.3 | 38.4 | 39.3 | 38.6 | 39.6 | 40.9 | 43.4 | 46.2 | 49.1 | 52.3 | - | - | 41.0 | 41.1 | 43.6 | 46.2 | 10.2 |
| HAMAMATSU PHOTONICS | 6965 | 50.6 | 56.2 | 48.7 | 56.6 | 51.9 | 60.6 | 58.2 | 62.1 | 169.0 | 208.8 | 221.4 | 204.0 | 212.1 | 232.8 | 245.8 | 265.7 | 287.6 | 311.9 | 112.5 | 119.5 | 232.0 | 231.2 | 245.8 | 262.7 | 57.6 |
| KYOCERA | 6971 | 478.0 | 513.3 | 530.6 | 548.2 | 468.0 | 492.0 | 495.5 | 496.0 | 1,838.9 | 2,025.3 | 2,004.2 | 2,014.5 | 2,070.2 | 1,951.5 | 1,977.2 | 2,102.9 | 2,236.8 | 2,379.3 | - | - | 1,940.0 | 2,016.9 | 2,097.7 | 2,219.3 | 465.0 |
| TAIYO YUDEN | 6976 | 84.8 | 92.8 | 88.5 | 89.2 | 94.2 | 101.2 | 107.1 | 108.8 | 349.6 | 319.5 | 322.6 | 341.4 | 355.3 | 411.3 | 475.1 | 523.8 | 573.9 | 624.8 | - | - | 384.0 | 396.3 | 447.5 | 515.3 | 92.8 |
| MURATA MANUFACTURING | 6981 | 416.2 | 486.6 | 467.5 | 460.6 | 466.2 | 535.5 | 532.0 | 510.5 | 1,812.5 | 1,686.8 | 1,640.2 | 1,743.4 | 1,830.9 | 2,044.2 | 2,449.7 | 2,830.5 | 3,292.2 | 3,860.7 | 960.0 | 1,000.0 | 1,960.0 | 2,030.6 | 2,359.5 | 2,814.6 | 471.0 |
| NICHICON | 6996 | 39.6 | 41.1 | 43.5 | 45.5 | 42.5 | 44.4 | 49.4 | 50.7 | 142.2 | 184.7 | 181.6 | 175.8 | 169.7 | 187.0 | 197.2 | 207.1 | 220.1 | 237.4 | - | - | 185.0 | 192.1 | 207.1 | 218.6 | 45.0 |
| NIPPON CHEMI-CON | 6997 | 30.9 | 33.4 | 35.9 | 36.7 | 36.2 | 38.6 | 39.1 | 40.1 | 140.3 | 161.9 | 150.7 | 122.7 | 136.8 | 154.0 | 158.3 | 165.0 | 173.4 | 184.1 | 77.0 | 83.0 | 160.0 | 154.6 | 165.7 | 171.0 | 36.2 |
| KOA | 6999 | 16.8 | 17.8 | 18.5 | 19.2 | 19.2 | 19.9 | 19.6 | 20.2 | 65.0 | 75.1 | 64.8 | 64.1 | 72.3 | 78.9 | 83.6 | 88.6 | 94.0 | 100.1 | 38.6 | 38.8 | 77.4 | 78.4 | 82.7 | 87.3 | 19.5 |
| **Total** | | **2,771.4** | **3,113.2** | **3,168.3** | **3,205.0** | **3,102.1** | **3,337.7** | **3,382.0** | **3,323.2** | **10,082.4** | **10,966.2** | **10,970.4** | **11,407.4** | **12,257.9** | **13,145.0** | **14,354.7** | **15,669.8** | **17,150.7** | **18,763.6** | **-** | **-** | **12,752.0** | **13,045.0** | **14,176.5** | **15,590.0** | **3,063.2** |

| (JPY bn) | | F25 1Q | 2Q | 3Q | 4Q | F26 1Qe | 2Qe | 3Qe | 4Qe | F21 | F22 | F23 | F24 | F25 | F26e | F27e | F28e | F29e | F30e | F26Ce 1He | 2He | F26Ce | F26e FSE | F27e FSE | F28e FSE | +1Q FSE |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **OP** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| *USD/JPY:Average Rate* | | *144.5* | *147.5* | *154.0* | *156.9* | *155.0* | *155.0* | *155.0* | *155.0* | *112.4* | *135.4* | *144.5* | *152.5* | *150.6* | *155.0* | *155.0* | *155.0* | *155.0* | *155.0* | | | | | | | |
| IBIDEN | 4062 | 17.6 | 14.9 | 12.0 | 17.5 | 21.6 | 22.9 | 24.6 | 25.6 | 70.8 | 72.4 | 47.6 | 47.6 | 62.0 | 94.7 | 128.5 | 166.6 | 213.3 | 242.6 | 38.0 | 52.0 | 90.0 | 99.7 | 151.5 | 223.7 | 20.2 |
| NITERRA | 5334 | 33.8 | 38.1 | 38.9 | 27.3 | 39.6 | 40.0 | 41.9 | 36.6 | 75.5 | 89.2 | 107.6 | 129.7 | 138.2 | 158.2 | 174.4 | 200.8 | 227.4 | 254.4 | 72.0 | 78.0 | 150.0 | 154.0 | 174.9 | 206.8 | 30.7 |
| MINEBEA MITSUMI | 6479 | 17.4 | 27.0 | 31.3 | 28.8 | 26.0 | 30.0 | 31.5 | 34.0 | 90.3 | 76.5 | 69.0 | 91.6 | 102.7 | 121.5 | 137.8 | 154.3 | 169.7 | 186.3 | 53.0 | 67.0 | 120.0 | 121.0 | 135.6 | 145.8 | 27.4 |
| MABUCHI MOTOR | 6592 | 6.4 | 5.7 | 7.4 | 5.9 | 5.4 | 7.1 | 7.9 | 6.8 | 13.8 | 10.8 | 15.5 | 21.6 | 25.5 | 27.2 | 29.9 | 32.4 | 35.9 | 45.2 | 12.8 | 13.2 | 26.0 | 24.7 | 26.8 | 28.8 | 6.8 |
| TDK | 6762 | 56.4 | 91.2 | 83.1 | 41.7 | 64.5 | 90.1 | 97.7 | 83.5 | 166.8 | 168.8 | 172.9 | 224.2 | 272.4 | 335.8 | 369.1 | 414.7 | 464.7 | 518.6 | - | - | 295.0 | 307.7 | 355.7 | 414.3 | 64.6 |
| ALPS ALPINE | 6770 | 3.7 | 17.5 | 12.0 | 8.8 | 3.7 | 8.8 | 18.4 | 18.4 | 35.2 | 33.6 | 19.7 | 34.1 | 42.0 | 49.1 | 68.7 | 79.7 | 91.4 | 103.8 | 9.0 | 39.5 | 48.5 | 43.9 | 50.5 | 51.4 | 5.3 |
| NIHON DEMPA KOGYO | 6779 | 0.8 | 0.7 | 0.8 | 1.2 | 1.1 | 1.1 | 1.1 | 1.3 | 5.2 | 8.3 | 4.3 | 4.6 | 3.4 | 4.6 | 5.3 | 6.6 | 8.1 | 10.3 | 1.4 | 2.6 | 4.0 | 4.6 | 5.3 | 6.6 | 1.1 |
| MEIKO ELECTRONICS | 6787 | 5.6 | 5.8 | 6.1 | 7.1 | 8.1 | 8.9 | 10.2 | 11.4 | 13.3 | 9.6 | 11.7 | 19.1 | 24.6 | 38.6 | 48.7 | 62.5 | 73.4 | 83.8 | - | - | 38.0 | 37.8 | 51.1 | 65.0 | 8.5 |
| HIROSE ELECTRIC | 6806 | 9.8 | 10.6 | 12.0 | 10.5 | 11.3 | 12.1 | 12.7 | 11.2 | 40.8 | 46.8 | 34.0 | 42.7 | 43.0 | 47.3 | 53.4 | 59.9 | 67.0 | 75.4 | 23.0 | 23.0 | 46.0 | 49.8 | 58.1 | 66.9 | 11.5 |
| JAE | 6807 | 1.5 | 3.3 | 1.2 | 3.0 | 0.6 | 3.1 | 1.6 | 3.6 | 18.0 | 17.6 | 14.4 | 15.6 | 8.9 | 8.9 | 9.6 | 10.1 | 10.6 | 11.0 | 3.8 | 5.7 | 9.5 | 13.2 | 16.1 | 18.8 | 2.8 |
| CMK | 6958 | 0.2 | 0.3 | 0.9 | 1.5 | 0.7 | 0.5 | 1.0 | 1.0 | 3.0 | 2.6 | 3.5 | 3.8 | 2.8 | 3.2 | 3.9 | 4.5 | 5.2 | 6.2 | - | - | 3.2 | 3.5 | 5.0 | 7.5 | 0.3 |
| DAISHINKU | 6962 | 0.1 | 0.1 | 0.3 | 0.6 | 0.3 | 0.3 | 0.3 | 0.1 | 5.2 | 4.2 | 2.1 | 0.9 | 1.1 | 1.0 | 1.5 | 2.3 | 2.9 | 3.6 | - | - | 1.4 | 1.4 | 2.0 | 2.3 | 0.3 |
| HAMAMATSU PHOTONICS | 6965 | 4.3 | 6.5 | 1.5 | 3.9 | 2.4 | 7.6 | 4.9 | 7.6 | 34.3 | 57.0 | 56.7 | 32.1 | 16.2 | 22.5 | 25.4 | 30.7 | 40.6 | 45.9 | 10.0 | 10.0 | 20.0 | 20.1 | 24.4 | 30.4 | 5.3 |
| KYOCERA | 6971 | 18.6 | 23.4 | 28.7 | 47.5 | 28.9 | 34.9 | 34.9 | 33.9 | 148.9 | 128.5 | 92.9 | 27.3 | 118.1 | 132.6 | 148.5 | 178.8 | 211.6 | 247.8 | - | - | 130.0 | 125.8 | 149.2 | 145.5 | 28.9 |
| TAIYO YUDEN | 6976 | 3.1 | 5.9 | 7.5 | 3.5 | 7.0 | 10.5 | 13.5 | 14.3 | 68.2 | 32.0 | 9.1 | 10.5 | 20.0 | 45.2 | 70.2 | 80.2 | 90.5 | 100.2 | - | - | 30.0 | 40.2 | 67.2 | 99.7 | 7.3 |
| MURATA MANUFACTURING | 6981 | 61.6 | 103.5 | 37.9 | 78.8 | 90.4 | 109.7 | 117.3 | 114.5 | 424.1 | 297.9 | 215.4 | 279.7 | 281.8 | 431.9 | 624.0 | 754.3 | 889.1 | 1,068.9 | 177.0 | 203.0 | 380.0 | 423.5 | 579.3 | 831.2 | 85.6 |
| NICHICON | 6996 | 0.7 | 0.8 | 2.3 | 2.6 | 1.7 | 1.8 | 2.3 | 3.6 | 6.4 | 12.7 | 8.9 | 5.2 | 6.5 | 9.4 | 12.4 | 15.1 | 18.1 | 22.2 | - | - | 8.7 | 10.0 | 12.9 | 14.1 | 1.5 |
| NIPPON CHEMI-CON | 6997 | 0.2 | 0.8 | 1.0 | 1.4 | 1.2 | 1.7 | 1.9 | 2.2 | 8.8 | 12.9 | 9.4 | 3.7 | 3.4 | 7.0 | 9.1 | 11.2 | 13.0 | 15.2 | 3.0 | 5.0 | 8.0 | 7.4 | 10.2 | 12.0 | 1.2 |
| KOA | 6999 | 0.5 | 0.8 | 1.8 | 0.5 | 0.6 | 0.6 | 0.7 | 1.3 | 5.7 | 10.2 | 3.3 | 1.2 | 3.6 | 3.2 | 5.2 | 7.0 | 8.0 | 9.3 | 1.1 | 1.8 | 2.8 | 3.2 | 6.3 | 7.0 | 0.5 |
| **Total** | | **242.3** | **357.0** | **286.6** | **292.0** | **315.0** | **391.7** | **424.4** | **410.9** | **1,234.3** | **1,091.6** | **898.1** | **995.2** | **1,176.2** | **1,541.9** | **1,925.6** | **2,271.7** | **2,640.5** | **3,050.7** | **-** | **-** | **1,411.1** | **1,491.4** | **1,882.1** | **2,377.7** | **309.7** |

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

**Exhibit 3:** Current valuation comparisons

| | | Rating | Price 26/6/26 | Mkt Capt (JPY bn) | Net F.Asset (JPY bn) | EV (JPY bn) | P/E F26e | P/E F27e | P/E F28e | P/E F29e | P/E F30e | Ex. Cash P/E F26e | Ex. Cash P/E F27e | Ex. Cash P/E F28e | Ex. Cash P/E F29e | Ex. Cash P/E F30e | P/B F26e | P/B F27e | P/B F28e | P/B F29e | P/B F30e | ROE F26e | ROE F27e | ROE F28e | ROE F29e | ROE F30e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| IBIDEN | 4062 | Underweight | 24,000 | 6,731.3 | 135.5 | 6,595.8 | 112.6 | 81.7 | 62.8 | 49.0 | 43.1 | 102.0 | 74.0 | 56.9 | 44.4 | 39.0 | 11.9 | 10.5 | 9.2 | 7.8 | 6.7 | 11.2% | 13.8% | 15.7% | 17.4% | 16.9% |
| NITERRA | 5334 | Overweight | 10,845 | 2,153.6 | 26.8 | 2,126.7 | 17.8 | 15.8 | 13.4 | 11.5 | 10.3 | 18.0 | 16.4 | 14.3 | 12.7 | 11.4 | 2.6 | 2.3 | 2.1 | 1.9 | 1.7 | 14.9% | 15.4% | 16.3% | 16.9% | 17.2% |
| MINEBEA MITSUMI | 6479 | Equal-weight | 4,805 | 1,945.7 | -227.5 | 2,173.2 | 23.0 | 19.0 | 17.0 | 15.4 | 14.1 | 25.9 | 21.4 | 19.1 | 17.4 | 15.8 | 2.0 | 1.9 | 1.7 | 1.6 | 1.4 | 9.0% | 10.1% | 10.5% | 10.6% | 10.7% |
| MABUCHI MOTOR | 6592 | Equal-weight | 1,609 | 414.6 | 146.8 | 267.8 | 16.8 | 14.9 | 14.5 | 13.2 | 10.7 | 11.4 | 10.6 | 10.3 | 9.4 | 7.6 | 1.2 | 1.2 | 1.2 | 1.3 | 1.3 | 7.2% | 7.9% | 8.4% | 9.5% | 11.9% |
| TDK | 6762 | Overweight | 3,575 | 6,784.3 | 525.9 | 6,258.3 | 27.7 | 24.7 | 21.6 | 19.3 | 17.2 | 25.5 | 22.8 | 20.0 | 17.8 | 15.9 | 2.9 | 2.7 | 2.4 | 2.2 | 2.0 | 10.8% | 11.2% | 11.8% | 12.1% | 12.4% |
| ALPS ALPINE | 6770 | Overweight | 1,982 | 388.4 | 129.0 | 259.4 | 12.5 | 7.9 | 6.8 | 5.9 | 5.2 | 8.4 | 5.3 | 4.6 | 4.0 | 3.5 | 0.8 | 0.8 | 0.7 | 0.7 | 0.6 | 6.8% | 10.1% | 10.9% | 11.4% | 11.9% |
| NIHON DEMPA KOGYO | 6779 | Equal-weight | 3,890 | 85.6 | -16.4 | 101.9 | 31.9 | 27.0 | 21.2 | 17.2 | 13.3 | 36.4 | 30.9 | 24.3 | 19.6 | 15.2 | 2.6 | 2.4 | 2.2 | 2.0 | 1.8 | 8.5% | 9.4% | 11.0% | 12.5% | 14.4% |
| MEIKO ELECTRONICS | 6787 | Equal-weight | 30,250 | 778.4 | -92.6 | 871.0 | 28.4 | 22.6 | 17.3 | 14.5 | 12.5 | 31.9 | 25.4 | 19.4 | 16.3 | 14.0 | 5.1 | 4.3 | 3.5 | 2.9 | 2.4 | 18.9% | 20.5% | 22.3% | 21.9% | 21.2% |
| HIROSE ELECTRIC | 6806 | Overweight | 29,660 | 940.2 | 225.5 | 714.7 | 26.6 | 23.2 | 20.4 | 18.0 | 15.7 | 19.7 | 17.7 | 15.9 | 14.4 | 12.8 | 2.5 | 2.4 | 2.3 | 2.1 | 2.0 | 9.6% | 10.6% | 11.5% | 12.3% | 13.1% |
| JAE | 6807 | Equal-weight | 2,276 | 157.0 | 10.1 | 146.9 | 22.9 | 21.9 | 20.7 | 19.7 | 19.0 | 21.9 | 21.0 | 19.9 | 18.8 | 18.1 | 1.0 | 1.0 | 1.0 | 1.0 | 0.9 | 4.6% | 4.7% | 4.9% | 5.0% | 5.0% |
| CMK | 6958 | Equal-weight | 657 | 44.3 | -22.8 | 67.1 | 27.6 | 21.3 | 18.0 | 15.1 | 12.3 | 39.5 | 30.5 | 25.8 | 21.7 | 17.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 2.1% | 2.7% | 3.2% | 3.7% | 4.5% |
| DAISHINKU | 6962 | Underweight | 923 | 29.3 | -17.2 | 46.6 | - | 48.9 | 26.7 | 19.6 | 14.7 | - | 77.6 | 42.3 | 31.0 | 23.3 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | -0.8% | 1.7% | 3.1% | 4.2% | 5.5% |
| HAMAMATSU PHOTONICS | 6965 | Equal-weight | 2,625 | 811.2 | 31.0 | 780.2 | 42.6 | 37.7 | 31.2 | 23.6 | 20.6 | 43.3 | 39.6 | 33.3 | 25.7 | 22.9 | 2.5 | 2.5 | 2.5 | 2.4 | 2.3 | 5.7% | 6.5% | 7.9% | 10.3% | 11.4% |
| KYOCERA | 6971 | Equal-weight | 3,411 | 4,493.2 | 1,797.8 | 2,695.4 | 31.9 | 29.1 | 22.5 | 20.2 | 18.4 | 19.5 | 19.3 | 15.7 | 14.6 | 13.7 | 1.5 | 1.5 | 1.5 | 1.4 | 1.3 | 4.3% | 4.6% | 5.8% | 6.2% | 6.6% |
| TAIYO YUDEN | 6976 | Underweight | 16,780 | 2,109.0 | -71.1 | 2,180.1 | 74.9 | 49.2 | 42.8 | 37.8 | 34.0 | 70.7 | 46.5 | 40.4 | 35.7 | 32.1 | 6.4 | 5.8 | 5.3 | 4.8 | 4.3 | 8.7% | 12.3% | 12.9% | 13.3% | 13.4% |
| MURATA MANUFACTURING | 6981 | Overweight | 10,770 | 19,863.9 | 663.0 | 19,200.9 | 58.0 | 39.6 | 32.4 | 27.1 | 22.2 | 57.4 | 40.0 | 33.2 | 28.2 | 23.5 | 7.0 | 6.4 | 5.7 | 5.0 | 4.3 | 12.2% | 16.7% | 18.5% | 19.6% | 20.8% |
| NICHICON | 6996 | Equal-weight | 4,300 | 291.5 | -0.3 | 291.7 | 43.1 | 31.7 | 26.0 | 21.7 | 17.6 | 43.5 | 32.1 | 26.3 | 21.9 | 17.8 | 2.3 | 2.2 | 2.1 | 1.9 | 1.8 | 5.5% | 7.1% | 8.1% | 9.1% | 10.4% |
| NIPPON CHEMI-CON | 6997 | Underweight | 5,590 | 156.3 | -48.7 | 204.9 | 66.9 | 45.1 | 35.1 | 29.5 | 24.5 | 62.1 | 41.8 | 32.5 | 27.3 | 22.8 | 2.3 | 2.2 | 2.0 | 1.9 | 1.7 | 5.1% | 7.2% | 8.7% | 9.6% | 10.5% |
| KOA | 6999 | Equal-weight | 2,929 | 99.5 | -6.6 | 106.1 | 21.8 | 34.0 | 24.2 | 20.9 | 17.8 | 21.2 | 33.2 | 23.6 | 20.4 | 17.4 | 1.3 | 1.2 | 1.2 | 1.2 | 1.1 | 5.8% | 3.7% | 5.1% | 5.6% | 6.3% |
| **Average (or total)** | | | | **48,277.1** | | **45,088.9** | **38.2** | **31.3** | **25.0** | **21.0** | **18.1** | **36.6** | **31.9** | **25.1** | **21.1** | **18.1** | **3.0** | **2.8** | **2.5** | **2.3** | **2.1** | **7.9%** | **9.3%** | **10.3%** | **11.1%** | **11.8%** |

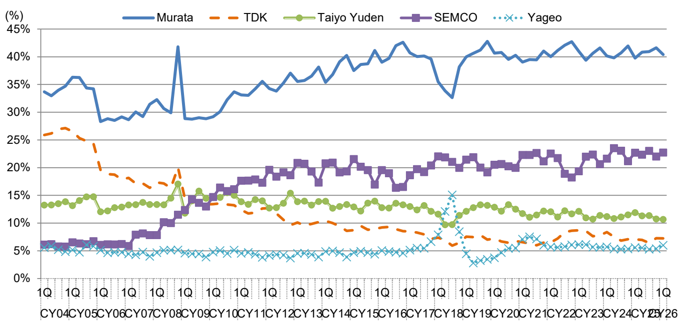
Note: Fiscal year for Hamamatsu ends in Sep, Mabuchi ends in Dec, e=Morgan Stanley Research estimates
Source: Company data, FactSet, Morgan Stanley Research

**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%** |

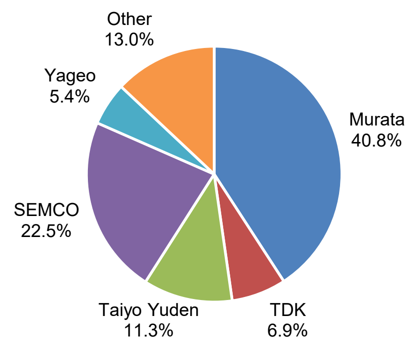
Note: Fiscal year for Hamamatsu ends in Sep, Mabuchi ends in Dec, e=Morgan Stanley Research estimates
Source: Company data, Morgan Stanley Research

**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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| | Coverage Universe | | Investment Banking Clients (IBC) | | | Other Material Investment Services Clients (MISC) | |
|---|---|---|---|---|---|---|---|
| Stock Rating Category | 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 | |

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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 |

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.