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EQUITY: JAPAN ELECTRONICS

Sector view

Strengthening FDE capabilities to spur uptake of physical AI

Lead times lengthening even for analog products owing to rising demand from data centers

Advances in AI models continue to outpace system deployment, but even so major IT companies and private equity funds have been strengthening their forward deployed engineering (FDE) capabilities to spur uptake of AI agents. Japanese IT majors are targeting profit growth of over 15% on a CAGR basis in their medium-term business plans, and we see prospects for faster profit growth via increased uptake of AI agents. We think AI represents substantial business opportunities rather than a threat. Shipments of servers and networking equipment for AI have also been rising sharply as companies increase their supply capacity, and demand for conventional servers has been increasing substantially too. The increase in demand has caused supply-demand conditions to tighten, first for GPUs and HBM during the AI learning phase, spreading to ASICs and SSDs during the inference phase, and now to CPUs, analog semiconductors, and MLCCs in the AI agent phase.

Memory prices: NAND contract price momentum remains strong

Commodity DRAM prices were solid in May, with the end-May spot price for DDR5 DRAM up 3.1% m-m at $26.3/GB and the contract price up +2.0% at $12.8/GB. The spot price of 512Gb TLC NAND remained high in May at $0.36/GB (flat m-m). Monthly data from Taiwanese memory module manufacturer Adata suggests that NAND prices may have been rising faster than DRAM prices of late. Since the start of June, share prices of memory-related stocks have been negatively affected by news reports about a letter sent to the White House by memory customers and Nvidia's plan to halve LPDDR5X capacity per rack for its next-generation Vera Rubin systems. However, we do not see any signs of a slowdown in demand for these products, and if anything see evidence of ongoing structural supply shortages, on which basis we think a share price correction would represent a good entry point.

Special feature (Vol. 91): FDEs contributing to speedier deployment of AI agents

FDEs have been attracting attention of late. AI companies station FDEs at customer premises to oversee deployment of proprietary AI agents. When generative AI first appeared, prompt engineers were the focus of attention. With the growing uptake of AI agents, though, customers' needs have changed and FDEs are in demand. FDEs embedded at client companies communicate directly with clients about the challenges they face, moving swiftly to address those challenges and expedite AI deployment. AI companies then take the expertise thus gleaned and integrate it into their products, facilitating lateral expansion of service offerings. Hitachi plans to bolster its Physical AI FDE Team to facilitate integration of its IT technology (AI technology, security, and data infrastructure) and OT (operational technology: domain expertise). Fujitsu similarly plans to bolster its team of FDEs with specialist knowledge of its proprietary Takane AI model and Kozuchi AI platform.

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Tech sector overview

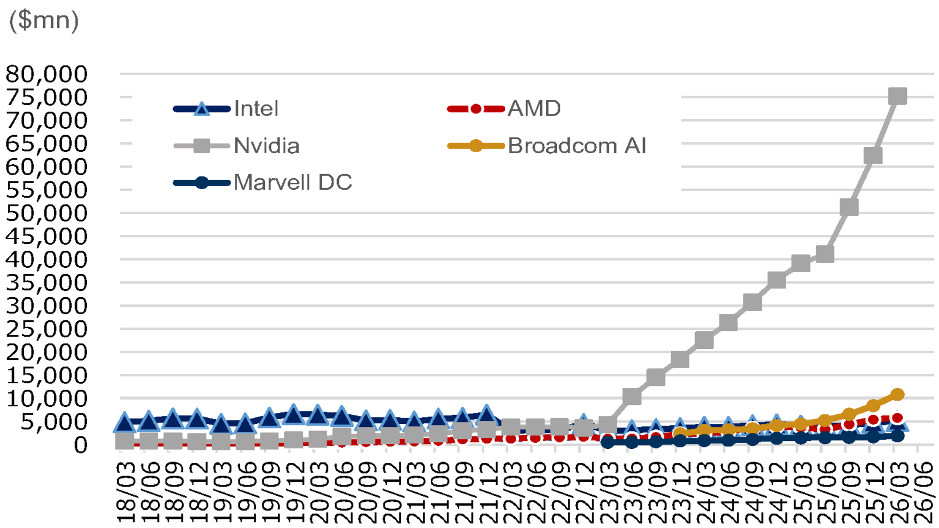
Lead times lengthening even for analog products owing to rising demand from data centers

Advances in AI models continue to outpace system deployment, but even so major IT companies and private equity funds have been strengthening their FDE capabilities to spur uptake of AI agents. Japanese IT majors are targeting profit growth of over 15% on a CAGR basis in their medium-term business plans, and we see prospects for faster profit growth via increased uptake of AI agents. We think AI represents substantial business opportunities rather than a threat. Shipments of servers and networking equipment for AI have also been rising sharply as companies increase their supply capacity, and demand for conventional servers has been increasing substantially too. The increase in demand has caused supply-demand conditions to tighten, first for GPUs and HBM during the AI learning phase, spreading to ASICs and SSDs during the inference phase, and now to CPUs, analog semiconductors, and MLCCs in the AI agent phase.

Demand for AI-related semiconductors remains strong

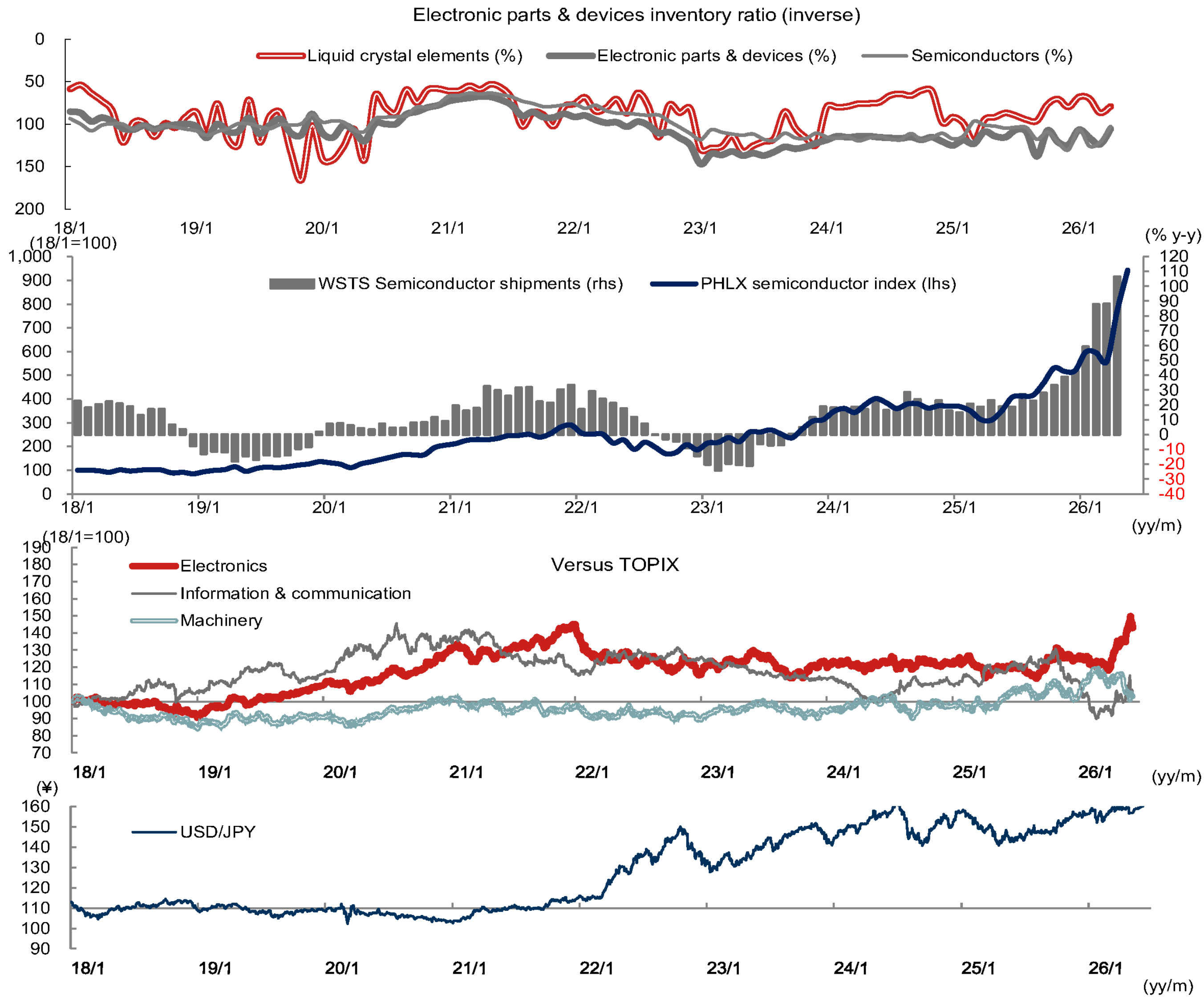
We have seen brisk growth in demand for Nvidia's GPUs and custom AI accelerators from Broadcom and Marvell Technology. Results for Feb–Apr also showed a 92% y-y (21% q-q) rise in data center-related sales at Nvidia, including a sharp 115% (12%) rise in sales to hyperscalers. Management expects sales to continue rising strongly, and is guiding for May–Jul companywide sales of $91bn (up 11% q-q). Broadcom also reported Feb–Apr semiconductor sales of $10.8bn (up 143% y-y), slightly ahead of guidance, and is projecting May–Jul sales of $20.5bn (up 124%). Marvell Technology reported Feb–Apr sales of $2,418mn (up 28% y-y), again slightly ahead of guidance. The company had said it was expecting sales growth of at least 25% y-y in full-year 27/1 in December, but hiked this to at least 40% three months later, and again to 50% when it released its latest results. It also hiked its outlook for 28/1 sales growth from 40% to nearly 50% and again to 55% at the same time.

Fig. 1: Data center-related sales at major semiconductor companies



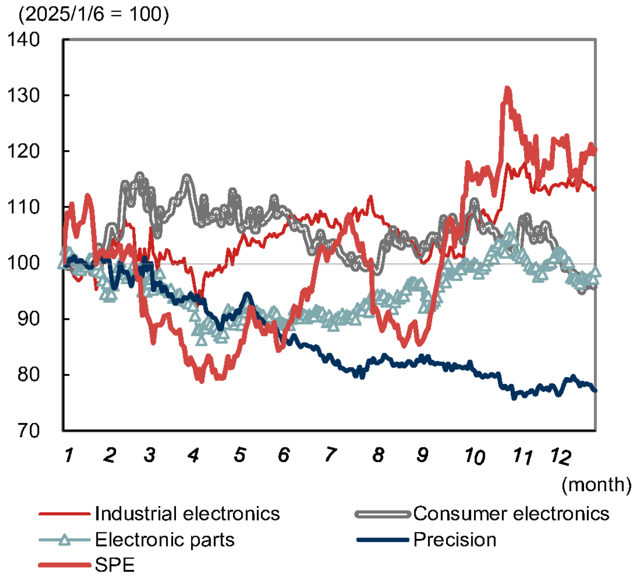
Source: Nomura, based on data disclosed by each company

Fig. 2: Global semiconductor shipment value, domestic inventory ratio for electronic parts & devices, and sector share prices



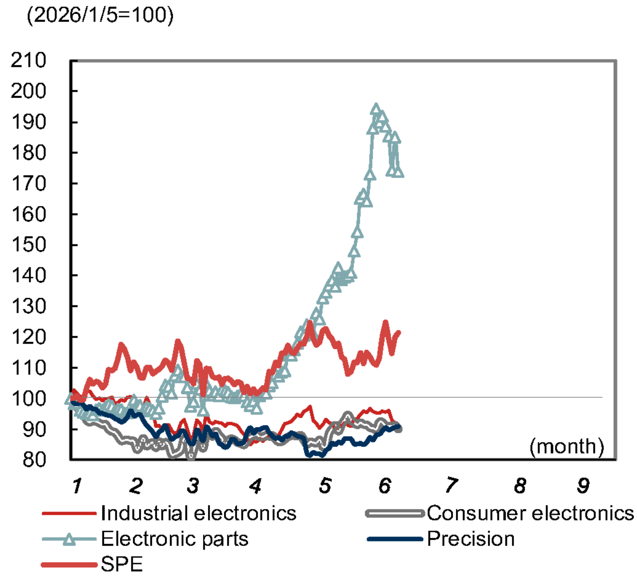
Note: (1) Electronic parts & devices inventory ratio excludes impact of cathode ray tubes (CRTs). (2) Electronics, ICT, and machinery data shows performance versus the TOPIX based on industry share price indices covering all stocks listed on TSE-1.
Source: Nomura, based on WSTS data, METI's Indices of Industrial Production, and other materials

Fig. 3: Market cap versus the TOPIX by subsector in 2025



Note: Shows relative share price for combined market cap of major companies covered by Nomura in each sector.
Source: Nomura

Fig. 4: Market cap versus the TOPIX by subsector in 2026



Note: Shows relative share price for combined market cap of major companies covered by Nomura in each sector.
Source: Nomura

Markets other than AI also heading toward recovery, but gap with AI growing

Anthropic, OpenAI, Google, and others have continued to make advances in AI agents, and uptake in white-collar parts of the B2B market has been gathering pace. While rapid advancements have been made in AI models, deployment in client systems has failed to keep pace. In view of this, we have seen moves to step up rollout at large firms via collaboration with conventional system integration and SaaS companies and at SMEs via involvement from private equity funds. Japanese IT majors have also adopted a multi-AI agent strategy of using third-party products for commodity AI models and in-house-developed products for industry-specific AI. We think investment in AI servers and related data centers will remain brisk as long as competition between AI agents continues in these B2B markets. Tight supply-demand for many components is leading to price hikes, which is increasing capex as well. In the past, tight supply-demand created a trade-off in which higher component costs suppressed PC/smartphone demand via price elasticity. In contrast, in the AI server market, price hikes are actively accepted to secure greater procurement volumes, which in turn encourages more aggressive capital investment by suppliers. Thus, while the cyclical nature of the business model in which prices fluctuate in line with the supply-demand balance remains unchanged, there is a possibility that supply-demand conditions for various products will remain tight for longer than previously. Meanwhile, price-sensitive B2C markets such as PCs/smartphones may see demand shrink after preemptive buying, a negative impact on the price-sensitive mass market zone from price hikes, and potential PC supply contraction on CPU shortages.

Industrial electronics: Ongoing solid infrastructure-related demand amid tight memory supply-demand

While the materialization of geopolitical risks has raised uncertainty over the macroeconomy, we see little direct impact from the Middle East conflict at industrial electronics majors and semiconductor producers, thanks in part to business portfolio reforms, and expect ongoing growth in earnings on continued strong investment in data centers, especially for AI, and electric power infrastructure. Industrial electronics majors generated record-high profits in 26/3 and we expect earnings to continue to grow from 27/3 onwards. We think the era of full-fledged deployment of AI agents will provide large tailwinds for major IT firms with AI platforms, system architecture, and domain knowledge, leading to growth in their own services. We recommend: Kioxia Holdings, which stands to benefit from growth in AI-related demand; Hitachi, where HMAX services using physical AI are likely to start making a full-scale contribution; Mitsubishi Electric, on strong performance in infrastructure-related businesses such as defense; Fujitsu, on progress with the transformation of its business model in the direction of Uvance and modernization; Fuji Electric, on strong performance in power supplies for data centers and energy management; and NEC, on growth driven by defense and BluStellar.

Electronic parts: Focus on new products for AI data centers

The 10 major Japanese electronic parts suppliers under our coverage generated aggregate sales of ¥2,862.6bn (up 12.8% y-y) and operating profits of ¥269.8bn (up 66.2%) in Jan–Mar 2026. Sales were 5.3% higher and operating profits were 9.5% higher than our pre-release estimates of ¥2,716.2bn and ¥245.9bn. The main factor behind the overshoot in operating profits was better-than-expected sales. By application, there was strong growth for data center and general industrial applications, and strong demand for high-end automotive, smartphone, and wearable applications. We estimate that yen depreciation buoyed sales by 3.5ppt and operating profits by 4.1ppt in Jan–Mar. Excluding forex effects and business divestments, we estimate that sales rose 10.3%. We think a number of companies will benefit from sustained positive impacts from new AI-related products. They include Hirose Electric's probe application products, Murata Manufacturing's advanced compact, high-capacitance capacitors, TDK's battery backup units (BBUs) for 400V/800V data centers, Ibiden's EMIB, and Niterra's electrostatic chucks for ultra-low-temperature etching.

Consumer electronics: We recommend Sony Group, Fujifilm Holdings, Canon

Although the consumer electronics industry is expected to face cost increases due to surging memory prices and the impact of conditions in the Middle East, this has not yet led to production halts caused by supply shortages. In addition to companies taking a proactive stance on passing higher costs on to prices, there are also favorable factors such as the positive impact of a weaker yen and lower US tariff rates, on which basis we expect solid earnings at sector companies. On the demand side, demand related to AI and data centers has remained buoyant, while sales of hobby-oriented products such as cameras and watches have been strong, and even the previously sluggish musical instrument segment is showing signs of bottoming out. In sectors with many diversified companies, we still think it is important to closely examine each company's business portfolio strategy. We recommend: Fujifilm Holdings, which has been developing its business portfolio strategy based on proprietary technologies it has built up in photographic film; Sony Group, which has been reinforcing its position as a platform provider within the entertainment industry; and Canon on the prospect of stable cash generation from printers and cameras.

SPE: We see near-term upside for front-end equipment, look to qualitative changes too

Demand for front-end SPE has been gathering pace, and we think investors are likely to carry on focusing on demand upside in the short term (2026 and 2027). We also get the impression that the nature of growth has been changing. (1) Improved earnings at advanced foundries other than TSMC has increased investment upside for 2027 onwards. (2) Memory producers have been drafting more concrete investment plans as their customers have been signing long-term contracts, and this has made it easier for SPE companies to come up with demand forecasts with longer-term horizons and given greater clarity to front-end equipment demand over the medium term. (3) Tokyo Electron, Japan's biggest front-end SPE producer, has become more confident about hiking prices to pass on cost increases, and while this does not necessarily apply to all Japanese front-end companies, we now see increased expectations for cost pass-throughs rather than inflation being a negative for the sector overall. Earnings at back-end SPE companies have also been improving, but we expect investors to carry on preferring front-end SPE. Among back-end SPE companies, we recommend Tokyo Seimitsu, where we expect margins to improve as its sales exposure to the high value-added AI market increases.

Fig. 5: Developments at major overseas electronics companies (1)

Results date	Ticker	Company	Segment	Development
5/13	CSCO US	Cisco Systems	Telecommunication equipment	Results announcement FY26 Q3 sales up 12% y-y to $15.8bn, slightly above the midpoint of the guidance range ($15.5bn). Non-GAAP gross margin of 66.0% and non-GAAP operating margin of 34.2%, versus guidance of 66.0% and 34.0%. Product orders up 35% y-y overall, with rises of 18% at enterprise segment, 27% at public segment, and 105% at cloud and telecom services segment. AI infrastructure orders from hyperscalers totaled $5.3bn on a Q1-3 basis, and company raised FY26 full-year guidance for orders from over $5bn to $9bn and for sales from $3bn to $4bn. Guiding for Q4 sales of $16.8bn, non-GAAP gross margin of 66.0%, and non-GAAP operating margin of 34.5%. Looking for price hikes to offset higher memory costs to some extent.
5/20	ADI US	Analog Devices	Semiconductors	Results announcement FY26 Q2 sales of $3.63bn (up 37% y-y, up 15% q-q), versus guidance of $3.5bn ±$0.1bn, adjusted gross margin of 73.0%, and adjusted operating margin of 49.0%. Sales up 20% q-q at industrial segment, up 8% at automotive segment, up 22% at communications & data center segment, and flat at consumer electronics segment. Midpoints of Q3 guidance are $3.9bn for sales, 49.0% for non-GAAP operating margin, and 8% for q-q sales growth Guiding for q-q sales growth of mid- to high-single digit growth at industrial segment, low- to mid-teen growth at communications & data center segment, but a sales decline at the consumer segment.
5/20	NVDA US	NVIDIA	GPU/MPU	Results announcement FY27 Q1 sales up 85% y-y at $82.0bn (guidance: $78bn), non-GAAP gross margin of 75.0% (75.0%), and non-GAAP operating margin of 65.9%. Data center orders up 92% y-y and 21% q-q, with hyperscaler orders up 115% and 12% q-q, other orders up 74% and 31% q-q and edge orders up 29% y-y and 10% q-q. Q2 guidance calls for sales of $91.0bn and gross margin of 75.0%. It estimates CY26 CPU TAM of $200.0bn, with its share at just over $20bn.
5/27	HPQ US	HP	IT hardware/ services	Results announcement For Q2 (from Feb–Apr 2026), the company reported revenue growth of 9% y-y (up 6% in constant currency terms) and adjusted EPS of $0.86 (up 21%), versus the 27 May Bloomberg consensus forecasts of $14.0bn and $0.71 respectively. PC shipment volume fell 7% y-y. The company said that there had been some rush demand for commercial PCs. Printer shipment volumes were down 7% and consumable sales volumes were up 1% (flat y-y on a constant currency basis). The company is guiding for 26/10 adjusted EPS of $2.9–3.1 (previously $2.9–3.2). Price revisions helped sales at the personal systems segment to rise 10% y-y on a constant currency basis even though PC shipment volumes fell. Margins at the segment rose y-y, partly thanks to the use of strategic inventories, but the company said it expected them to deteriorate through Q4 as the boost from strategic inventories fades. The company still expects the hardware market to contract by low single digits in 2026 H2 and sales of consumables to also fall by low single digits on a constant currency basis. It said that while companies had been prioritizing investment in PCs recently, it expected a recovery in due course.

Source: Nomura; consensus forecasts are by Bloomberg, comments on business conditions are taken from results documents, etc

Fig. 6: Developments at major overseas electronics companies (2)

Results date	Ticker	Company	Segment	Development
5/27	MRVL US	Marvell Technology	Semiconductors for telecoms	Results announcement FY27 Q1 sales of $2.418bn (up 28% y-y, up 9% q-q), slightly above the midpoint of the guidance range of $2.4bn, and non-GAAP gross margin of 58.9% (58.75%). Data center sales of $1.83bn were up 27% y-y (up 11% q-q), with strong demand for custom XPUs, interconnects, and switches. Midpoints of Q2 sales guidance are $2.7bn (up 12% q-q) for sales and 58.75% for non-GAAP gross margin. FY27 data center sales growth guidance raised from over 25% y-y six months earlier and over 40% three months earlier to 50%, FY28 sales growth guidance raised from 40% and just under 50% to 55%.
5/28	DELL US	Dell Technologies	PC/IT hardware	Results announcement FY27 Q1 sales up 88% y-y at $43.8bn (guidance: $35.2bn), non-GAAP operating margin of 9.7%. Corporate PC sales up 18%. IT infrastructure sales up 181%, with an 8.6x increase in sales of AI servers. Sales of conventional servers and network equipment were up 92%. Midpoint of FY27 Q2 sales guidance is $44.5bn (up 50% y-y). Q1 AI server orders of $24.4bn, order backlog of $51.3bn, sales of $16.1bn. FY27 sales guidance raised sharply from $25bn in Q3 FY26 and $50bn in Q4 to $60bn (2.4x y-y the prior-year level). Also guiding for sales of conventional servers to rise 60% y-y.
6/1	HPE US	HP Enterprise	Servers	Results announcement FY26 Q2 sales up 40% y-y at $10.7bn (guidance: $9.6bn–10.0bn), non-GAAP operating margin of 13.3%, Juniper performed well even after merger, boosting networking sales overall. Server sales rose 33%, AI system orders were $2.1bn in Q2, and order backlog was $6.3bn (up $1.0bn). Q3 sales guidance is $11.5bn–12.1bn, with sales growth (reported basis) revised from 17–22% to 29–33% and sales growth (pro forma basis) revised from 5–10% to high-teens.
6/3	AVGO US	Broadcom	Semiconductors	Results announcement FY26 Q2 sales up 48% y-y to $22.2bn, in line with guidance of $22.0bn. Non-GAAP gross margin of 77% and non-GAAP operating margin of 67%. Semiconductor sales up 79%, breaking down as rise of 43% to $10.8bn for AI (versus guidance of $10.7bn), rise of 6% for non-AI, and rise of 9% to $7.2bn for infrastructure software. FY26 Q3 sales guidance of $29.4bn (up 84% y-y), including up 124% to $20.5bn for AI. Expects AI semiconductor sales to exceed $100.0bn in FY27.
6/11	ORCL US	Oracle	Software	Results announcement FY26 Q4 (Feb–Apr) sales up 21% y-y at $19.2bn (initial guidance was for 19–21% growth), and the operating margin of 32% (32% in Q3). Cloud sales up 47% (including 119% rise in the CPU & GPU business), software sales down 2%, hardware sales up 9%, and services sales up 13%. Guiding for FY27 Q1 sales growth of 27–29% y-y (with cloud sales up 58–64%) and non-GAAP EPS growth of 16–19%. In FY26, net cash expenditure from capex was $48.0bn (excluding prepayments of around $8.0bn from customers), but the company plans to step up capex to around $70.0bn in FY27 (excluding prepayments of $20.0bn–25.0bn from customers). The company said it plans to raise around $40.0bn via both debt and equity in FY27.

Source: Nomura; consensus forecasts are by Bloomberg, comments on business conditions are taken from results documents, etc

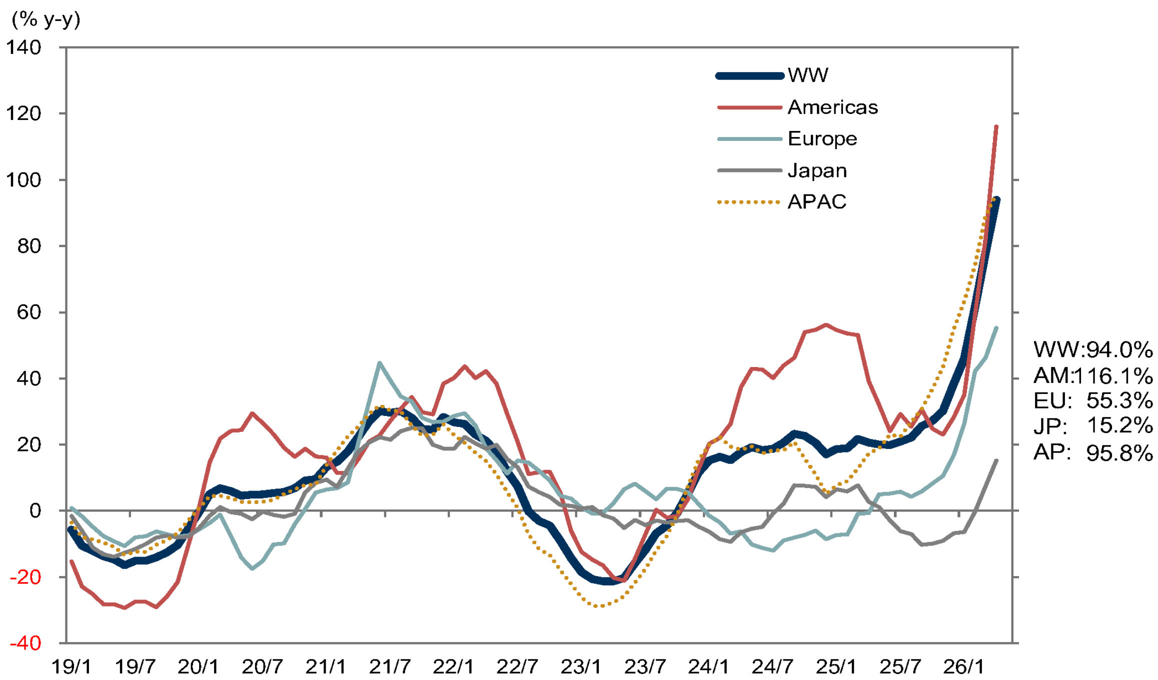
Monthly global semiconductor/electronic parts shipments

Analysis of preliminary April 2026 WSTS statistics

April WSTS semiconductor shipment value up 106.3% y-y

SIA/WSTS data for April show a 106.3% y-y rise in global semiconductor shipment value (three-month moving average up 94.0%). AI and data center-related demand has remained strong, and sales growth has been particularly strong for memory, partly thanks to price hikes caused by supply shortages. Generative AI has continued to broadly boost demand, with rising demand not only for GPUs and ASICs designed to boost computing power, but also for advanced logic devices designed to boost performance per unit of power consumption. Shipment value has also been boosted by rising prices for commodity DRAM, HBM, and NAND flash as a result of tighter supply-demand. The spread of AI agents has resulted in a sharp rise in demand for CPUs for AI servers, leading to supply shortages for PC applications. The recovery in areas other than AI and data centers has also been solid thanks to the end of inventory corrections. However, shipment volumes of PCs and home appliances are increasingly likely to fall because of tighter supply-demand conditions for CPUs as well as concerns about memory shortages. In addition to difficulties in securing procurement volumes, it is becoming harder for companies to pass higher costs on to consumer prices, and we think this might have a broader impact than previous concerns about tariffs in 2025. Conditions for network equipment and conventional servers have also been increasingly becoming overheated as customers in enterprise areas have been bringing forward orders in response to rising memory prices and concerns about supply shortages. Growth in the Americas looks to have accelerated, particularly for AI applications, and shipments to the Americas continued to rise strongly with a rise of 116.1% y-y in April on a three-month moving average basis. Shipments in Europe turned upward for the first time in 16 months in May 2025, rising 5.0%, and have remained on an upward trend since, rising 55.3% in April.

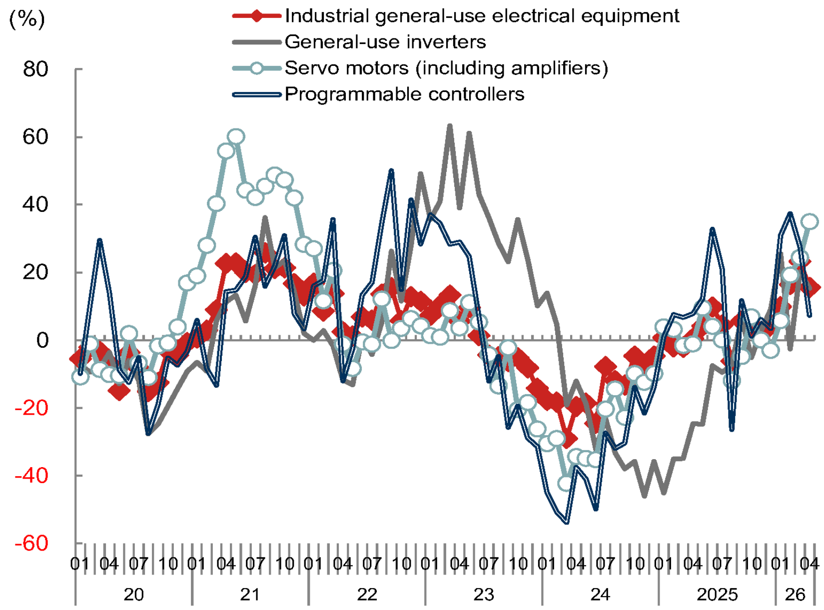
Fig. 7: Global semiconductor shipments by region (three-month moving average)



Note: Percentage figures at right of graph are the most recent preliminary figures.
Source: Nomura, based on Semiconductor Industry Association (SIA) data

Fig. 8: Industrial general-use electrical equipment: y-y shipment value

Shipment data for Japanese manufacturers



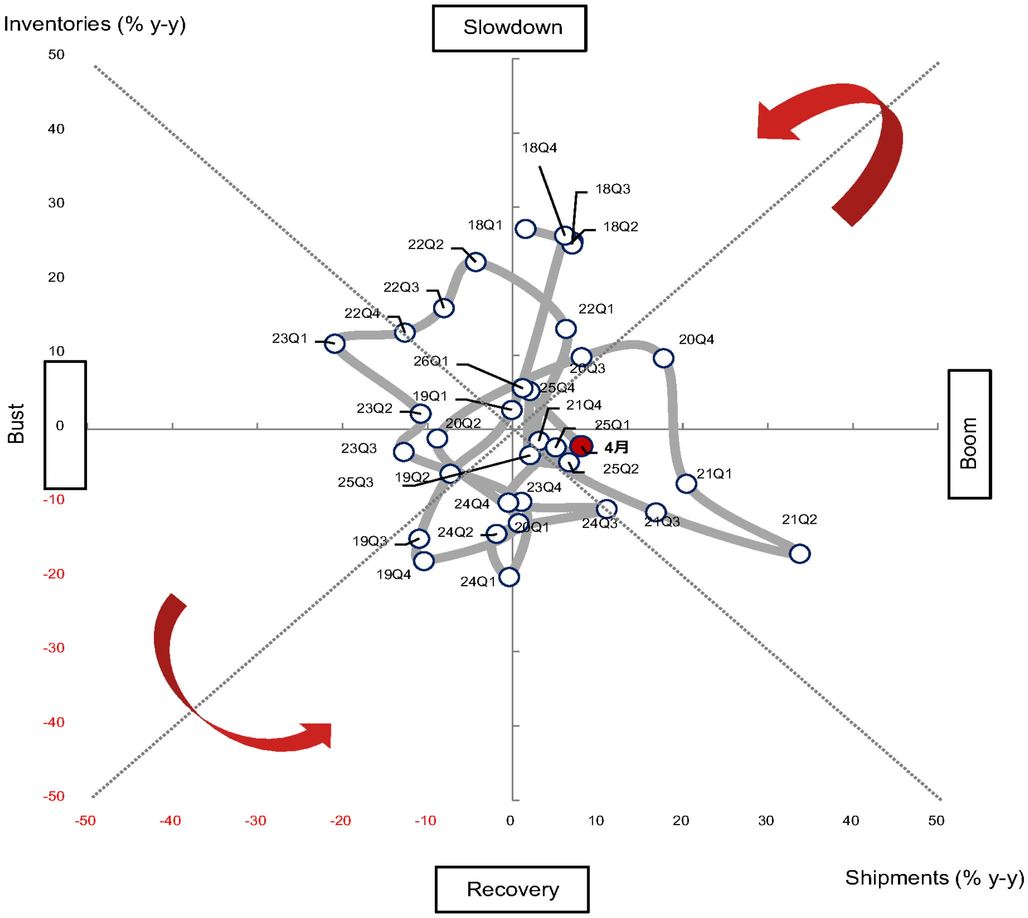
Source: Nomura, based on Japan Electrical Manufacturers' Association data

Japanese semiconductor shipments and inventories

Japanese semiconductor shipments up 8.1% y-y in April 2026

According to METI's industrial production statistics, the value of semiconductor shipments in Japan was up 8.1% y-y in April 2026 (down 10.8% in March 2026) (*Figure 9*). Production rose 3.6% (down 14.6%), inventory fell 2.3% (up 4.5%), and the inventory ratio rose 8.9% (up 29.4%). Inventories of discrete semiconductors (excluding rectifiers, same hereinafter) were up 2.5% (up 14.6%) and inventories of ICs were down 4.2% (up 0.5%). On a m-m basis, shipments were up 3.2% (up 14.4%), production was down 5.4% (up 19.0%), inventories were down 8.0% (down 4.0%), and the inventory ratio was down 17.3% (down 7.9%). The shipment value of memory devices, which have a high weighting in overall semiconductor shipment value, was down 15.7% (down 36.4%). (Starting with the release of the Indices of Industrial Production for June 2020, data for microcontrollers and CCDs are classed as "confidential", so we have retroactively adjusted the data to exclude these two categories.)

Fig. 9: Domestic semiconductor shipments and inventory cycle



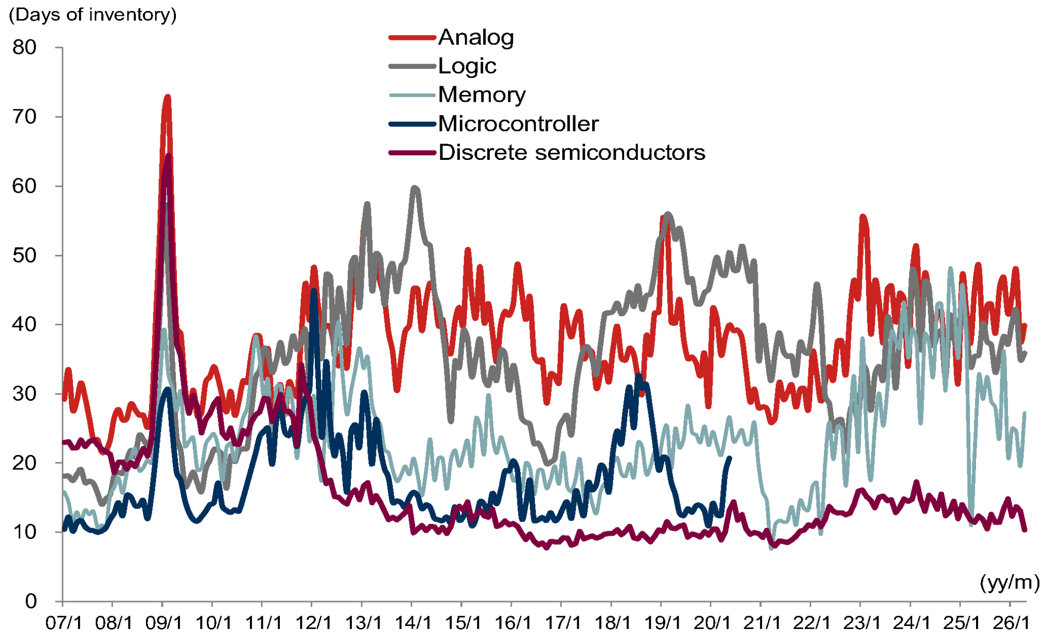
Note: (1) Data for discrete semiconductors exclude rectifiers and memory. (2) Data retroactively adjusted from the July 2023 Nomura Tech Monthly with 2020 as base year.

Source: Nomura, based on METI's Indices of Industrial Production data

April 2026 inventory turnover

In April 2026, the inventory turnover period was 39.9 days for analog devices (37.7 days in March), 35.9 days for logic devices (34.9 days), 27.2 days for memory devices (19.5 days), and 10.3 days for discrete semiconductors (13.1 days) (*Figure 10*).

Fig. 10: Japanese semiconductor inventory turnover periods by product type



Note: (1) Inventory turnover (days) = inventory volume / (monthly sales volume x 30). (2) Figures for discrete semiconductors are only for the five products included in preliminary data (silicon diodes, transistors, light-emitting diodes, laser diodes, and couplers/interrupters). (3) Data for microcontrollers became "confidential" in June 2020, so the most recent data for this category is for May 2020.
Source: Nomura, based on METI's Current Production Statistics Survey data

Monthly sales at Taiwanese companies

May 2026 sales at Taiwanese electronics companies (confirmed): Up 42.2% y-y, up 0.7% m-m

Total sales in May 2026 at Taiwanese electronics companies (confirmed data based on 265 companies) were up 42.2% y-y and up 0.7% m-m. Sales at Hon Hai Precision Industry, which makes the largest contribution to aggregate sales (over 20–30%) in our universe of Taiwanese electronic part suppliers, were up 39.6% y-y and up 3.3% m-m in May 2026 at TWD859bn.

Sales rose sharply y-y at all four main segments. Orders rose sharply m-m at the smart consumer electronics segment, partly because of rush demand, but came in flat at the cloud & networking products segment despite ongoing strong AI-related demand because of customer schedules, and were down slightly at the computing products segment and at the electronic components & other products segment because of the previous boost from new products. 26/12 Q2 was a weak quarter in any case, partly because of the timing of the switchover to new products, but we now expect sales growth to be much higher than we had previously envisioned on strong demand for AI racks.

Data center-related: In May, sales rose 68% y-y at baseboard management controller (BMC) producer ASPEED and rose 18% at assembly company Wiwynn. Demand for AI servers looks to have remained strong. Sales rose 9% at CPU socket manufacturer Lotes and 32% at power management IC fabless company Silergy, which is highly exposed to notebook PCs, and rose 15% at ANPEC.

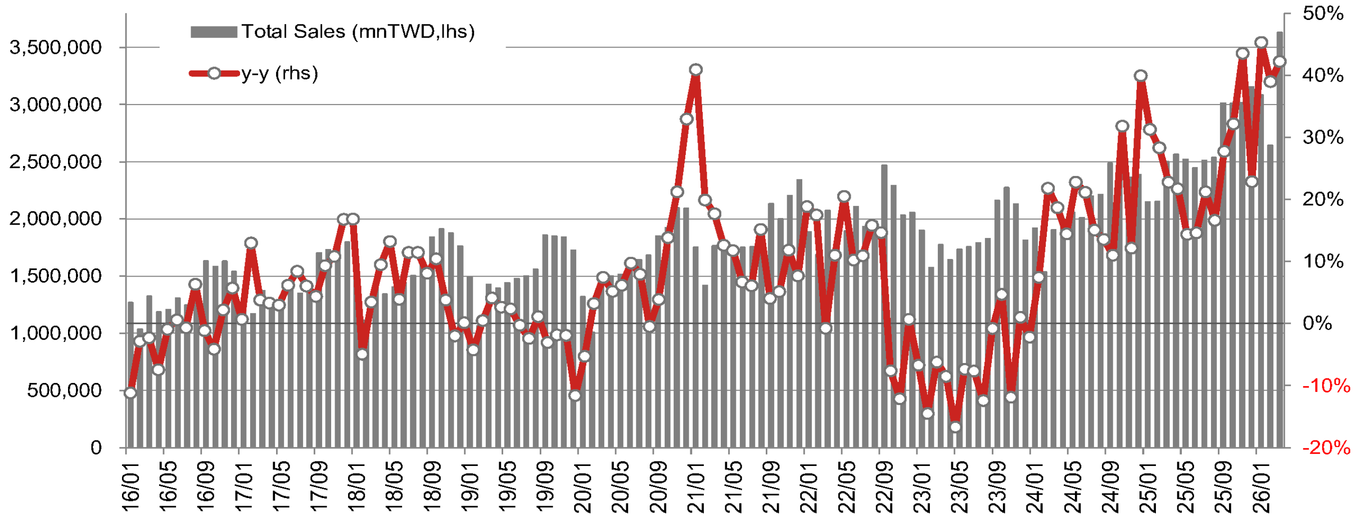
The largest positive contributor to the 42.2% y-y rise in sales in May 2026 in the Taiwanese electronics sector was Hon Hai Precision Industry with a contribution of +9.7ppt, followed by Quanta Computer with +6.0ppt. *Figure 11* shows sales rankings for Taiwanese electronics companies as of May 2026.

Fig. 11: May 2026 sales rankings for Taiwanese electronics companies

Sales Ranking	Company Company name	Currency Units	2025/5	2026/4	2026/5	y-y 25/5→26/5	m-m 26/4→26/5
1	Hon Hai Precision Industry	(thTWD)	615,744,933	832,097,956	859,409,333	+39.6%	+3.3%
2	Taiwan Semiconductor Manufacturing	(thTWD)	320,515,951	410,725,118	416,975,163	+30.1%	+1.5%
3	Quanta Computer Inc	(thTWD)	160,242,327	339,921,315	311,481,017	+94.4%	-8.4%
4	Wistron Corporation	(thTWD)	208,405,603	283,437,176	290,183,471	+39.2%	+2.4%
5	Wt Microelectronics Co Ltd	(thTWD)	78,326,329	211,019,731	197,924,567	+152.7%	-6.2%
6	Wpg Holdings Limited	(thTWD)	75,461,393	127,337,859	138,023,979	+82.9%	+8.4%
7	Pegatron Corporation	(thTWD)	85,685,084	87,189,236	95,962,959	+12.0%	+10.1%
8	Wiwynn Corp	(thTWD)	71,132,658	82,730,996	84,050,473	+18.2%	+1.6%
9	Inventec Corp	(thTWD)	61,203,003	84,786,839	82,807,865	+35.3%	-2.3%
10	Compal Electronics	(thTWD)	57,624,778	71,979,261	70,461,810	+22.3%	-2.1%
11	Asustek Computer Inc	(thTWD)	63,215,719	81,915,499	69,094,002	+9.3%	-15.7%
12	Synnex Technology Intl Corp	(thTWD)	29,523,080	57,336,402	67,818,918	+129.7%	+18.3%
13	ASE Technology Holding Co Ltd	(thTWD)	49,026,935	62,247,107	63,033,313	+28.6%	+1.3%
14	Delta Electronics Inc	(thTWD)	41,044,766	58,691,652	58,961,817	+43.7%	+0.5%
15	Gigabyte Technology Co Ltd	(thTWD)	46,728,346	52,267,730	49,053,470	+5.0%	-6.1%
16	Mediatek Inc	(thTWD)	45,180,526	46,736,664	47,434,191	+5.0%	+1.5%
17	Accton Technology Corp	(thTWD)	18,280,186	27,360,301	28,622,864	+56.6%	+4.6%
18	Nanya Technology Corp	(thTWD)	3,333,121	25,491,201	27,669,563	+730.1%	+8.5%
19	Acer Inc	(thTWD)	19,168,323	31,311,752	26,165,549	+36.5%	-16.4%
20	Au Optronics Corp	(thTWD)	24,177,397	22,100,381	23,838,344	-1.4%	+7.9%

Note: Shows data for top 20 companies by sales out of the 265 companies that had published confirmed data as of 12 June 2026.
Source: Nomura, based on data disclosed by each company

Fig. 12: Taiwan electronics sector sales (y-y)

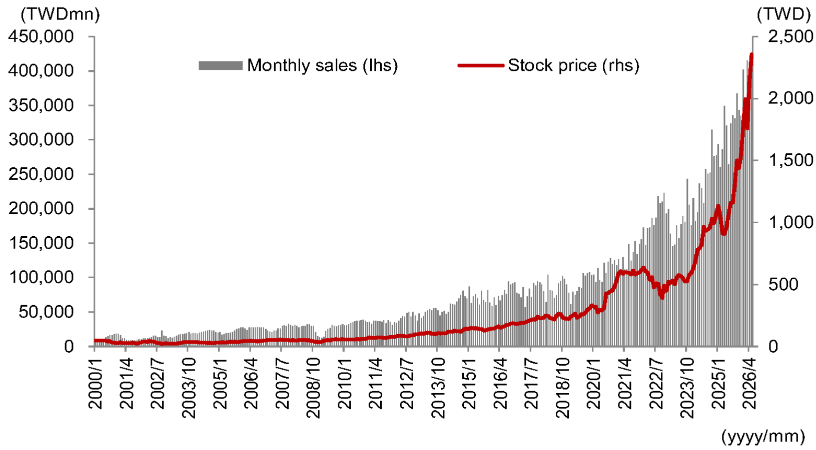


Note: (1) Based on the universe of 265 companies that have disclosed the latest data. (2) Y-y comparisons are based on 267 companies, including ASE [2311 TW] and SPIL [2325 TW], through April 2018, and 265 companies, excluding these two companies but including ASE Technology [3711 TW], established after the merger, from May 2018.
Source: Nomura, based on various materials

TSMC: Sales up 30% y-y and up 2% m-m in May

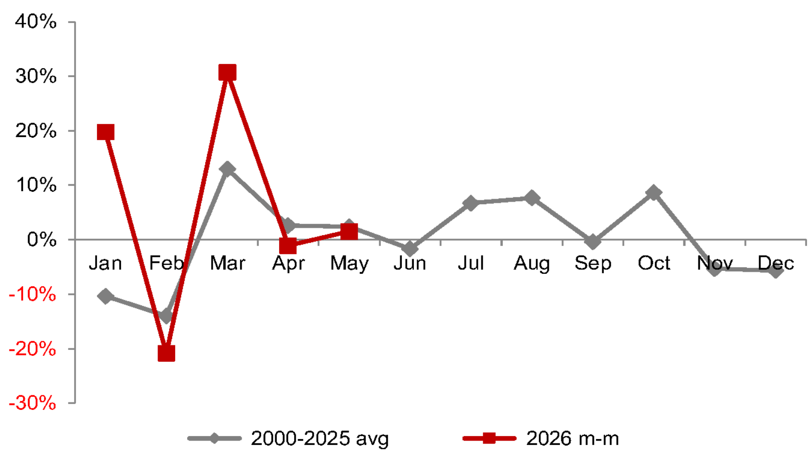
TSMC generated sales of TWD417bn (up 30% y-y, up 2% m-m) in May. This marks a 29th straight month of y-y growth and represents 66% of the midpoint of sales guidance for Apr–Jun 2026 (Q2), released on 16 April.

Fig. 13: TSMC's monthly sales and share price performance



Source: Nomura, based on company data

Fig. 14: TSMC sales (m-m)



Source: Nomura, based on company data

Memory prices: NAND contract price momentum remains strong

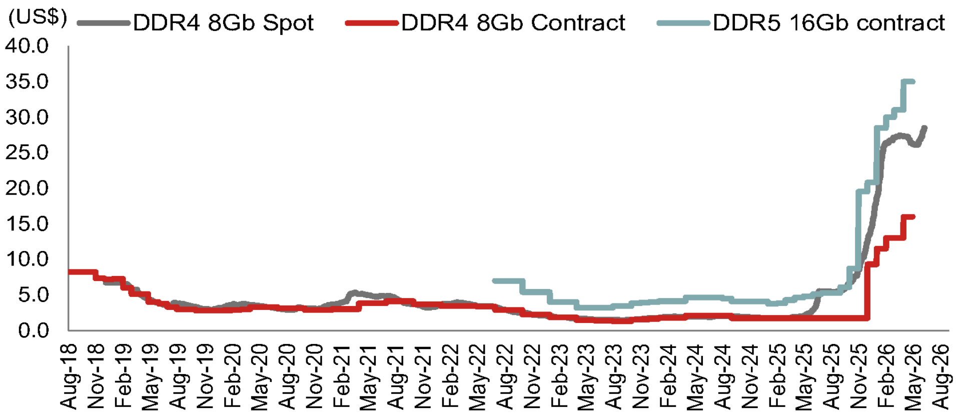
Commodity DRAM prices were solid in May, with the end-May spot price for DDR5 DRAM up 3.1% m-m at $26.3/GB and the contract price up 2.0% at $12.8/GB. Spot prices are still at a premium of 105% to contract prices, suggesting that demand has continued to rise amid ongoing supply shortages. The spot price of 512Gb TLC NAND remained high in May at $0.36/GB (flat m-m). Monthly data from Taiwanese memory module manufacturer Adata suggests that NAND prices may have been rising faster than DRAM prices of late. However, we expect upward momentum in commodity memory prices to slow markedly from 2026 H2, partly because margins on DRAM and NAND are already at historically high levels.

Since the start of June, share prices of memory-related stocks have been negatively affected by news reports about a letter sent to the White House by memory customers and Nvidia's plan to halve LPDDR5X capacity per rack for its next-generation Vera Rubin systems. However, we do not regard these reports as a sign of a slowdown in demand, and if anything think they demonstrate that structural supply shortages are continuing.

US industry bodies (including the Alliance for Automotive Innovation, the National Retail Federation, and the Medical Device Manufacturers Association) sent a letter to the White House demanding measures to address shortages and price rises for memory, but we see few effective ways for the government to control memory prices as the current rise is mainly due to structural growth in demand caused by AI. Memory suppliers have been working hard to ease supply constraints by increasing capacity ahead of schedule while shouldering additional costs.

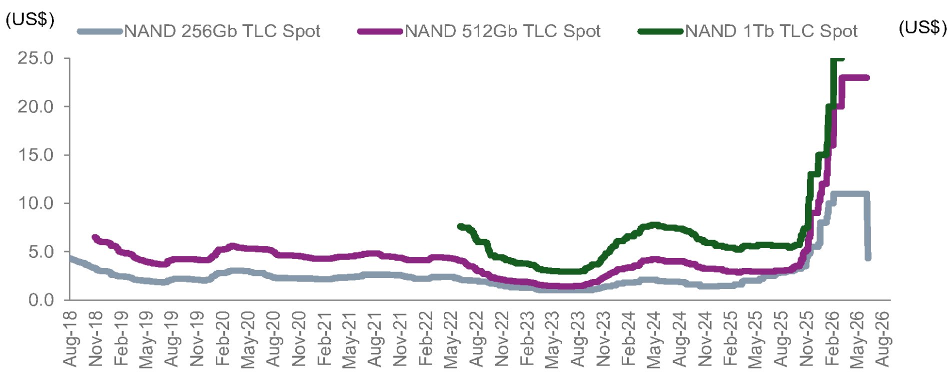
We also think Nvidia's reduction in LPDDR5X for Vera Rubin systems is not a cost issue, but a strategic decision to prioritize market penetration of standalone Vera CPUs. We think that reduced capacity will affect performance at Vera Rubin customers, thereby triggering upgrade demand as and when memory supply improves. There is plenty of evidence corroborating growth in memory demand from AI, and we regard share price corrections for memory-related stocks as a good opportunity to increase buying.

Fig. 15: DRAM spot and contract prices



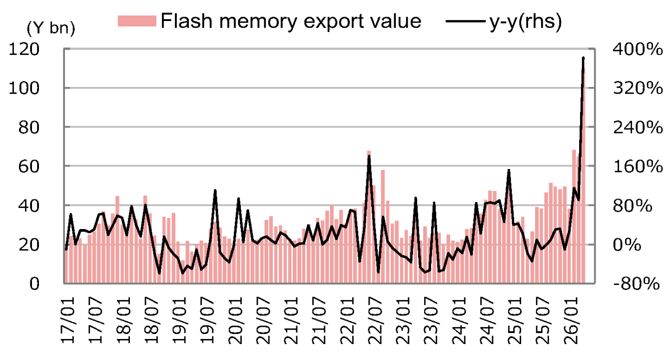
Source: Nomura, based on DRAMeXchange data

Fig. 16: NAND flash spot prices



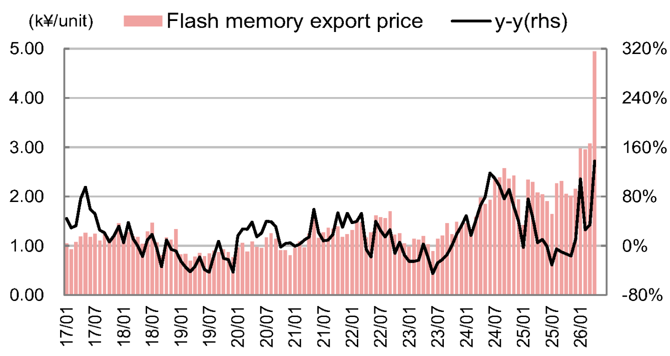
Source: Nomura, based on ChinaFlashMarket data

Fig. 17: All-Japan monthly flash memory export value



Source: Nomura, based on MOF data

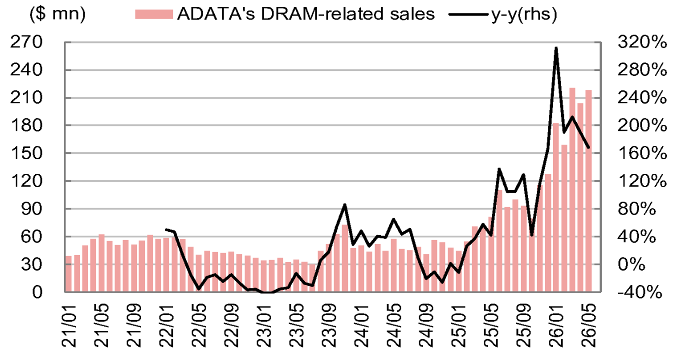
Fig. 18: All-Japan monthly flash memory export value



Source: Nomura, based on MOF data

Fig. 19: Taiwanese company ADATA's DRAM-related sales

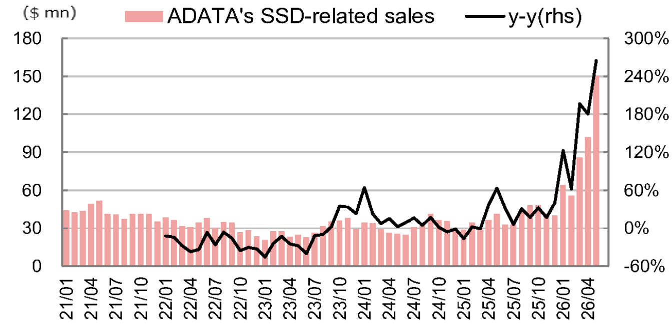
+74% q-q in Jan–Mar, -8% m-m in April, and +7% m-m in May



Source: Company data, Nomura

Fig. 20: Taiwanese company Adata's SSD-related sales

+58% q-q in Jan–Mar, +19% m-m in April, and +48% m-m in May



Source: Company data, Nomura

SPE

April statistics point to increase in SPE demand

On a three-month moving average basis, April 2026 sales of Japanese-made SPE (including exports), as announced by the Semiconductor Equipment Association of Japan (SEAJ) on 25 May, totaled ¥510.2bn, up 14% y-y and up 6% m-m. We estimate April shipments were up 20–30% y-y on a single-month basis. On a three-month moving average basis, export value was up y-y for the first time in four months for assembly equipment, up 5% for wafer processing equipment, and up nearly 40% for inspection equipment. The Ministry of Finance (MOF) published confirmed trade statistics for April on 28 May. SPE exports rose 6% y-y to ¥236.2bn in April, marking a second straight month of y-y growth. The rise in SPE demand, which gathered pace in Jan–Mar, has started to feed through to export statistics since March. Shipments to Taiwan and South Korea have been rising recently, but shipments to China have been sluggish.

Chinese demand looks likely to be skewed to 2026 H2

April SPE exports were down 30% y-y to China (down 24% on a three-month moving average basis), down 5% to Taiwan (up 7%), and up 2.2-fold to South Korea (up 21%). Import statistics for April for regions other than Japan have also been published, and show SPE imports down 6% in China (down 9%), up 47% in Taiwan (up 24%), and up 73% in South Korea (up 32%). These statistics reflect the rise in SPE in demand in Taiwan and South Korea driven by rising investment in advanced memory and logic, but exports to China fell for an 18th straight month, which has been longer than we had expected. Many SPE companies in Japan and overseas said when they released Jan–Mar results that their outlook for Chinese demand in 2026 was broadly unchanged versus three months previously, and that they expected to peg level or be slightly higher than in 2025. We think this partly reflects Chinese demand being skewed to H2 in 2026 too because of the timing of equipment deliveries to Chinese NAND producers, among other factors.

Sales of Japanese-made FPD production equipment up 4% y-y in April

On a three-month moving average basis, April 2026 sales of Japanese-made FPD production equipment (including exports), as announced by SEAJ on 25 May, totaled ¥20.9bn, down 21% versus the April 2025 figure of ¥26.5bn and down 20% versus the March 2026 figure of ¥26.2bn.

Fig. 21: Sales of Japanese-made SPE (1)

	Sales value (¥mn, 3-M average)					% y-y (3-M average)			
	Total	Wafer-processing equipment	Assembly equipment	Test equipment		Total	Wafer-processing equipment	Assembly equipment	Test equipment
22/1	306,321	227,228	19,753	39,093	22/1	69.4	82.2	80.4	37.5
22/2	294,008	214,340	19,025	39,885	22/2	56.8	64.4	63.7	29.7
22/3	314,872	234,105	18,853	43,564	22/3	30.8	33.1	33.6	26.3
22/4	306,198	225,079	17,554	44,833	22/4	8.6	5.0	16.1	22.7
22/5	307,718	223,577	17,158	47,957	22/5	0.8	-4.4	3.6	27.2
22/6	284,584	200,997	15,867	45,047	22/6	14.1	10.6	3.5	20.5
22/7	320,567	227,820	18,133	49,761	22/7	31.8	30.0	15.1	33.7
22/8	347,356	252,223	19,545	49,915	22/8	38.5	37.7	9.7	39.6
22/9	380,929	284,583	20,356	50,837	22/9	36.1	33.1	11.9	59.0
22/10	347,054	255,442	18,735	46,530	22/10	27.6	25.9	0.3	48.2
22/11	335,495	245,389	18,080	46,961	22/11	19.1	17.3	2.4	40.3
22/12	306,596	221,540	16,397	45,181	22/12	1.1	-0.0	-16.5	13.1
23/1	299,809	219,455	15,440	43,011	23/1	-2.1	-3.4	-21.8	10.0
23/2	294,526	217,140	14,405	40,661	23/2	0.2	1.3	-24.3	1.9
23/3	337,042	240,639	16,722	53,801	23/3	7.0	2.8	-11.3	23.5
23/4	336,162	240,227	16,176	53,047	23/4	9.8	6.7	-7.9	18.3
23/5	315,730	217,228	14,806	49,029	23/5	2.6	-2.8	-13.7	2.2
23/6	260,913	179,635	11,096	33,457	23/6	-8.3	-10.6	-30.1	-25.7
23/7	281,604	193,875	11,753	35,892	23/7	-12.2	-14.9	-35.2	-27.9
23/8	287,821	199,096	14,086	38,545	23/8	-17.1	-21.1	-27.9	-22.8
23/9	299,524	212,681	15,166	40,781	23/9	-21.4	-25.3	-25.5	-19.8
23/10	289,198	206,408	15,200	40,963	23/10	-16.7	-19.2	-18.9	-12.0
23/11	300,187	223,378	14,848	39,635	23/11	-10.5	-9.0	-17.9	-15.6
23/12	306,412	225,647	16,698	40,192	23/12	-0.1	1.9	1.8	-11.0
24/1	314,875	232,878	17,857	40,490	24/1	5.0	6.1	15.7	-5.9
24/2	317,418	230,900	17,804	40,044	24/2	7.8	6.3	23.6	-1.5
24/3	365,680	258,210	21,479	46,273	24/3	8.5	7.3	28.4	-14.0
24/4	389,106	283,472	21,199	45,067	24/4	15.7	18.0	31.1	-15.0
24/5	400,954	292,746	21,747	51,560	24/5	27.0	34.8	46.9	5.2
24/6	343,990	254,608	17,954	46,138	24/6	31.8	41.7	61.8	37.9
24/7	348,092	245,206	20,029	55,484	24/7	23.6	26.5	70.4	54.6
24/8	351,058	245,739	21,700	57,550	24/8	22.0	23.4	54.1	49.3
24/9	369,598	257,026	22,664	65,378	24/9	23.4	20.9	49.4	60.3
24/10	385,676	273,747	20,399	68,054	24/10	33.4	32.6	34.2	66.1
24/11	405,788	276,953	19,761	71,824	24/11	35.2	24.0	33.1	81.2
24/12	443,365	307,383	19,680	73,297	24/12	44.7	36.2	17.9	82.4
25/1	416,791	283,236	20,788	71,149	25/1	32.4	21.6	16.4	75.7
25/2	412,066	286,463	19,816	77,352	25/2	29.8	24.1	11.3	93.2
25/3	432,401	299,742	23,994	80,238	25/3	18.2	16.1	11.7	73.4
25/4	447,038	301,272	22,044	92,492	25/4	14.9	6.3	4.0	105.2
25/5	446,291	291,455	22,716	90,511	25/5	11.3	-0.4	4.5	75.5
25/6	404,592	253,523	20,226	91,154	25/6	17.6	-0.4	12.7	97.6
25/7	410,946	261,246	23,072	85,069	25/7	18.1	6.5	15.2	53.3
25/8	405,764	261,017	23,728	86,928	25/8	15.6	6.2	9.3	51.0
25/9	424,590	276,151	21,888	92,590	25/9	14.9	7.4	-3.4	41.6
25/10	413,876	262,593	21,337	93,461	25/10	7.3	-4.1	4.6	37.3
25/11	420,670	270,172	21,380	92,871	25/11	3.7	-2.4	8.2	29.3
25/12	423,487	270,540	20,852	92,631	25/12	-4.5	-12.0	6.0	26.4
26/1	427,508	279,387	20,206	94,549	26/1	2.6	-1.4	-2.8	32.9
26/2	423,103	266,816	19,266	105,724	26/2	2.7	-6.9	-2.8	36.7
26/3	480,182	310,207	22,195	116,153	26/3	11.1	3.5	-7.5	44.8
26/4	510,155	316,086	23,263	127,874	26/4	14.1	4.9	5.5	38.3

Source: Nomura, based on SEAJ data

Semiconductor & display materials

Semiconductor materials (1): Strong demand for semiconductor materials for AI applications, likely to persist longer

April 2026 trade statistics showed export value close to all-time highs for silicon wafers and photoresists, pointing to rising demand for semiconductor materials. TSMC reported a 30% y-y rise in sales for May 2026, and we think this has ensured consistently strong demand for semiconductor materials, for example materials used in advanced logic devices such as photoresists made by Tokyo Ohka Kogyo and semiconductor targets made by JX Advanced Metals. AI demand has been spreading to GPU/HBM, ASIC/CPU/NAND, and analog/power semiconductors, and business conditions are now such that a wide range of semiconductor materials can benefit from AI demand. Moreover, the *Nikkei* reported on 2 June and *Nikkei Asia* reported on 11 June that SK Hynix plans to double memory output over the next five years and triple wafer production capacity by 2034. AI demand for semiconductor materials has entered a phase of structural growth, and we see an increased likelihood that it will continue to grow over the longer term.

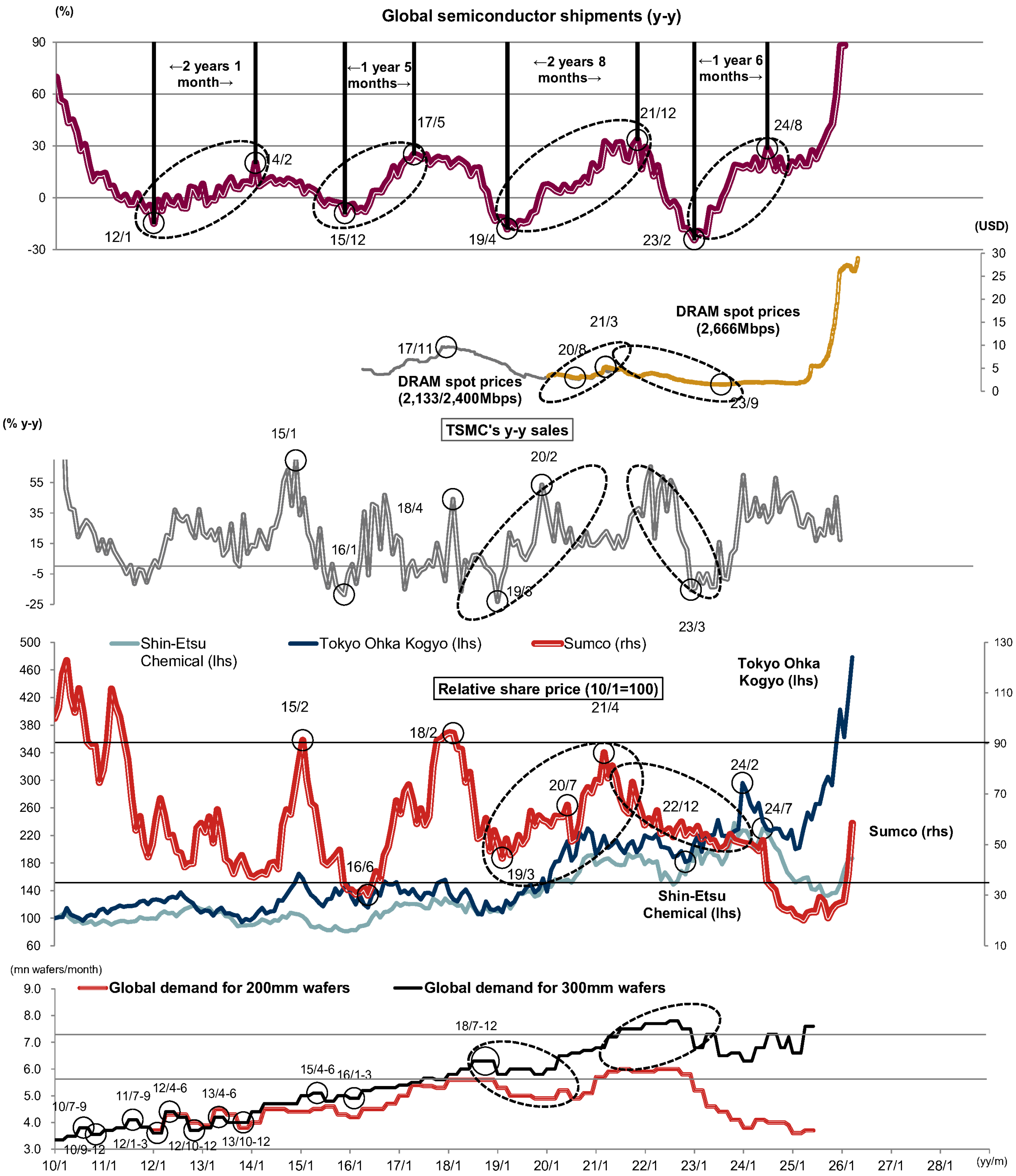
Semiconductor materials (2): We expect price hikes to boost margins

Recently, in addition to strong demand, there has also been debate about potential supply shortages for some semiconductor materials. Tight supply-demand conditions and rising costs for semiconductor materials are likely to spur discussions about price hikes. Resonac Holdings and Mitsubishi Gas Chemical have announced price hikes of at least 30% for copper-clad laminates used in package substrates, while Sumitomo Bakelite has announced price hikes of around 10–20% for encapsulants. We expect margins to improve in 2026 H2 thanks to price hikes as well as strong sales. Moreover, while price hikes mainly reflect rising costs, we think this encompasses past rises in fixed costs and secondary input costs as well as recent input costs. In addition , the majority of sales of silicon wafers are on long-term contracts with fixed contract prices. We see scope for contract prices for wafers to rise by around 20% in 2027–2029, when current long-term contracts will be renewed, as a result of tighter supply-demand conditions.

Display materials: Weak demand for smaller displays for smartphones and PCs, solid demand for large displays

End demand for small display materials has remained weak because of rising memory prices and CPU supply shortages. While we envision only a limited impact on high-end models, we assume a y-y decline in output of smartphones and notebook PCs in 2026. We expect strong sales of some models such as MacBook Neo, but do not envision any major tailwinds for material producers because of the lack of value-added for display materials used in low-priced models. Elsewhere, semiconductor supply has been less of a constraint for large display materials, and the shift to larger TVs has continued. We think business conditions for large display materials have been relatively solid.

Fig. 23: Business environment for semiconductor materials and relative share price performance



Note: Data for global semiconductor shipments are presented as the period between the bottom and peak of y-y changes, and the most recent data is for up to April 2026. Relative share prices (vs TOPIX) and DRAM spot prices are as of 12 June 2026, TSMC sales are through March. Semiconductor wafer shipments are through Apr–Jun 2025.

Source: Nomura, based on company data, SEMI, Bloomberg, etc

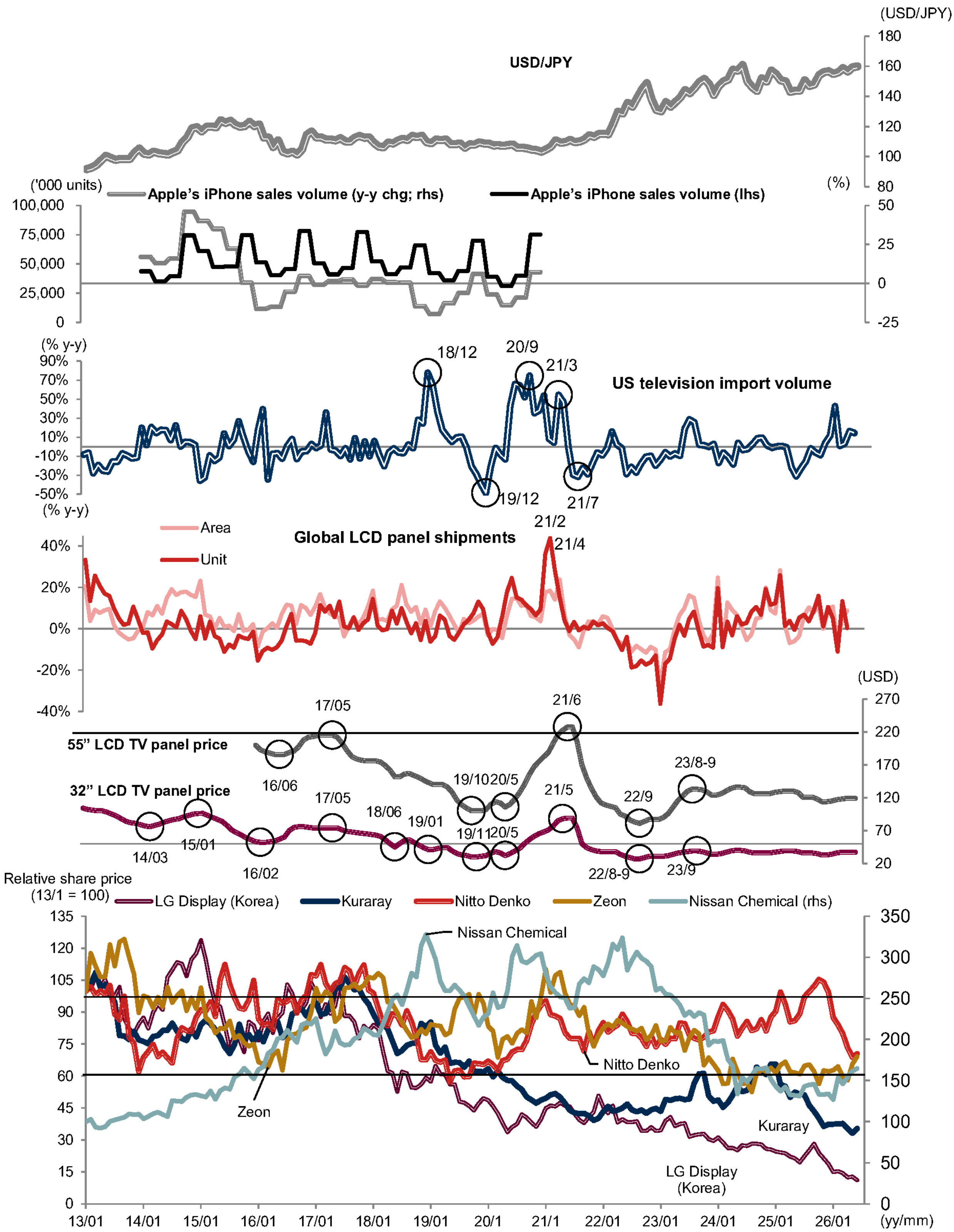
Fig. 24: Earnings at semiconductor silicon (wafer) producers

mn USD		CY23	CY24	CY25	24/10–12	25/1–3	25/4–6	25/7–9	25/10–12
Shin-Etsu Chemical	Sales	5,983	6,048	6,511	1,599	1,483	1,672	1,724	1,632
(Electronic materials)	Operating profits	1,932	2,090	2,159	482	423	579	589	569
	Operating profit margin	32.3%	34.6%	33.2%	30.1%	28.5%	34.6%	34.2%	34.8%
	EBITDA	2,723	2,809	2,895	690	620	757	774	744
	EBITDA margin	45.5%	46.4%	44.5%	43.1%	41.8%	45.3%	44.9%	45.6%
	Capex	1,507	1,765	1,422	413	246	233	708	235
Sumco	Sales	3,019	2,604	2,735	643	675	716	667	676
(Total)	Operating profits	523	257	10	59	39	10	-11	-29
	Operating profit margin	17.3%	9.9%	0.4%	9.2%	5.8%	1.5%	-1.6%	-4.3%
	EBITDA	1,027	750	750	190	188	191	184	186
	EBITDA margin	34.0%	28.8%	27.4%	29.5%	27.9%	26.7%	27.6%	27.6%
	Capex	2,234	1,394	534	282	215	134	117	68
Siltronic (Germany)	Sales	1,637	1,526	1,521	383	363	378	348	432
(Total)	Operating profits	-	133	-32	29	16	28	-36	-40
	Operating profit margin	-	8.7%	-2.1%	7.6%	4.3%	7.3%	-10.3%	-9.1%
	EBITDA	469	393	357	99	82	99	77	100
	EBITDA margin	28.7%	25.7%	23.5%	25.8%	22.5%	26.1%	22.0%	23.1%
	Capex	1,424	565	418	123	102	145	100	72
SK Siltron (Korea)	Sales	1,544	1,554	-	409	315	373	370	387
(Total)	Operating profits	214	230	-	77	26	39	27	44
	Operating profit margin	13.9%	14.8%	-	18.9%	8.2%	10.4%	7.2%	11.4%
	EBITDA	515	467	-	129	72	87	74	90
	EBITDA margin	33.4%	30.1%	-	31.6%	22.8%	23.3%	19.9%	23.2%
	Capex	652	695	-	141	143	92	105	85
GlobalWafers (Taiwan)	Sales	2,021	1,891	1,940	504	471	527	478	465
(Total)	Operating profits	575	424	275	111	78	80	40	76
	Operating profit margin	28.4%	22.5%	14.2%	21.9%	16.6%	15.2%	8.5%	16.4%
	EBITDA	768	668	-	176	146	161	118	-
	EBITDA margin	38.0%	35.4%	-	34.9%	31.1%	30.5%	24.8%	-
	Capex	1,046	1,462	1,065	323	349	248	231	237
5 companies total	**Sales**	14,204	13,624		**3,538**	**3,307**	**3,667**	**3,586**	**3,593**
	Operating profits	3,244	3,001		**729**	**566**	**708**	**646**	**660**
	Operating profit margin	22.8%	22.0%		**23.1%**	**19.2%**	**21.5%**	**19.9%**	**20.9%**
	EBITDA	5,503	5,088		**1,283**	**962**	**1,134**	**1,108**	**1,120**
	EBITDA margin	38.7%	37.3%		**36.3%**	**29.1%**	**30.9%**	**30.9%**	**31.2%**
	Capex	6,863	5,881		**1,282**	**1,055**	**851**	**1,261**	**697**
$/¥ rate		141	152	150	153	152	144	149	156
KRW/JPY		10.8	11.1	10.5	10.8	10.4	10.4	10.6	10.8
TWD/JPY		4.0	4.6	4.8	4.7	4.6	4.7	4.9	5.0
€/¥ rate		153	164	169	162	159	165	172	181

Note: Unit is $mn. Based on companies' semiconductor wafer businesses. Depreciation data for Shin-Etsu Chemical's semiconductor segment allocated proportionally based on annual sales. EBITDA data for Sumco and Siltronic based on company materials. Five companies total is the total for Shin-Etsu Chemical, Sumco, Siltronic, SK Siltron, and Global Wafers. We use EBIT instead of operating profits for Siltronic, as it stopped disclosing operating profits in Jan–Mar 2023.

Source: Nomura, based on data disclosed by each company

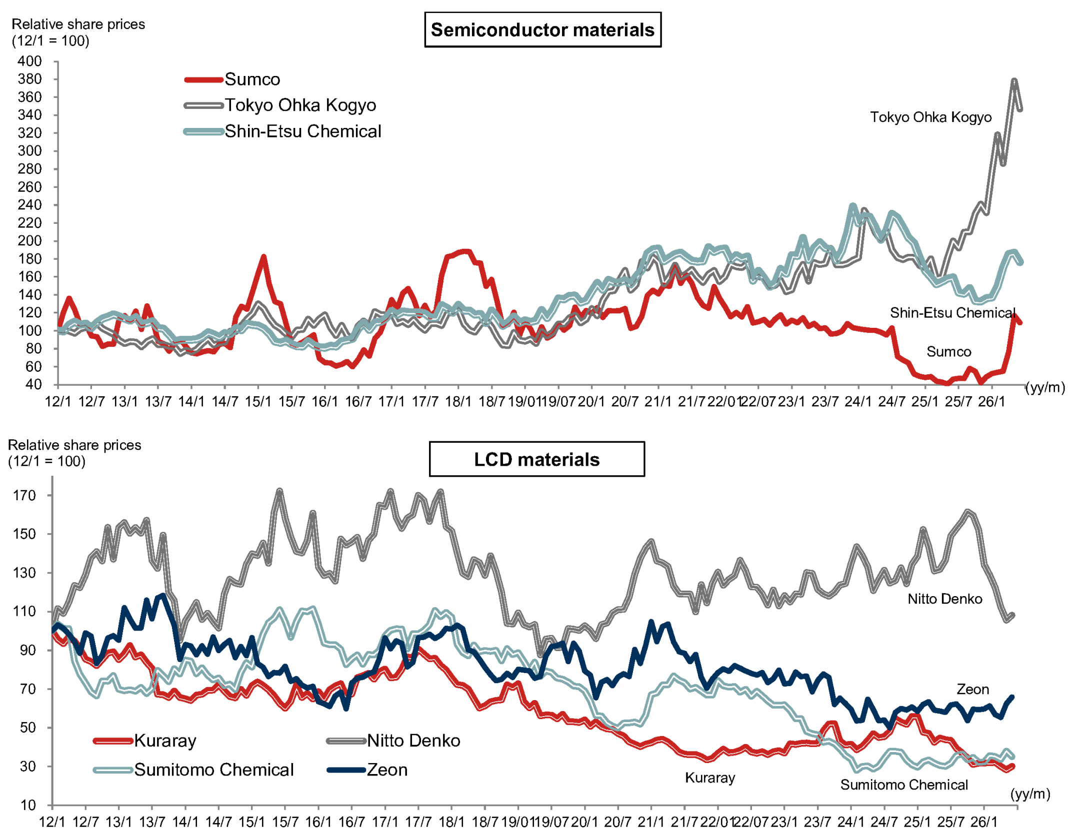
Fig. 25: Selling prices of LCDs and panel makers' relative share price performance



Note: Global LCD panel shipment data and US television import volume data are through April 2026. LCD sales prices are through June 2026 (OMDIA forecasts for June). Relative share prices are versus TOPIX, share prices are through 12 June.

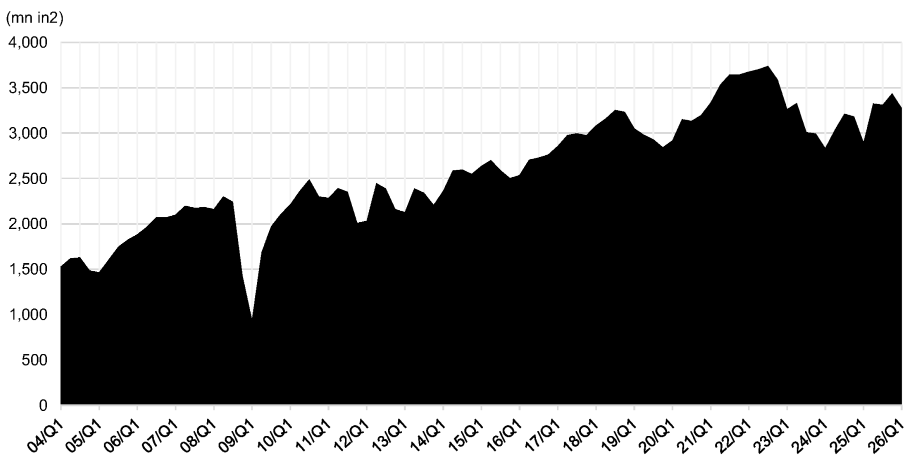
Source: Nomura, based on OMDIA, Witsview, and US Department of Commerce data

Fig. 26: Relative share price performance of major electronic material stocks (versus the TOPIX)



Note: Share prices are as of 12 June 2026 close.
Source: Nomura

Fig. 27: Global silicon wafer shipments



Source: Nomura, based on SEMI data

Special feature (Vol. 91): FDEs contributing to speedier deployment of AI agents

Forward deployment engineers (FDEs) have been attracting attention of late. AI companies station FDEs at customer premises to oversee deployment of proprietary AI agents. When generative AI first appeared, prompt engineers were the focus of attention. With the growing uptake of AI agents, though, customer needs have changed and FDEs are in demand. FDEs embedded at client companies communicate directly with clients about the challenges they face, moving swiftly to address those challenges and expedite AI deployment. AI companies then take the expertise thus gleaned and integrate it into their products, enabling lateral expansion of service offerings. Hitachi plans to strengthen its Physical AI FDE Team to facilitate integration of its IT technology (AI technology, security, and data infrastructure) and OT (operational technology: domain expertise). Fujitsu similarly plans to bolster its team of FDEs with specialist knowledge of the company's proprietary Takane AI model and Kozuchi AI platform

The FDE concept is said to have been formalized in the early 2010s by Palantir Technologies, which was established in 2003. Initially, FDEs were known internally as "Deltas." The role of Deltas went beyond system implementation; it was to build the optimal platform for clients based on a thorough understanding of their operations and challenges, and remain onsite to supervise the platform's adoption. Identification of client requirements is important as a starting point for building systems. Palantir paired its Deltas with "Echoes," domain experts who hailed from the same industry as the client and accordingly were able to elicit the latter's requirements in the language of that field. In doing so, Palantir created a system for driving clients' business transformation from within. Palantir offers systems that integrate and analyze vast amounts of big data, informing optimal decision-making. Among the company's flagship platforms, Palantir Gotham is used by the US Department of Defense, while Palantir Foundry is its commercial platform.

While there are differences in AI model performance, these are dwarfed by disparities in on-site deployment capabilities, and reducing these disparities is regarded as a major challenge. Against this backdrop, Anthropic is partnering with Blackstone, Hellman & Friedman, and Goldman Sachs to launch a new $1.5bn AI-native enterprise services firm. In the same vein, OpenAI has raised $4bn from 19 investors to launch The Deployment Company. Rather than simply creating AI models, AI companies these days aim to strengthen their ability to deploy those models directly inside client businesses, as the deployment stage now represents the main bottleneck.

There are three main obstacles hindering use of AI by companies: technological barriers, operational barriers, and organizational barriers. In the context of technological barriers, an AI tool on its own is unlikely to address the needs of a company looking to utilize AI; this tool must also be linked to the company's existing core systems and business flows, but this integration is complex and requires a high degree of customization. In terms of operational barriers, when new tasks or processes are introduced there can be pushback from staff about a perceived increase in "unnecessary work." And when it comes to organizational barriers, there is often lack of understanding between companies' IT and business divisions. The role of an FDE is to help customers surmount these barriers and ensure that the AI company's product is actually usable.

While the role of an FDE in some ways resembles that of conventional IT specialists such as project managers, IT consultants, and system engineers, FDEs are distinguished by their much greater range of responsibilities. FDEs embedded at client companies communicate directly with clients about the challenges they face, moving swiftly to address those challenges and expedite AI deployment. AI companies then take the expertise thus gleaned and integrate it into their products, facilitating lateral expansion of service offerings. In enterprise AI there are seemingly conflicting needs for both customization and standardization. If a balance between the two is not found, customer satisfaction may rise in the near term, but over the longer term a company may end up mass-producing products that deviate somewhat from its development roadmap. In traditional business process outsourcing (BPO), there is a risk of clients contracting other companies to perform routine operations when renewing the BPO contract and of downward pressure on prices. With the FDE approach, on the other hand, the more the AI model is used, the better the fit between the model and the company using it, resulting in a vendor lock-in. Thus, in addition to keeping up with advances in AI, by continuously refining the model's accuracy companies can build and consolidate a recurring revenue-based business model.

Fig. 28: Comparison of FDEs with project managers, systems engineers, and IT consultants

	FDE	PM	IT consultants	SE
Role	Identifying challenges faced by client companies and swiftly implementing and establishing solutions	Planning, progress tracking, adjustments, and risk management	Strategy planning and identification of requirements	Development and maintenance based on client specifications
Typical location	On-site (at client's offices, factories, logistics facilities, etc.)	Conference room	Conference room	Client site or remote
Development method	Prototyping	Drawing on nearshore, offshore, and internal resources	Design documents and proposals	Waterfall or agile
Technology	Proprietary product technologies	Proprietary technology + partner's technology	Various technologies	At customer's discretion
Business model	Monetizing proprietary products	Outcome-based or time & materials	Consulting fees	Monthly fee per engineer

Source: Nomura

Consulting firms are coming up with their own approaches. For example, Accenture announced a major partnership with Anthropic in December 2025, revealing plans to train thousands of Accenture professionals on Claude, including FDEs (also known as "reinvention deployed engineers" or RDEs at Accenture) who will help embed Claude within client environments. In April 2026, Accenture joined forces with Microsoft to launch a forward deployed engineering practice.

Sovereignty is an important concept in the operation of AI agents. For customers, securely managing core data and ensuring its reliability is paramount. Maintaining server, cloud, and AI model sovereignty is important to ensure data confidentiality. Anthropic has been clashing with the US government over limitations on military use of AI, with the US government recently ordering Anthropic to block foreign nationals worldwide from accessing its latest Claude models, Mythos 5 and Fable 5. Anthropic has retaliated by shutting down access entirely, highlighting the debate over whether AI sovereignty lies with the state or with private-sector companies. Anthropic's launch of the agentic coding tool Claude Code has sparked further debate over clients bringing AI development in-house, but in practical terms we think customers would struggle to directly employ AI models from other countries unless they have plentiful engineering resources internally.

We think these industry developments could be a significant boon for major Japanese IT companies that have their own AI products. Fujitsu started a collaboration with Palantir in 2020, focusing on data integration and DX support in the Japanese market, and the pair formed a global partnership in 2023. In August 2025, Fujitsu signed a licensing agreement with Palantir for the Palantir Artificial Intelligence Platform (Palantir AIP), which has since been integrated into Fujitsu Uvance. That said, Fujitsu has had FDEs from the outset, with some specializing in its AI model Takane and others specializing in the underlying AI platform Kozuchi. Going forward, we can conceive of Fujitsu also having FDEs specializing in the physical AI, intelligent society, and sovereign platform domains.

As mentioned above, Hitachi also plans to strengthen its Physical AI FDE Team. The company is focusing on four areas: the digital systems & services (DSS) sector, which operates in the cyber space, and the mobility, energy, and industry sectors, which are mainly in the physical domain. The Physical AI FDE Team seeks to integrate the relevant IT and OT with AI. It will merge GlobalLogic and Hitachi Digital Services' IT technologies (AI technology, security, and data infrastructure) with the domain knowledge of experts in the three OT sectors. We think other companies will face high barriers to entry, as much of Hitachi's mission-critical expertise is proprietary. In the DSS segment, Hitachi plans to expand its FDE team to capture growth in the "modernization and AI services" market. It plans to train 5,000 FDEs to support AI-readiness across the existing installed base of approximately 15,000 customer systems in operation around Japan, also supporting AI deployment and delivery of AI-related services. On 19 May, Hitachi furthermore announced the start of a strategic collaboration with Anthropic. Hitachi will establish the Frontier AI Deployment Center, a global organization spanning North America, Europe, and Asia, and as its initial initiative the Center will launch a joint team comprising Anthropic's Applied AI experts and Hitachi's specialists across IT, OT, products, and cybersecurity, with the aim of establishing best practices for enterprise-scale deployment.

Share price performance chart for select companies

Fig. 29: Share price performance of major electronics company stocks (1)

Code	Company	16 Jun	16 Jun	Performance relative to TOPIX (%)							
		Share price (¥)	Market cap (¥bn)	1 week	1 mo	2 mo	3 mo	4 mo	5 mo	6 mo	1 year
	Industrial electronics										
285A	Kioxia Holdings	94,720.0	51,749.3	20.9	83.6	154.6	298.3	299.1	465.9	820.7	3,073.8
6501	Hitachi	4,747.0	21,530.3	-5.1	-7.4	-9.9	-10.1	-8.6	-17.0	-17.5	-17.5
6503	Mitsubishi Electric	5,872.0	12,408.7	-1.5	-5.9	-5.7	-2.2	1.2	7.3	6.0	36.5
6723	Renesas Electronics	4,484.0	8,387.8	-0.4	23.3	54.4	64.1	41.6	72.9	84.6	64.8
6702	Fujitsu	3,276.0	5,699.5	-7.0	-5.1	-11.5	-15.5	-16.6	-32.1	-34.0	-34.8
6701	NEC	3,849.0	5,251.0	-7.6	-13.6	-11.3	-16.7	-9.4	-40.7	-39.9	-34.7
6504	Fuji Electric	14,375.0	2,146.1	0.4	-5.0	15.8	15.7	19.4	12.9	8.7	54.9
6963	Rohm	5,069.0	2,046.7	-5.6	18.4	27.2	37.9	91.8	83.8	108.9	114.3
6507	Sinfonia Technology	14,720.0	438.5	3.1	4.4	4.1	7.1	23.5	23.2	37.8	14.8
6526	Socionext	2,400.0	431.9	-4.1	0.6	23.4	22.8	8.1	-4.9	-5.7	-35.7
3105	Nisshinbo Holdings	2,139.5	362.3	-0.8	-11.4	20.8	26.6	23.5	38.3	40.7	63.8
6544	Japan Elevator Service Holdings	1,614.5	288.6	-3.3	-16.1	-4.3	-11.5	-6.2	-13.6	-23.1	-43.8
6703	Oki Electric Industry	3,045.0	265.6	-7.3	-2.7	-5.8	2.0	4.9	26.9	38.3	33.3
	Consumer electronics										
6758	Sony Group	3,275.0	19,536.4	-7.1	-15.1	-6.1	-10.5	-11.5	-20.4	-32.1	-36.9
6752	Panasonic Holdings	4,079.0	10,012.0	1.5	17.4	31.5	42.4	63.5	61.8	67.7	90.1
8050	Seiko Group	7,250.0	600.4	1.8	12.1	3.7	7.6	28.1	74.5	69.1	140.8
7762	Citizen Watch	2,363.0	581.3	4.4	1.9	23.9	28.7	29.2	56.8	54.1	91.9
6754	Anritsu	4,096.0	556.5	-6.6	-4.6	13.5	32.4	53.2	57.9	55.8	59.6
7951	Yamaha	1,103.5	510.9	-2.6	-6.9	-12.6	-10.0	-13.0	-13.9	-15.1	-22.2
6952	Casio Computer	1,833.0	429.8	-0.7	10.9	-0.4	18.3	10.0	26.1	21.8	18.4
6753	Sharp	593.8	386.2	-9.4	-10.5	-5.2	-7.7	-15.8	-29.4	-35.3	-38.6
6588	Toshiba Tec	3,065.0	176.6	-3.9	-4.9	-0.2	-2.3	-5.4	-5.8	-6.6	-23.7
7740	Tamron	1,033.0	176.4	-1.7	-4.4	-7.8	-5.8	-5.3	-11.5	-16.2	-15.9
6632	JVCKenwood	1,081.0	174.7	-11.4	-9.5	-19.0	-15.6	-20.5	-23.6	-23.6	-31.0
6750	Elecom	1,731.0	159.6	-4.9	-1.2	0.9	-5.3	-6.6	-7.9	-15.8	-33.7
6727	Wacom	855.0	115.4	-6.2	5.8	4.6	1.4	-3.0	-2.2	-8.4	-11.9
7944	Roland	4,325.0	115.0	-2.9	-9.8	-4.7	2.5	4.0	1.0	3.5	-5.0
6737	Eizo	2,504.0	106.0	-5.6	0.2	11.7	5.4	7.3	-2.1	-3.8	-16.3
7965	Zojirushi	1,446.0	105.0	1.8	-13.2	-19.5	-14.1	-13.9	-17.3	-24.7	-22.9
6810	Maxell	2,235.0	90.9	0.7	11.8	-5.5	-0.3	-4.6	-14.7	-20.3	-13.2

Note: Companies in each sector shown in order of market cap.
Source: Nomura

Fig. 30: Share price performance of major electronics company stocks (2)

Code	Company	16 Jun	16 Jun	Performance relative to TOPIX (%)							
		Share price (¥)	Market cap (¥bn)	1 week	1 mo	2 mo	3 mo	4 mo	5 mo	6 mo	1 year
	Precision and medical equipment										
7751	Canon	4,306.0	5,743.2	-3.8	-2.3	-6.8	-9.9	-15.2	-16.3	-23.2	-29.2
4901	Fujifilm Holdings	3,379.0	4,203.1	-5.9	2.8	2.3	3.2	3.2	-7.4	-17.5	-24.2
6724	Seiko Epson	2,806.5	1,048.4	-6.5	7.4	27.5	29.4	27.4	24.4	18.9	5.2
6448	Brother Industries	3,770.0	971.7	-5.5	3.4	16.6	17.0	13.2	6.2	2.3	8.6
7752	Ricoh	1,462.5	833.2	-3.6	-3.9	1.0	-1.3	-5.2	-7.6	-11.0	-22.1
8060	Canon Marketing Japan	3,359.0	746.2	-5.7	-15.8	-9.8	-11.4	-6.7	-10.1	-17.3	-15.6
4902	Konica Minolta	587.8	295.5	-7.5	-4.7	-3.3	7.3	-3.4	-24.6	-30.5	-9.6
	SPE										
8035	Tokyo Electron	70,860.0	33,164.8	15.4	45.0	52.6	66.1	58.4	56.7	93.2	100.2
6857	Advantest	30,340.0	22,208.9	12.5	15.7	5.7	17.1	6.7	28.3	33.6	121.8
7741	Hoya	27,065.0	9,062.4	3.2	-2.9	-13.4	-11.1	-7.0	-1.9	-4.8	14.1
6146	Disco	81,550.0	8,846.4	11.3	27.7	7.1	10.0	7.2	23.5	48.7	55.0
6920	Lasertec	46,570.0	4,390.9	12.3	24.6	2.4	18.1	43.3	17.4	33.6	111.0
7735	Screen Holdings	14,970.0	2,855.7	17.3	37.3	25.8	40.0	33.0	51.7	97.2	92.7
6525	Kokusai Electric	9,745.0	2,320.4	21.6	42.5	27.3	69.3	54.3	44.6	87.5	103.1
7729	Tokyo Seimitsu	19,190.0	811.4	6.9	16.3	12.6	21.9	11.5	40.3	58.8	51.7
7731	Nikon	2,100.0	700.5	11.2	0.3	1.6	-0.7	2.0	2.5	0.1	1.7
6871	Micronics Japan	15,510.0	620.8	13.2	5.3	15.9	32.3	19.3	63.6	124.3	129.2
6728	Ulvac	9,018.0	445.1	5.8	-5.8	-15.1	-10.9	-15.6	1.2	16.1	22.9
6925	Ushio	4,302.0	359.2	3.8	5.7	23.2	38.1	34.8	39.5	46.2	73.8
	Electronic parts										
6981	Murata Manufacturing	10,530.0	20,670.4	6.1	64.4	128.9	151.7	182.8	189.3	179.1	248.9
6762	TDK	3,802.0	7,390.6	-3.2	22.9	57.4	63.8	57.2	74.4	44.3	73.7
4062	Ibiden	22,445.0	6,323.2	17.8	41.4	113.0	140.0	136.5	157.1	233.3	414.5
6971	Kyocera	3,777.0	5,359.9	1.7	25.2	37.6	39.3	36.2	49.5	43.0	54.6
6594	Nidec	2,737.0	3,264.1	-0.2	-1.3	16.2	10.8	9.6	5.1	17.1	-34.8
6976	Taiyo Yuden	20,190.0	2,629.1	9.6	150.8	259.9	338.7	328.2	416.6	401.3	498.3
5334	Niterra	10,315.0	2,055.2	-1.9	4.2	14.5	24.1	31.2	33.7	30.2	52.4
6479	Minebea Mitsumi	4,618.0	1,972.3	-3.1	14.9	51.3	54.8	27.7	29.4	21.5	56.8
6806	Hirose Electric	28,205.0	1,006.7	0.8	12.6	25.8	18.9	25.4	46.6	40.2	17.9
6770	Alps Alpine	2,105.0	438.1	-2.1	-8.8	-10.5	-7.7	-9.3	-2.0	-11.4	4.2

Note: Companies in each sector shown in order of market cap.
Source: Nomura

Fig. 31: Japanese companies mentioned in this report (additional to those in tables)

Code	Company
4004	Resonac Holdings
4062	Ibiden
4182	Mitsubishi Gas Chemical
4186	Tokyo Ohka Kogyo
4203	Sumitomo Bakelite
4901	Fujifilm Holdings
5016	JX Advanced Metals
5334	Niterra
6501	Hitachi
6503	Mitsubishi Electric
6504	Fuji Electric
6701	NEC
6702	Fujitsu
6758	Sony Group
6762	TDK
6806	Hirose Electric
6981	Murata Manufacturing
7729	Tokyo Seimitsu
7751	Canon
8035	Tokyo Electron
285A	Kioxia Holdings

Source: Nomura

Appendix A-1

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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 JI17 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.
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