JAPAN MACHINERY

Semiconductor utility sector: Updating GSe, maintain bullish stance on the subsector

We update our earnings estimates for each company based on the recently updated capex plans of major semiconductor companies. However, we make no substantial revisions to our earnings estimates, with the exceptions of our FY3/27 estimate for Nomura Micro Science and our FY3/28 estimate for Japan Material. With valuations remaining at healthy levels, we believe the subsector remains highly attractive as it is positioned to benefit from robust semiconductor investment over the medium to long term. We also introduce 2029E for Nomura Micro and Japan Material.

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	Rating	Target price (JPY)			FY26 OP estimate (JPYmn)			FY27 OP estimate (JPYmn)		
	Current	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Semi utilities										
Japan Material	Neutral	2,200	2,300	**5%**	15,600	15,900	**2%**	19,400	22,700	**17%**
Nomura MS	Buy	5,300	5,500	**4%**	12,300	16,400	**33%**	21,500	22,700	**6%**
Organo	Buy	19,500	19,200	**-2%**	42,900	42,700	**0%**	49,100	48,500	**-1%**
Kurita Water	Buy	10,000	10,000	**0%**	62,500	61,700	**-1%**	69,600	71,600	**3%**

Investment views by company

Japan Material (Neutral, target price ¥2,300)

Of the four semiconductor utilities companies in our coverage, Japan Material has undergone the most significant re-rating YTD. We think the primary reason for this is heightened market expectations for future growth upside amid the current strength in the memory market, as the company has historically benefited substantially during periods of expanded capex by Kioxia (Kioxia has been contributing 35-52% of Japan Materials sales over the past 5 years). In line with this, we believe that a significant increase in profits of over 40% yoy is likely in FY3/28, when we see a significant increase in initial sales. However, since margins fluctuate depending on the volume of new projects, we think it is still premature to shift our focus to FY3/28 estimates in the current environment, where project schedules are shifting daily. Based on this premise, we raise our FY3/28 operating profit estimate by 17% to reflect improving profitability and new domestic projects, and we raise our 12-month target price to ¥2,300, from ¥2,200. However, we maintain our Neutral rating.

Exhibit 1: Japan Material: Earnings summary

Japan Material (6055.T)	**FY3/24**	**FY3/25**	**FY3/26**	**FY3/27**	**FY3/28**	**FY3/29**	**FY3/27**	**3/26 Q1**	**3/26 Q2**	**3/26 Q3**	**3/26 Q4**	**3/27 Q1**	**3/27 Q2**	**3/27 Q3**	**3/27 Q4**
(JPYmn)	Actual	Actual	Actual	GSE	GSE	GSE	CoE	Actual	Actual	Actual	Actual	GSE	GSE	GSE	GSE
Financials							05/13/26								
Net sales	**48,592**	**52,678**	**57,976**	**64,300**	**82,900**	**81,200**	**61,000**	**13,256**	**12,418**	**16,058**	**16,244**	**15,425**	**16,125**	**16,025**	**16,725**
- YoY (%)	4%	8%	10%	11%	29%	-2%	5%	19%	4%	31%	-6%	16%	30%	0%	3%
Gross profit	12,019	16,160	19,755	20,600	27,700	26,800		4,526	4,107	5,228	5,894				
- GP margin (%)	24.7%	30.7%	34.1%	32.0%	33.4%	33.0%		34.1%	33.1%	32.6%	36.3%				
EBITDA	8,657	12,338	15,897	17,200	24,000	22,800									
- EBITDA margin (%)	18%	23%	27%	27%	29%	28%									
Operating profit	**7,759**	**11,188**	**14,640**	**15,900**	**22,700**	**21,600**	**15,500**	**3,190**	**2,889**	**3,924**	**4,637**	**3,875**	**4,075**	**3,875**	**4,075**
- OP margin (%)	16%	21%	25%	25%	27%	27%	25%	24%	23%	24%	29%	25%	25%	24%	24%
Net profit	5,681	7,872	10,592	11,254	16,014	15,244	10,800	2,135	2,159	2,802	3,496				
- NP margin (%)	12%	15%	18%	18%	19%	19%	18%	16%	17%	17%	22%				
- ROE (%)	12%	15%	18%	17%	21%	18%									
EPS (¥)	55.32	76.62	103.07	109.50	155.82	148.33	105.08	20.78	21.01	27.26	34.02				
- YoY (%)	-28%	39%	35%	6%	42%	-5%	2%	39%	56%	43%	17%				
Electronics segment															
Segment sales	**46,923**	**50,555**	**56,047**	**62,200**	**80,800**	**79,100**		**12,871**	**11,940**	**15,590**	**15,646**				
Initial	17,955	15,005	20,587	18,500	35,000	29,500		4,827	3,198	6,527	6,035				
- % of total sales	37%	28%	36%	29%	42%	36%		36%	26%	41%	37%				
Specialty gas	15,092	17,159	15,699	18,700	19,700	20,700		3,394	4,004	4,208	4,093				
- % of total sales	31%	33%	27%	29%	24%	25%		26%	32%	26%	25%				
Technical services / Others	13,876	18,391	19,761	25,000	26,100	28,900		4,650	4,738	4,855	5,518				
- % of total sales	29%	35%	34%	39%	31%	36%		35%	38%	30%	34%				
Segment OP	**8,836**	**12,165**	**15,616**	**16,900**	**23,700**	**22,600**		**3,499**	**3,099**	**4,154**	**4,864**				
- OP margin (%)	19%	24%	28%	27%	29%	29%		27%	26%	27%	31%				
Sales by region															
Japan	42,868	44,457	48,755	55,800	74,000	71,900									
- % of total sales	88%	84%	84%	87%	89%	89%									
Taiwan	2,280	2,877	3,490	3,700	3,900	4,100									
- % of total sales	5%	5%	6%	6%	5%	5%									
Singapore, others	3,444	5,344	5,731	4,800	5,000	5,200									
- % of total sales	7%	10%	10%	7%	6%	6%									

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology - Japan Material

Our 12-month target price is ¥2,300. For Japan Material, we derive our target price by applying a sector-relative premium of +20% (the stock's average EV/EBITDA premium during the current cycle) to the sector-average EV/EBITDA (10X). We use FY3/27E EBITDA as our valuation base year. Key upside/downside risks include (1) the acceleration/delay of initial projects, (2) an improvement/deterioration in profitability in the initial business due to changes in material/labor costs, and (3) potential for expansion into overseas initial projects.

Nomura Micro Science (Buy, target price ¥5,500)

With profit growth driven by large US projects factored into FY3/27 guidance, our impression is that recognition of the company's growth story within the equity market has expanded rapidly. Guidance assumes that the company will secure large orders in 1H and begin booking sales early from 2H. In line with this assumption, we raise our FY3/27 operating profit estimate by 33%, having previously anticipated a more moderate sales increase. We also raise our FY3/28 estimate by 6%, and in conjunction with these changes, we raise our target price to ¥5,500, from ¥5,300. We maintain our Buy rating as the shares appear undervalued relative to their normal range, trading at a P/E of 16-17X based on FY3/27E and 11-12X based on FY3/28E.

Exhibit 2: Nomura Micro Science: Earnings summary

Nomura Micro Science (6254.T)	FY3/24	FY3/25	FY3/26	FY3/27	FY3/28	FY3/29	FY3/27	3/26 Q1	3/26 Q2	3/26 Q3	3/26 Q4	3/27 Q1	3/27 Q2	3/27 Q3	3/27 Q4
(JPYmn)	Actual	Actual	Actual	GSE	GSE	GSE	CoE	Actual	Actual	Actual	Actual	GSE	GSE	GSE	GSE
Financials															
Net sales	**73,021**	**96,360**	**56,246**	**92,900**	**119,200**	**82,500**	**97,000**	**12,403**	**12,790**	**15,854**	**15,199**	**15,700**	**16,600**	**28,600**	**32,000**
- YoY (%)	47.2%	32.0%	-41.6%	65.2%	28.3%	-30.8%	72.5%	62.6%	22.8%	14.8%	-76.4%	26.6%	29.8%	80.4%	110.5%
Gross profit	15,407	21,110	12,707	22,878	29,471	21,645	22,870	2,782	2,954	3,472	3,499				
- GP margin (%)	21.1%	21.9%	22.6%	24.6%	24.7%	26.2%	23.6%	22.4%	23.1%	21.9%	23.0%				
EBITDA	10,955	17,025	8,360	17,400	23,600	15,500									
- EBITDA margin (%)	15.0%	17.7%	14.9%	18.7%	19.8%	18.8%									
Operating profit	**10,648**	**15,372**	**6,667**	**16,400**	**22,700**	**14,700**	**16,000**	**1,379**	**1,483**	**1,779**	**2,027**	**2,300**	**2,600**	**5,300**	**6,200**
- OP margin (%)	14.6%	16.0%	11.9%	17.7%	19.0%	17.8%	16.5%	11.1%	11.6%	11.2%	13.3%	14.6%	15.7%	18.5%	19.4%
Net profit	7,978	10,200	3,818	9,630	13,989	10,659	11,100	464	949	1,453	952				
- NP margin (%)	10.9%	10.6%	6.8%	10.4%	11.7%	12.9%	11.4%	3.7%	7.4%	9.2%	6.3%				
- ROE (%)	31.7%	30.9%	9.9%	22.4%	27.3%	17.8%									
EPS (¥)	213.47	270.75	100.36	251.51	365.35	278.38	289.90	12.27	24.99	38.17	24.93				
- YoY (%)		26.8%	-62.9%	150.6%	45.3%	-23.8%	188.9%	12.1%	-344.8%	-29.5%	-88.4%				
Order data															
Japan	33,763	15,273	12,693				32,709	1,880	3,431	4,106	3,274				
Korea	3,840	9,721	4,205				17,697	-143	1,801	1,604	942				
Mainland China + Taiwan	10,092	9,270	21,868				21,330	2,530	5,481	2,183	11,672				
US	20,604	53,478	5,254				92,635	120	413	4,051	669				
Others	494	6,789	3,674				409	15	10	8	3,647				
Total order	**71,254**	**94,531**	**47,694**	**158,400**	**78,100**	**69,000**	**164,780**	**4,402**	**11,136**	**11,952**	**20,204**	**11,350**	**98,450**	**22,550**	**26,050**
- YoY (%)	-6.9%	32.7%	-49.5%	232.1%	-50.7%	-11.7%	245.5%	-42.0%	106.8%	156.5%	-73.7%	157.8%	784.1%	88.7%	28.9%
Backlog	**42,599**	**40,770**	**32,219**	**97,719**	**56,619**	**43,119**	**100,000**	**32,770**	**31,115**	**27,214**	**32,219**				
Sales by region															
Japan	13,038	25,213	23,303	18,707	28,886	28,548		7,415	6,311	4,114	5,461				
- % of total sales	18%	26%	41%	20%	24%	35%		60%	49%	26%	36%				
Korea	7,674	3,805	9,587	10,138	14,300	17,846		578	1,173	5,308	2,525				
- % of total sales	11%	4%	17%	11%	12%	22%		5%	9%	33%	17%				
Mainland China + Taiwan	12,581	13,155	12,682	20,247	20,043	17,373		1,679	2,963	2,895	5,143				
- % of total sales	17%	14%	23%	22%	17%	21%		14%	23%	18%	34%				
US	33,692	52,325	10,175	41,305	54,000	16,800		2,687	2,210	3,525	1,750				
- % of total sales	46%	54%	18%	44%	45%	20%		22%	17%	22%	12%				
Others	6,037	1,862	500	2,500	2,000	2,000		44	133	12	320				
- % of total sales	8%	2%	1%	3%	2%	2%		0%	1%	0%	2%				
Other sales information															
Initial contribution (%)	79%	82%	65%	80%	80%	65%		71%	68%	67%	57%	76%	72%	83%	83%
Maintenance contribution (%)	18%	16%	33%	19%	19%	34%		28%	30%	32%	41%	23%	27%	16%	17%
Sales to Samsung (as % of total sales)	54%	54%	18%												
Semiconductor sales (as % of total sales)	90%	93%	90%												

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology - Nomura Micro Science

Our 12-month target price is ¥5,500. We derive our target price by applying a

sector-relative EV/EBITDA premium of +40% (equivalent to the average level in recent upcycles) to the sector-average EV/EBITDA of 10X. We use the average EBITDA for FY3/27E-FY3/28E for our valuation. Downside risks include a delay of order timing for the large project in North America, and higher-than-expected interest payments, localization of ultrapure water production in South Korea.

Organo (Buy, target price ¥19,200)

TSMC's latest earnings results indicated an outlook for aggressive capex to continue over the next several years. We thus maintain our long-held view that Organo, which handles TSMC's ultrapure water facilities globally, will continue to see high profit growth over the next several years. Reflecting the latest project schedules and factoring in some risk of construction delays, we cut our FY3/27-FY3/28 operating profit estimates by 1-3%. Additionally, we slightly trim our target price to ¥19,200, from ¥19,500, due to an increased discount rate resulting from the recent rise in the risk-free rate. We reiterate our Buy rating.

Exhibit 3: Organo: Earnings summary

Organo (6368.T)	3/2024	3/2025	3/2026	3/2027E	3/2028E	3/2029E	3/2027	3/2026Q1	3/2026Q2	3/2026Q3	3/2026Q4	3/2027Q1	3/2027Q2	3/2027Q3	3/2027Q4
(JPYmn)	Actual	Actual	Actual	GSE	GSE	GSE	CoE 5/13/26	Actual	Actual	Actual	Actual	GSE	GSE	GSE	GSE
P/L															
Sales	**150,356**	**163,269**	**177,654**	**200,300**	**221,800**	**223,900**	**200,000**	**38,110**	**44,683**	**44,936**	**49,925**	**42,900**	**50,200**	**52,400**	**54,800**
yoy	14%	9%	9%	13%	11%	1%	13%	21%	5%	9%	5%	13%	12%	17%	10%
Gross profit	43,841	55,182	65,084	73,200	81,800	84,200		13,130	16,995	15,527	19,432				
GP margin	29.2%	33.8%	36.6%	36.5%	36.9%	37.6%		34.5%	38.0%	34.6%	38.9%				
Operating profit	**22,544**	**31,120**	**37,648**	**42,700**	**48,500**	**50,200**	**40,000**	**6,953**	**10,425**	**8,734**	**11,536**	**8,300**	**10,700**	**11,100**	**12,600**
yoy	48%	38%	21%	13%	14%	4%	6%	74%	39%	6%	1%	19%	3%	27%	9%
OP margin	15.0%	19.1%	21.2%	21.3%	21.9%	22.4%	20.0%	18%	23%	19%	23%	19%	21%	21%	23%
Net income	17,310	24,150	28,401	31,700	35,900	37,100	30,000	3,642	7,886	6,471	10,402				
yoy	48%	40%	18%	12%	13%	3%	6%	36%	44%	11%	2%				
NP margin	11.5%	14.8%	16.0%	15.8%	16.2%	16.6%	15.0%	10%	18%	14%	21%				
EPS	376.92	525.37	617.74	689.39	780.73	806.83	652.42	79.25	171.53	140.73	226.23				
Order	**144,468**	**151,272**	**167,956**	**234,800**	**221,000**	**234,800**	**230,000**	**59,984**	**40,297**	**29,140**	**38,535**	**89,698**	**54,698**	**51,698**	**38,698**
yoy	-17%	5%	11%	40%	-6%	6%	37%	14%	1%	16%	16%	50%	36%	77%	0%
Electronics	**79,900**	**82,700**	**99,100**	**161,300**	**144,300**	**154,600**	**157,000**	**42,558**	**24,275**	**10,194**	**22,038**	**71,317**	**36,317**	**33,317**	**20,317**
Japan	45,400	23,100	32,800					18,445	3,302	5,394	5,623				
Taiwan	15,600	43,400	32,300					2,397	17,910	2,786	9,252				
Mainland China	8,200	9,300	4,400					823	1,864	829	839				
US/Europe		1,500	24,500												
Others	10,700	5,400	5,100					20,893	1,199	1,185	6,324				
General / Power	38,100	41,500	43,900	41,400	42,800	44,200	44,000	8,127	9,889	11,679	14,214	9,644	9,998	10,352	11,415
Performance Products	22,300	24,900	26,300	28,600	30,500	32,700	27,000	6,488	6,499	6,810	6,473	7,153	7,153	7,153	7,153
Water engineering sales	**128,000**	**138,100**	**152,000**	**171,700**	**191,300**	**191,100**	**173,000**	**32,101**	**38,448**	**38,211**	**43,201**	**35,791**	**43,091**	**45,280**	**47,514**
yoy	15%	8%	10%	13%	11%	0%	14%	26%	6%	9%	5%	11%	12%	19%	10%
Electronics	89,900	96,700	108,100	130,300	148,500	147,000	129,000	23,974	28,559	26,532	28,987				
Japan	40,800	38,600	46,600					9,112	12,489	8,109	11,816				
Taiwan	18,600	27,900	44,200					10,624	11,633	10,925	11,038				
Mainland China	20,000	20,500	6,200					2,239	1,302	1,164	1,480				
US/Europe		2,500	10,300												
Others	10,500	7,200	800					1,999	3,135	6,334	4,653				
General / Power	38,100	41,500	43,900	41,400	42,800	44,200	44,000	8,127	9,889	11,679	14,214	9,644	9,998	10,352	11,415
OP	19,600	27,400	34,300	38,900	44,400	45,700	36,480	6,110	9,661	7,579	10,989	7,391	9,725	10,114	11,670
OP margin	15.3%	19.8%	22.6%	22.7%	23.2%	23.9%	21.1%	19.0%	25.1%	19.8%	25.4%	20.7%	22.6%	22.3%	24.6%
Performance Products sales	**22,400**	**25,100**	**25,700**	**28,600**	**30,500**	**32,700**	**27,000**	**6,009**	**6,234**	**6,725**	**6,725**	**7,153**	**7,153**	**7,153**	**7,153**
OP	3,000	3,700	3,300	3,800	4,100	4,500	3,520	843	764	1,155	547	950	950	950	950
OP margin	13.2%	14.9%	12.9%	13.3%	13.4%	13.8%	13.0%	14.0%	12.3%	17.2%	8.1%	13.3%	13.3%	13.3%	13.3%

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology - Organo Corp.

We are Buy rated, with a 12-month target price of ¥19,200. Our target price is based on the sector-average EV/EBITDA multiple of 10X, to which we apply a premium of +60%. We discount the theoretical value obtained based on our FY3/29 estimates back to FY3/27 at a WACC of 6.5%. Key risks include project delays, a deep/long-term decline in semiconductor investment demand, margin deterioration accompanying business expansion in North America, opportunity losses generated by supply shortages, and longer-than-expected project time frames in the construction business stemming from revisions to the Labor Standards Act, which came into effect from April 2024.

Kurita Water Industries (Buy, target price ¥10,000)

Per the company, Kurita Water Industries is scheduled to receive a number of large projects for multiple major semiconductor manufacturers in FY3/27, and thus there are currently no signs of weakness in its future profit growth, including from FY3/28. The negative impact of chemical shortages stemming from the Middle East conflict also looks likely to be limited in FY3/27 compared to initial expectations. Excluding delays in other projects, our impression is that there are no notable downside risks. We also expect continuous expansion in shareholder returns as part of the company's efforts to target an equity ratio of 0.50, and we believe higher valuation levels than in the past can be expected to become the norm going forward. We fine-tune our operating profit estimates for FY3/27-FY3/29 by c.-1% to +3% due to shifting in project timing, but our target price is unchanged at ¥10,000. We maintain our Buy rating.

Exhibit 4: Kurita Water Industries: Earnings summary

Kurita Water Industries (6370.T)	3/2024	3/2025	3/2026	3/2027E	3/2028E	3/2029E	3/2027	3/2028	3/2026Q1	3/2026Q2	3/2026Q3	3/2026Q4	3/2027Q1	3/2027Q2	3/2027Q3	3/2027Q4
(JPYmn, JPY, %)	Actual	Actual	Actual	GSE	GSE	GSE	CoE	MTP	Actual	Actual	Actual	Actual	GSE	GSE	GSE	GSE
							5/15/2026	5/8/2025								
Financial Data																
Net sales	384,825	408,888	402,889	419,100	456,400	442,900	425,000	470,000	91,926	106,370	105,308	99,285	95,300	103,800	104,100	108,600
Gross profit	131,800	148,100	153,200	157,900	173,500	173,500	157,000		32,462	40,891	40,106	39,695				
Operating profit (J-GAAP)	42,055	49,184	57,343	61,700	71,600	71,100	61,500	75,200	7,907	15,677	15,278	18,481	10,000	17,000	16,900	17,800
Net profit	29,189	20,305	15,957	42,283	49,132	48,786	42,000		5,639	11,535	10,230	-11,447				
EPS	259.70	180.66	145.34	399.17	478.19	490.74	392.49		50.84	105.06	93.42	-103.98				
EBITDA	74,692	84,882	90,579	95,800	105,600	102,300	93,000		16,503	23,797	23,127	24,863				
% of sales																
Gross profit	34.2%	36.2%	38.0%	37.7%	38.0%	39.2%	36.9%		35.3%	38.4%	38.1%	40.0%				
Operating profit (J-GAAP)	10.9%	12.0%	14.2%	14.7%	15.7%	16.1%	14.5%	16.0%	8.6%	14.7%	14.5%	18.6%	10.5%	16.4%	16.2%	16.4%
Net income	7.6%	5.0%	4.0%	10.1%	10.8%	11.0%	9.9%		6.1%	10.8%	9.7%	-11.5%				
EBITDA	19.4%	20.8%	22.5%	22.9%	23.1%	23.1%	21.9%		18.0%	22.4%	22.0%	25.0%				
YoY Growth																
Net sales	11.7%	6.3%	-1.5%	4.0%	8.9%	-3.0%	5.5%		-2.2%	4.7%	0.0%	-8.1%	3.7%	-2.4%	-1.1%	9.4%
- 10 years average	8.2%	8.2%	6.7%	7.1%	6.9%	5.7%			8.1%	8.0%	7.6%	7.0%	6.9%	6.7%	6.8%	7.2%
Operating profit (J-GAAP)	9.0%	17.0%	16.6%	7.6%	16.0%	-0.7%	7.2%		-5.4%	21.9%	8.5%	33.1%	26.5%	8.4%	10.6%	-3.7%
EPS	45.0%	-30.4%	-19.6%	174.6%	19.8%	2.6%	170.0%		0.2%	28.0%	12.9%	198.0%				
EBITDA	9.5%	13.6%	6.7%	5.8%	10.2%	-3.1%	2.7%		3.5%	16.3%	10.0%	381.3%				
CapEx	38,900	52,300	21,900	21,500	21,500	21,500	22,500		7,500	7,200	5,800	1,400				
- % of sales	10.1%	12.8%	5.4%	5.1%	4.7%	4.9%	5.3%		8.2%	6.8%	5.5%	1.4%				
D&A	32,637	35,698	33,236	34,100	34,000	31,200	31,500		7,700	7,700	7,800	6,800				
- % of sales	8.5%	8.7%	8.2%	8.1%	7.4%	7.0%	7.4%		8.4%	7.2%	7.4%	6.8%				
Segment Data																
Order - Total	**390,152**	**432,953**	**442,961**	**451,200**	**425,100**	**427,700**	**470,000**		**98,059**	**108,729**	**107,363**	**128,810**	**92,700**	**163,600**	**90,600**	**104,300**
- YoY	4%	11%	2%	2%	-6%	1%	6%		-1%	-4%	7%	7%	-5%	50%	-16%	-19%
Order - Electronics	**165,805**	**194,994**	**208,970**	**224,000**	**191,700**	**187,600**	**240,000**		**38,008**	**49,539**	**55,711**	**65,712**	**35,800**	**106,700**	**33,700**	**47,800**
- YoY	-2%	18%	7%	7%	-14%	-2%	15%		2%	-15%	11%	33%	-6%	115%	-40%	-27%
Order - General Industries	**224,346**	**237,958**	**233,991**	**227,200**	**233,400**	**240,100**	**230,000**		**60,051**	**59,190**	**51,651**	**63,099**	**56,900**	**56,900**	**56,900**	**56,500**
- YoY	10%	6%	-2%	-3%	3%	3%	-2%		-3%	8%	3%	-11%	-5%	-4%	10%	-10%
Sales - Electronics	**172,698**	**181,194**	**171,797**	**184,500**	**223,400**	**203,300**	**195,000**	**230,000**	**41,775**	**48,309**	**46,411**	**35,302**	**41,400**	**43,400**	**48,300**	**51,400**
- YoY	16%	5%	-5%	7%	21%	-9%	14%		-4%	10%	-4%	-22%	-1%	-10%	4%	46%
Sales - General Industries	**212,127**	**227,693**	**231,091**	**227,300**	**233,100**	**239,600**	**230,000**	**240,000**	**50,151**	**58,060**	**58,897**	**63,983**	**53,900**	**60,400**	**55,800**	**57,200**
- YoY	9%	7%	1%	-2%	3%	3%	0%		0%	0%	4%	2%	7%	4%	-5%	-11%
OP - Electronics	**19,938**	**24,216**	**27,657**	**32,650**	**42,160**	**38,590**	**30,500**	**41,400**	**4,294**	**7,603**	**6,593**	**9,167**				
- OPM	11.5%	13.4%	16.1%	17.7%	18.9%	19.0%	15.6%	18.0%	10.3%	15.7%	14.2%	26.0%				
OP - General Industries	**22,103**	**24,969**	**29,700**	**29,180**	**29,600**	**32,650**	**31,000**	**33,600**	**3,646**	**8,038**	**8,692**	**9,324**				
- OPM	10.4%	11.0%	12.9%	12.8%	12.7%	13.6%	13.5%	14.0%	7.3%	13.8%	14.8%	14.6%				

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology - Kurita Water Industries

We are Buy rated, with a 12-month target price of ¥10,000. Our target price is based on applying the machinery sector-average EV/EBITDA multiple of 10X and a sector-relative premium of +10%, which is close to past peak levels, to our FY3/27E EBITDA. Key risks include further margin erosion accompanying the capture of strategic projects, a prolonged decline in demand in the semiconductor market, margin deterioration in the electronics business, and longer-than-expected project time frames in the construction business stemming from revisions to the Labor Standards Act, which came into effect from April 2024.

Disclosure Appendix

Reg AC

We, Takeru Adachi, Yuichiro Isayama and Takato Enoki, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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Japan Material (Neutral, ¥2,308), Kurita Water Industries (Buy, ¥8,937), Nomura Micro Science (Buy, ¥4,150) and Organo Corp. (Buy, ¥15,005)

The rating(s) for Japan Material, Kurita Water Industries, Nomura Micro Science and Organo Corp. is/are relative to the other companies in its/their coverage universe: Itochu Corp., Japan Material, Komatsu, Kubota, Kurita Water Industries, Marubeni, Nomura Micro Science, Organo Corp., Sojitz, Takeuchi MFG

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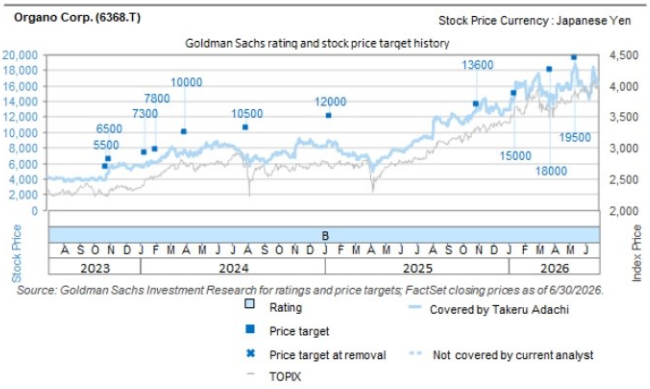
Distribution of ratings/investment banking relationships

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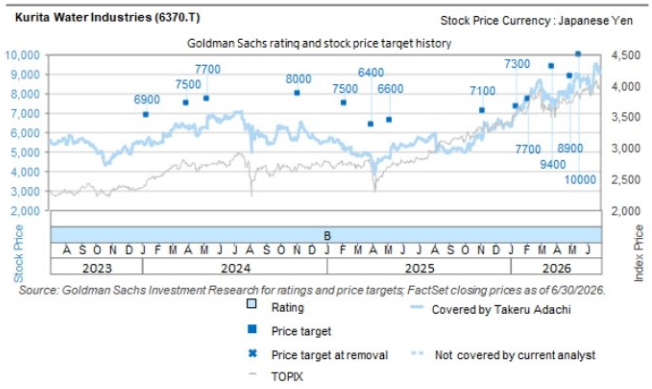
	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	50%	34%	16%	65%	59%	43%

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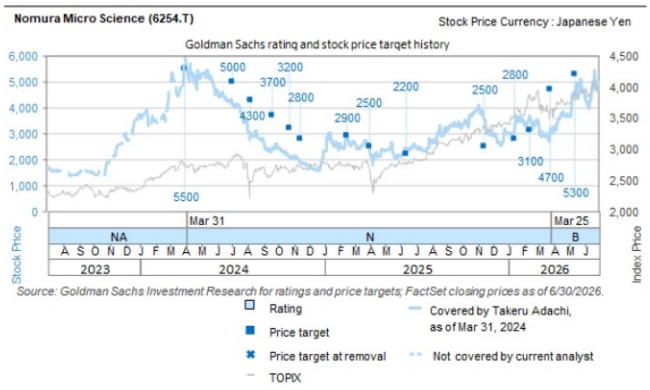
Price target and rating history chart(s)



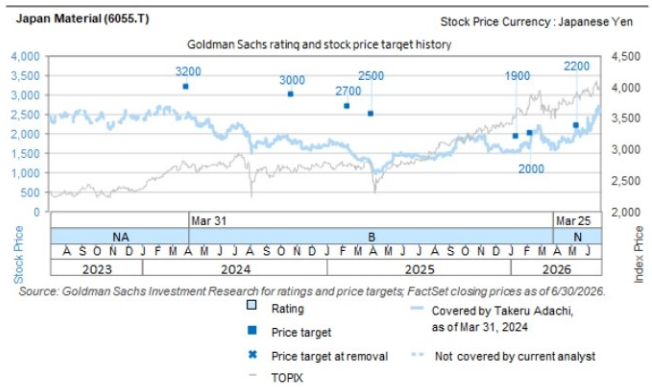
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Target price history table(s)

Organo Corp. (6368.T)

Date of report	Target price (¥)	Closing price (¥)
13-May-26	19,500	18,645
25-Mar-26	18,000	14,630
14-Jan-26	15,000	15,080
31-Oct-25	13,600	13,280
12-Jan-25	12,000	8,930
31-Jul-24	10,500	6,880
31-Mar-24	10,000	7,700
02-Feb-24	7,800	6,240
11-Jan-24	7,300	5,950
01-Nov-23	6,500	4,995
25-Oct-23	5,500	4,015

Japan Material (6055.T)

Date of report	Target price (¥)	Closing price (¥)
13-May-26	2,200	2,146
10-Feb-26	2,000	1,778
14-Jan-26	1,900	1,543
31-Mar-25	2,500	1,214
12-Feb-25	2,700	1,704
24-Oct-24	3,000	1,787
31-Mar-24	3,200	2,409

Nomura Micro Science (6254.T)

Date of report	Target price (¥)	Closing price (¥)
14-May-26	5,300	4,355
25-Mar-26	4,700	2,908
13-Feb-26	3,100	3,585
14-Jan-26	2,800	3,220

Kurita Water Industries (6370.T)

Date of report	Target price (¥)	Closing price (¥)
18-May-26	10,000	8,720
30-Apr-26	8,900	8,429
25-Mar-26	9,400	7,702
05-Feb-26	7,700	7,658

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Nomura Micro Science (6254.T)

Date of report	Target price (¥)	Closing price (¥)
14-Nov-25	2,500	3,555
12-Jun-25	2,200	2,434
31-Mar-25	2,500	2,403
14-Feb-25	2,900	2,905
14-Nov-24	2,800	1,878
24-Oct-24	3,200	2,108
20-Sep-24	3,700	2,503
09-Aug-24	4,300	2,980
02-Jul-24	5,000	4,225
31-Mar-24	5,500	5,940

Kurita Water Industries (6370.T)

Date of report	Target price (¥)	Closing price (¥)
14-Jan-26	7,300	6,970
07-Nov-25	7,100	5,728
08-May-25	6,600	4,641
31-Mar-25	6,400	4,590
06-Feb-25	7,500	5,206
07-Nov-24	8,000	5,858
09-May-24	7,700	6,240
31-Mar-24	7,500	6,301
11-Jan-24	6,900	5,626

Price targets shown in table(s) are unadjusted for corporate actions.

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