JAPAN TECHNOLOGY: SEMICONDUCTOR CAPITAL EQUIPMENT

Strong demand continues, but production capacity and pricing power to lead to varied profit margins; D/G Ulvac to Sell

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With prices for SPE components also rising, equipment makers' pricing strategies to play an important part

Amid robust capex demand from semiconductor makers, tightness is emerging upstream in the supply chain. Moves to raise equipment prices are materializing, with TSMC mentioning rising production equipment prices at its recent results briefing. Additionally, according to our channel checks, prices for parts and materials used in production equipment are also beginning to rise. While SPE makers are expected to see strong demand for the time being, with continued requests from customers to bring forward shipments (particularly for front-end equipment), we believe trends in profit margins up ahead will vary significantly depending on each company's preparedness for the surge in demand, product competitiveness, and pricing strategies.

Production capacity and product competitiveness at each company likely to determine strength/weakness of margins

As noted in our 2H CY26 investment strategy report, we focus on two key points for our individual stock recommendations: (1) whether a company can achieve sales growth above the sector average through technological change, proprietary technology, or market share gains, and (2) whether top-line strength translates into a substantial improvement in profit margins (Exhibit 1, Exhibit 2). As to profit margins in particular, in addition to product/customer mix, we believe key factors will be production capacity, lead time status, and the strength or weakness of pricing power to cope with cost inflation. We summarize current conditions at individual companies and our views on their pricing strategies in Exhibit 3.

Downgrade Ulvac given potential for profit margin expansion to be limited

For four equipment makers on which we maintain our Buy ratings—**Lasertec (on CL), Ebara, Disco, and Tokyo Electron**—we see a high likelihood that all of them will achieve sales growth exceeding the sector average and profit margin expansion over FY26-FY27. For **Ulvac**, in contrast, while orders continue to grow on the back of tailwinds in the market environment, we note that it is approaching full production capacity in its semiconductor equipment products, and appears to lack upward elasticity to cope with further demand expansion. We also see a strong possibility that improvement in its profit margins will be limited due to prolonged lead times and rising costs for component procurement. We lower our rating to Sell from Neutral based on a relative comparison within our coverage.

Ulvac: Phase of order growth to continue, but hurdle for margin expansion has risen; downgrade to Sell on relative basis

Lower GSe/TP, see limited room for price hikes against cost increases, in addition to prolonged lead times

We downgrade Ulvac from Neutral to Sell. We assume downside of c.18% to our new 12-month target price of ¥8,200 (vs. coverage average of c.+20%). While orders in Ulvac's semiconductor products are on an expansion trend amid capex increases by major semiconductor makers, our new earnings estimates assume the pace of margin improvement at the company may be restrained. Key reasons are as follows. 1) Production capacity at its main bases is already nearing its limit, leaving little room for further output increases, and lead times are trending longer, meaning the timing of sales recognition could be later than previously assumed. 2) While we believe rising component costs can be absorbed to some extent by reflecting them in estimates at the time of order receipt, we think it will be difficult for the company to implement aggressive price hikes in equipment groups other than power semiconductors, where it boasts a high market share, due to its market share positioning. Reflecting these factors, we lower our FY6/27-FY6/29 operating profit estimates by 18%/15%/12%. Our new estimate for FY6/28 is over 20% below the market (Bloomberg) consensus.

Order growth strong, but margin improvement on back of production reforms may be slow

In FY6/23, Ulvac revised down its guidance partly due to the impact of longer delivery times for components, and we view this as an example of its mixed track record during phases of order growth and prolonged lead times. The company has recently been trying to improve profit margins by securing components in advance via equipment modularization and by promoting planned production ahead of order receipt. While some progress can be seen, the equipment modularization ratio was only at c.30% in FY6/26, and lead times are currently trending longer. Accordingly, we think profit margin improvement on the back of production reforms may not materialize to the extent management expects. We forecast an operating margin of 11.8% for FY6/28, and while we expect some fixed cost reduction effects from structural reforms, we do not see the 15% target in the company's medium-term plan as a low hurdle to clear (Exhibit 4).

New TP at ¥8,200; referencing correlation between margins and multiples

Reflecting our estimate revisions, we lower our 12-month target price from ¥10,300 to ¥8,200. We derive our TP by applying the global SPE sector average EV/EBITDA of 18X to our FY6/28 EBITDA estimate, then applying a discount given Ulvac's relatively low margins (our TP implies FY6/28E P/E of 17X, P/B of 1.5X, and EV/EBITDA of 8X). As our estimate revisions result in lower profit margin assumptions, we widen our applied discount from 50% to 55%, referencing the relationship between EBITDA margins and EV/EBITDA multiples for companies in our SPE coverage (Exhibit 7). Ulvac's P/E range over the past five years or so has been from just under 10X to slightly over 20X (Exhibit 5), and the stock does not look undervalued given that the current share price implies a P/E of 19X based on our new FY6/28 estimates.

Pricing strategy key to profit margin expansion

Setsuo Iwashita, who served as company president from 2017, has promoted a series of corporate and organizational reforms aimed at improving profitability. Some results have been achieved, such as the gross margin reaching a record high of 31.8% in FY6/25. On the other hand, Ulvac has yet to reach the 35% gross margin level targeted in past medium-term plans, and a back-and-forth situation continues. In addition to fixed/variable cost reductions, we think product price hikes will be important to any upcoming profit margin expansion scenarios, and we will be paying close attention to the leadership of Junya Kiyota, who newly assumed the position of President & Executive Officer as of July 1, 2026.

Key risks include margin improvement from early materialization of structural reform effects or implementation of price hikes, and power semiconductor market recovery

Key upside risks to our view are as follows.

(1) Profitability improvement through early materialization of structural reform effects or price hikes

If, under the new management team, profitability improvements from ongoing structural reforms materialize ahead of the company's assumption of FY6/28, or if it implements product price hikes, an area where management has historically been passive, this could pose upside risk to our earnings estimates.

(2) A further expansion of orders accompanied by upward capacity elasticity

While we expect the favorable order environment to continue, mainly in the semiconductor field, we believe there is little upward sales elasticity as the company's production capacity nears its upper limit. However, if capacity bottlenecks are resolved through productivity improvements or the utilization of other bases, sales and profits could exceed our assumptions.

(3) Recovery in power semiconductor investment in the Chinese market

Against the backdrop of a weak EV market, power semiconductor capex is currently low, and Ulvac's power semiconductor sales are down to less than one-third of their recent peak. However, if capex appetite in China's SiC market increases, Ulvac, which commands a high market share in ion implanters, could see an expansion in orders. With margins on these products relatively high, the pace of profitability improvement could accelerate more than we expect.

(4) Market favoring stocks with low valuations

We believe there is correlation between profitability and multiples within our coverage, and based on our future margin forecasts, we do not expect Ulvac's valuation multiple to expand significantly. However, the outcome could differ from our scenario if changes in stock market risk tolerance or a sharp rise in interest rates result in a market environment that favors stocks with relatively low multiples.

Ulvac: Summary

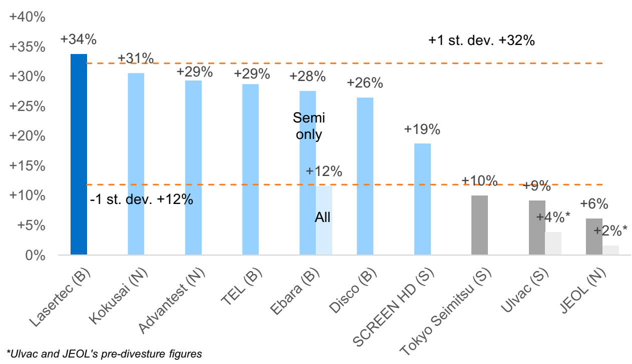
6728.T	12m Price Target: ¥8200	Price: ¥9610	Downside: 14.7%

Sell	GS Forecast				
		6/25	**6/26E**	**6/27E**	**6/28E**
Market cap: ¥473.2bn / $2.9bn	Revenue (¥ bn)	251.2	266.7	271.1	287.6
Enterprise value: ¥431.4bn / $2.6bn	**Op. profit (¥ bn) New**	**26.5**	**20.9**	**26.6**	**33.9**
3m ADTV :¥5.4bn/ $33.8mn	Op. profit (¥ bn) Old	26.5	20.9	32.3	39.8
Japan	Op. profit CoE (¥ bn)	--	19.0	--	--
Japan Semiconductor, SPE & Precision	**EPS (¥) New**	**338.9**	**398.7**	**390.5**	**496.3**
	EPS (¥) Old	338.9	406.8	488.2	600.0
M&A Rank: 3	P/E (X)	19.2	24.1	24.6	19.4
Leases incl. in net debt & EV?: No	P/B (X)	1.4	2.0	1.9	1.8
	CROCI (%)	9.8	9.5	9.3	10.5
		3/26	**6/26E**	**9/26E**	**12/26E**
	EPS (¥)	59.1	213.8	103.5	109.6

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 24 Jul 2026 close.

Exhibit 1: We expect Ulvac's top-line growth to remain relatively low even after adjusting for business divestitures

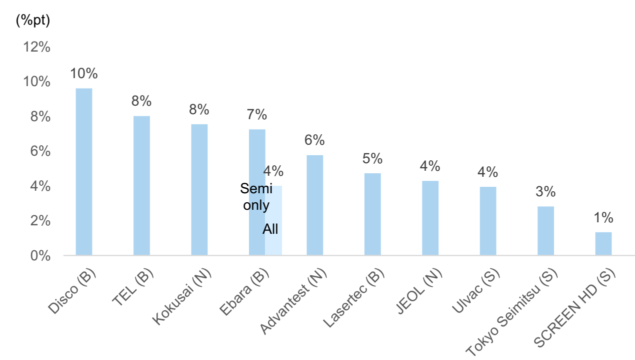
Sales growth rates for SPE coverage companies (FY25-FY27)



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: Expecting change in profitability to be relatively gradual

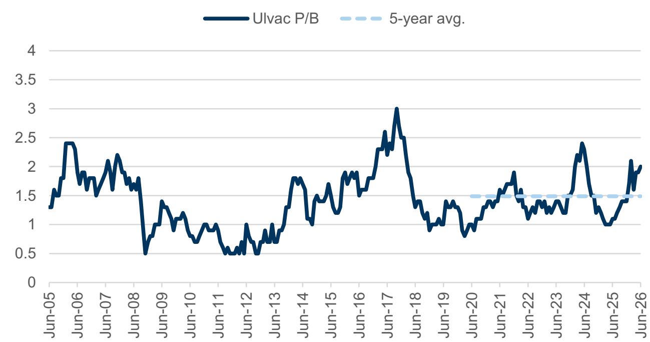
Change in OPM for SPE coverage companies (FY25-FY27)



Source: Goldman Sachs Global Investment Research, Company data

Exhibit 3: Comparison of production capacity, lead times, and pricing power among SPE coverage companies

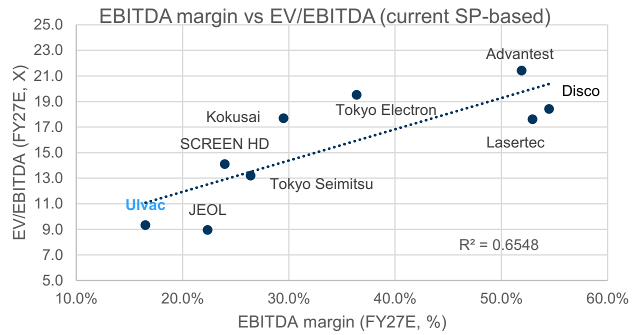
Exhibit 6: Ulvac: P/B



Source: Bloomberg

Exhibit 7: We see a correlation between margins and multiples

Correlation between EBITDA margin and EV/EBITDA for SPE coverage (based on our FY27 estimates and current share prices)



Source: LSEG Data & Analytics, Goldman Sachs Global Investment Research

Exhibit 8: Ulvac: Earnings summary

Ulvac (6728.T) (JPY mn) Consolidated income statement	6/2025	GSE 6/2026	GSE 6/2027	GSE 6/2028	GSE 6/2029	CoE 6/2026	Mid-term CoE 6/2028	Mid-term CoE 6/2031
Sales	251,184	266,700	271,100	287,600	307,200	260,000	260,000	360,000
Operating profits	26,523	20,900	26,600	33,900	39,000	19,000	39,000	79,000
Recurring profits	28,605	22,000	28,000	35,400	40,700	19,000		
Net income	16,687	19,600	19,200	24,400	28,100	18,500		
EBITDA	37,328	32,600	39,300	47,500	53,400	30,700		
Margins								
Gross profits	31.8%	29.9%	31.4%	33.0%	33.6%	29.6%		
EBITDA	14.9%	12.2%	14.5%	16.5%	17.4%			
Operating profits	10.6%	7.8%	9.8%	11.8%	12.7%	7.3%	15.0%	22.0%
Recurring profits	11.4%	8.2%	10.3%	12.3%	13.2%	7.3%		
Net income	6.6%	7.3%	7.1%	8.5%	9.1%	7.1%		
R&D	13,991	14,000	14,500	15,000	16,000	14,000		
D&A	10,805	11,700	12,700	13,600	14,400	11,700		
Capex	15,715	17,500	20,000	20,000	20,000	17,500		
EPS (JPY)	338.7	398.7	390.5	496.3	571.6	376.0		
DPS (JPY)	164.0	159.0	137.0	174.0	200.0	152.0		
BPS (JPY)	4,538.0	4,785.0	5,038.6	5,360.9	5,732.4			
Order by segment segment								
Vacuum equipment business	173,430	260,500	240,200	257,800	276,300	253,000		
Display & Energy	46,500	71,200	40,000	42,000	47,000	70,000		
Semiconductor & Electronics	70,400	115,300	124,500	138,300	149,900	109,000		
Component	39,900	34,000	35,700	37,500	39,400	34,000		
Industrial equipment	16,600	40,000	40,000	40,000	40,000	40,000		
Vacuum application business	52,137	56,000	34,400	36,900	38,700	57,000		
Materials	26,200	27,500	14,500	16,000	16,800	28,000		
Others	25,900	28,500	19,900	20,900	21,900	29,000		
Total	**225,567**	**316,500**	**274,600**	**294,700**	**315,000**	**310,000**		
Revenue by business segment								
Vacuum equipment business	199,050	209,600	236,700	250,700	268,500	205,000		
Display & Energy	53,100	59,000	55,600	41,000	44,500	59,000		
Semiconductor & Electronics	89,300	94,300	113,400	130,200	142,600	89,000		
Component	43,100	34,000	35,700	37,500	39,400	35,000		
Industrial equipment	13,500	22,300	32,000	42,000	42,000	22,000		
Vacuum application business	52,134	57,100	34,400	36,900	38,700	55,000		
Materials	26,600	26,900	14,500	16,000	16,800	26,000		
Others	25,500	30,200	19,900	20,900	21,900	29,000		
Total	**251,184**	**266,700**	**271,100**	**287,600**	**307,200**	**260,000**	**260,000**	**360,000**
OP by business segment								
Vacuum equipment business	21,877	18,200	24,100	30,800	35,600			
Vacuum application business	4,533	2,700	2,500	3,100	3,400			
Adjustments	113	0	0	0	0			
Total	**26,523**	**20,900**	**26,600**	**33,900**	**39,000**	**19,000**	**48,000**	**48,000**
OPM by business segment								
Vacuum equipment business	11.0%	8.7%	10.2%	12.3%	13.3%			
Vacuum application business	8.7%	4.7%	7.3%	8.4%	8.8%			
Total	**10.6%**	**7.8%**	**9.8%**	**11.8%**	**12.7%**	**7.3%**	**18.5%**	**13.3%**

Ulvac (6728.T) (JPY mn) Consolidated income statement	6/2026 1Q	6/2026 2Q	6/2026 3Q	GSE 6/2026 4Q	GSE 6/2027 1Q	GSE 6/2027 2Q	GSE 6/2027 3Q	GSE 6/2027 4Q	CoE 6/2026 4Q
Sales	52,729	71,164	67,738	75,069	66,800	75,100	68,500	60,700	68,369
Operating profits	2,284	6,172	6,263	6,181	6,900	7,300	8,500	3,900	4,281
Recurring profits	2,480	6,674	5,380	7,466	7,300	7,700	8,900	4,100	4,466
Net income	1,662	4,538	2,911	10,489	5,100	5,400	6,200	2,500	9,389
EBITDA									
Margins									
Gross profits	29.7%	29.1%	32.0%	28.9%	31.0%	30.5%	33.4%	30.5%	27.7%
EBITDA									
Operating profits	4.3%	8.7%	9.2%	8.2%	10.3%	9.7%	12.4%	6.4%	6.3%
Recurring profits	4.7%	9.4%	7.9%	9.9%	10.9%	10.3%	13.0%	6.8%	6.5%
Net income	3.2%	6.4%	4.3%	14.0%	7.6%	7.2%	9.1%	4.1%	13.7%
R&D									
D&A									
Capex									
EPS (JPY)									
DPS (JPY)									
BPS (JPY)									
Order by segment segment									
Vacuum equipment business	45,854	62,501	83,289	68,856	54,500	63,500	60,000	62,200	61,356
Display & Energy	13,000	18,300	11,900	28,000	10,000	12,000	12,000	6,000	26,800
Semiconductor & Electronics	18,000	28,700	41,500	27,100	29,000	29,500	32,000	34,000	20,800
Component	7,800	8,800	10,100	7,300	8,500	9,000	9,000	9,200	7,300
Industrial equipment	7,000	6,700	19,800	6,500	7,000	13,000	7,000	13,000	6,500
Vacuum application business	14,554	14,196	15,791	11,459	8,500	8,500	8,500	8,900	12,459
Materials	7,800	8,000	8,200	3,500	3,500	3,500	3,500	4,000	4,000
Others	6,800	6,200	7,600	7,900	5,000	5,000	5,000	4,900	8,400
Total	**60,408**	**76,700**	**99,077**	**80,315**	**63,000**	**72,000**	**68,500**	**71,100**	**73,815**
Revenue by business segment									
Vacuum equipment business	40,159	55,711	54,135	59,595	58,300	66,600	60,000	51,800	54,995
Display & Energy	11,089	19,660	14,720	13,531	17,800	17,100	15,500	5,200	13,531
Semiconductor & Electronics	16,153	21,270	25,640	31,237	26,500	28,000	28,500	30,400	25,937
Component	8,379	8,791	8,784	8,046	7,000	13,000	7,000	8,700	9,046
Industrial equipment	4,538	5,991	4,990	6,781	7,000	8,500	9,000	7,500	6,481
Vacuum application business	12,570	15,453	13,603	15,474	8,500	8,500	8,500	8,900	13,374
Materials	6,290	7,249	6,321	7,040	3,500	3,500	3,500	4,000	6,140
Others	6,279	8,205	7,283	8,433	5,000	5,000	5,000	4,900	7,233
Total	**52,729**	**71,164**	**67,738**	**75,069**	**66,800**	**75,100**	**68,500**	**60,700**	**68,369**
OP by business segment									
Vacuum equipment business	1,575	5,258	5,936	5,431	6,400	6,700	7,800	3,200	
Vacuum application business	710	840	313	837	500	600	700	700	
Adjustments	(1)	73	15	(87)	0	0	0	0	
Total	**2,284**	**6,172**	**6,263**	**6,181**	**6,900**	**7,300**	**8,500**	**3,900**	**4,281**
OPM by business segment									
Vacuum equipment business	3.9%	9.4%	11.0%	9.1%	11.0%	10.1%	13.0%	6.2%	
Vacuum application business	5.6%	5.4%	2.3%	5.4%	5.9%	7.1%	8.2%	7.9%	
Total	**4.3%**	**8.7%**	**9.2%**	**8.2%**	**10.3%**	**9.7%**	**12.4%**	**6.4%**	**6.3%**

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 9: Summary financial statements

Profit model (¥mn)	6/26E	6/27E	6/28E	6/29E
Revenue	266,700	271,100	287,600	307,200
Cost of goods sold	-187,000	-186,100	-192,700	-203,900
Gross profit	79,700	85,000	94,900	103,300
SG&A and other	-44,800	-43,900	-46,000	-48,300
Operating profit	20,900	26,600	33,900	39,000
Net interest income/(expense)	0	200	300	400
Equity in earnings of affiliates	700	700	700	700
Net other nonoperating inc/(exp)				
Recurring profit	22,000	28,000	35,400	40,700
Extraordinary income				
Extraordinary expense				
Pretax profit	28,000	28,000	35,400	40,700
Income tax	-7,400	-7,600	-9,700	-11,200
Minority interest	-1,000	-1,200	-1,300	-1,400
Net income	19,600	19,200	24,400	28,100
Capital expenditures (excl. leases)				
Capital expenditures (incl. leases)	-17,500	-20,000	-20,000	-20,000
Depreciation & amortization	-11,700	-12,700	-13,600	-14,400
EPS (basic) (¥)	398.7	390.5	496.3	571.6
EPS (fully diluted) (¥)	398.7	390.5	496.3	571.6
BVPS (¥)	4,785.0	5,038.6	5,360.9	5,732.4
DPS (¥)	159.0	137.0	174.0	200.0
Dividend payout ratio (%)	39.9	35.1	35.1	35.0

Year-on-year change (%)	6/26E	6/27E	6/28E	6/29E
Revenue	6.2	1.6	6.1	6.8
Operating profit	-21.2	27.3	27.4	15.0
Recurring profit	-23.1	27.3	26.4	15.0
Net income	17.4	-2.0	27.1	15.2
EPS (basic)	17.7	-2.0	27.1	15.2
EPS (fully diluted)	17.7	-2.0	27.1	15.2

Margins (%)	6/26E	6/27E	6/28E	6/29E
Operating profit	7.8	9.8	11.8	12.7
EBITDA	12.2	14.5	16.5	17.4
Recurring profit	8.2	10.3	12.3	13.2
Net income	7.3	7.1	8.5	9.1

Cash flow statement (¥mn)	6/26E	6/27E	6/28E	6/29E
Net income	19,600	19,200	24,400	28,100
D&A add-back	11,700	12,700	13,600	14,400
Minority interest add-back	1,000	1,200	1,300	1,400
Net (inc)/dec in working capital	-8,185	-1,315	-6,809	-8,720
Other operating cash flow	-700	-700	-700	-700
Cash flow from operations	23,415	31,085	31,791	34,480
Capital expenditures (incl. leases)	-17,500	-20,000	-20,000	-20,000
Purchases of long-term securities				
Sales of long-term securities				
Other investing cash flow	0	0	0	0
Cash flow from investments	-17,500	-20,000	-20,000	-20,000
Dividends paid (common & preferred)	-7,817	-6,735	-8,554	-9,833
Incr./(decr.) in debt	-1,003	-3,135	-3,135	-3,135
Common stock issuance				
Other financing cash flow	0	0	0	0
Cash flow from financing	-8,820	-9,870	-11,689	-12,968
Total cash flow	-2,905	1,215	102	1,512

Balance sheet (¥mn)	6/26E	6/27E	6/28E	6/29E
Cash & equivalents	96,046	97,260	97,362	98,875
Accounts receivable	89,972	91,457	97,023	103,635
Inventory	77,626	77,253	79,992	84,642
Other current assets	15,270	15,270	15,270	15,270
Total current assets	278,914	281,240	289,648	302,421
Net PP&E	82,721	90,021	96,421	102,021
Net intangibles	5,685	5,685	5,685	5,685
Total investments	8,696	9,396	10,096	10,796
Other long-term assets	14,384	14,384	14,384	14,384
Total assets	390,400	400,726	416,234	435,307
Accounts payable	42,430	42,226	43,724	46,265
Short-term debt	12,853	12,853	12,853	12,853
Other current liabilities	51,061	51,061	51,061	51,061
Total current liabilities	106,344	106,140	107,638	110,179
Long-term debt	32,743	29,608	26,473	23,338
Other long-term liabilities	7,450	7,450	7,450	7,450
Total long-term liabilities	40,193	37,058	33,923	30,788
Total liabilities	146,537	143,198	141,561	140,967
Minority interest	8,615	9,815	11,115	12,515
Total common equity	235,248	247,713	263,558	281,825
Total liabilities & equity	390,400	400,726	416,234	435,307
Net debt	(50,450)	(54,799)	(58,036)	(62,684)

Ratios	6/26E	6/27E	6/28E	6/29E
CROCI (%)	9.5	9.3	10.5	11.1
ROE (%)	8.3	7.7	9.2	9.9
ROA (%)	5.1	4.9	6.0	6.6
Net debt/equity (%)	-20.7	-21.3	-21.1	-21.3
Interest coverage ratio (X)	34.8	53.2	67.8	78.0

Valuation	6/26E	6/27E	6/28E	6/29E
P/E (X)	25.0	25.5	20.1	17.4
EV/EBITDA (X)	13.8	11.3	9.3	8.2
EV/GCI (X)	1.3	1.3	1.2	1.1
P/B (X)	2.1	2.0	1.9	1.7
Dividend yield (%)	1.6	1.4	1.7	2.0
FCF yield (%)	1.2	2.2	2.4	2.9

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 10: Price target risks and methodologies

Company Name (rating)	Ticker	12-m TP (¥)	Methodology	Risks
DISCO (Buy)	6146.T	100,000	Based on the global SPE sector average EV/EBITDA multiple of 18X and our FY3/28E estimates. We then apply a sector-relative premium of 50%.	(-) slowdown or share loss in AI-related demand (-) slowdown in China demand or tightening of export controls (-) rapid yen appreciation against the USD
Ebara (Buy)	6361.T	7,900	Based on the correlation between P/B and our FY12/27E ROE estimates.	(-) Semiconductor capex enters a downcycle (-) Increasing competitiveness of Chinese CMP system makers (-) Slow adoption of new technology in semiconductor devices (-) Decline in crude oil/LNG prices, oil refining/petrochemical margins
Kokusai Electric (Neutral)	6525.T	9,500	Based on the global SPE sector average EV/EBITDA multiple of 18X and our FY3/28E estimates.	(+/-) Changes in investment at key customers (+/-) Additional changes in export controls (+/-) Changes in the competitive landscape due to strategic changes at competitors
Advantest (Neutral)	6857.T	35,000	Based on the global SPE sector average EV/EBITDA multiple of 18X and our FY3/28E estimates. We then apply a sector-relative premium of 40%.	(+/-) fluctuations in customer capex appetite (+/-) fluctuations in market share (+/-) trends in tester demand for China (+/-) FX fluctuations for JPY/USD
Lasertec (Buy)*	6920.T	70,000	Based on the global SPE sector average EV/EBITDA multiple of 18X and the average of our FY6/28E estimates. We then apply a sector-relative premium of 50%.	(-) Decline in market share due to new entrants (-) Lack of progress in ACTIS adoption by wafer fabs (-) Weaker customer investment appetite for leading-edge process nodes (-) Rapid appreciation of the yen against the US dollar
JEOL (Neutral)	6951.T	8,300	Based on the global SPE sector average EV/EBITDA multiple of 18X and our FY3/28E estimates. We then apply a sector-relative discount of 50%.	(+/-) substantial changes in investment appetite at major mask shops (+/-) changes in market share for multi-beam mask writers (+/-) sharp fluctuations in the USD/JPY exchange rate.
Tokyo Seimitsu (Sell)	7729.T	15,000	Based on the global SPE sector average EV/EBITDA multiple of 18X and our FY3/28E estimates, to which we apply a sector-relative discount of 40%.	(+) greater-than-expected semiconductor orders (especially related to generative AI) (+) substantial beat in the metrology instruments segment (+) greater shareholder returns than we expect
SCREEN HD (Sell)	7735.T	12,500	Based on the global SPE sector average EV/EBITDA multiple of 18X and our FY3/28E estimates, to which we apply a sector-relative discount of 40%.	(+) higher profit margins in the SPE business (+) market share gains due to company-specific factors (+) enhancement of shareholder returns (+) a market shift in favor of value stocks
Tokyo Electron (Buy)	8035.T	83,000	Based on the global SPE sector average EV/EBITDA multiple of 18X and our FY3/28E estimates. We then apply a sector-relative premium of 30%.	(-) prolonged inventory adjustment phase in the semiconductor industry (-) further strengthening of export restrictions (-) depressed valuation multiple amid upward pressure on interest rates and other factors

*APAC Conviction List

Source: Goldman Sachs Global Investment Research

Investment Thesis - Ulvac

While orders in Ulvac's semiconductor products are on an expansion trend amid capex increases by major semiconductor makers, we think there is a high possibility that the pace of margin improvement will be restrained. Key reasons are as follows. 1) Production capacity at its main bases is already nearing its limit, leaving little room for further output increases, and lead times are trending longer, meaning the timing of sales recognition could be later than previously assumed. 2) While we believe rising component costs can be absorbed to some extent by reflecting them in estimates at the time of order receipt, we think it will be difficult for the company to implement aggressive price hikes in equipment groups other than power semiconductors, where it boasts a high market share, due to its market share positioning. The company has recently been trying to improve profit margins by securing components in advance via equipment modularization and by promoting planned production ahead of order receipt. While some progress can be seen, the equipment modularization ratio was only at c.30% in FY6/26, and lead times are currently trending longer. Accordingly, we think profit margin improvement on the back of production reforms may not materialize to the extent management expects. Ulvac's P/E range over the past five years or so has been from just under 10X to slightly over 20X, and the stock does not look undervalued given that the current share price implies a P/E of 19X based on our new FY6/28 estimates. We are Sell rated.

Price Target Risks and Methodology - Ulvac

Valuation methodology: We are Sell rated on Ulvac, with a 12-month target price of ¥8,200 (implies FY6/28E P/E of 17X and P/B of 1.5X). Our TP is based on our FY6/28E earnings estimates and an EV/EBITDA multiple of 18X, the global SPE sector average, to which we apply a sector-relative discount of 55% to reflect recent valuation trends and uncertainty around Ulvac's China business.

Key risks: Profitability improvement through early materialization of structural reform effects or price hikes, a further expansion of orders accompanied by upward capacity elasticity, recovery in power semiconductor investment in the Chinese market, and the market favoring stocks with low valuations

Disclosure Appendix

Reg AC

We, Shuhei Nakamura and Kaho Otake, 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.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

Contributing Authors: Shuhei Nakamura Goldman Sachs Japan Co., Ltd., Kaho Otake Goldman Sachs Japan Co., Ltd..

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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).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

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Quantum is Goldman Sachs' proprietary database providing access to detailed financial statement histories, forecasts and ratios. It can be used for in-depth analysis of a single company, or to make comparisons between companies in different sectors and markets.

Disclosures

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Advantest (Neutral, ¥28,945), JEOL (Neutral, ¥8,194), Kokusai Electric (Neutral, ¥8,563), SCREEN Holdings (Sell, ¥15,850) and Tokyo Seimitsu (Sell, ¥17,520)

The rating(s) for DISCO, Ebara, Lasertec, Tokyo Electron and Ulvac is/are relative to the other companies in its/their coverage universe: Advantest, DISCO, Ebara, HOYA, JEOL, Kioxia Holdings, Kokusai Electric, Lasertec, SCREEN Holdings, Tokyo Electron, Tokyo Seimitsu, Ulvac

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Goldman Sachs has received compensation for non-investment banking services during the past 12 months: Tokyo Electron (¥62,660)

Goldman Sachs had an investment banking services client relationship during the past 12 months with: DISCO (¥60,890), Ebara (¥5,681), Lasertec (¥43,170), Tokyo Electron (¥62,660) and Ulvac (¥9,622)

Goldman Sachs had a non-investment banking securities-related services client relationship during the past 12 months with: Tokyo Electron (¥62,660)

Goldman Sachs had a non-securities services client relationship during the past 12 months with: DISCO (¥60,890), Ebara (¥5,681) and Tokyo Electron (¥62,660)

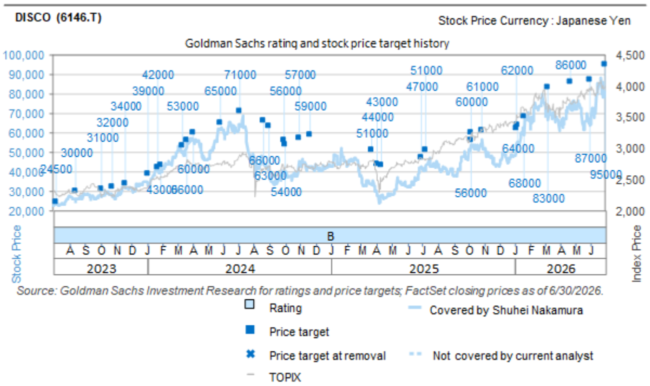
Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global Equity coverage universe

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

As of July 1, 2026, Goldman Sachs Global Investment Research had investment ratings on 3,104 equity securities. Goldman Sachs assigns stocks as Buys and Sells on various regional Investment Lists; stocks not so assigned are deemed Neutral. Such assignments equate to Buy, Hold and Sell for the purposes of the above disclosure required by the FINRA Rules. See ‘Ratings, Coverage universe and related definitions’ below. The Investment Banking Relationships chart reflects the percentage of subject companies within each rating category for whom Goldman Sachs has provided investment banking services within the previous twelve months.

Price target and rating history chart(s)



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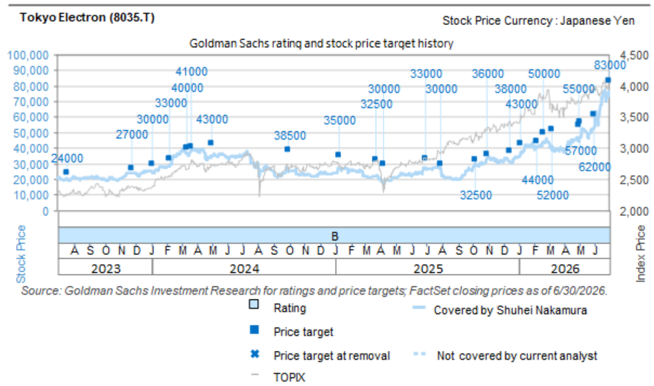
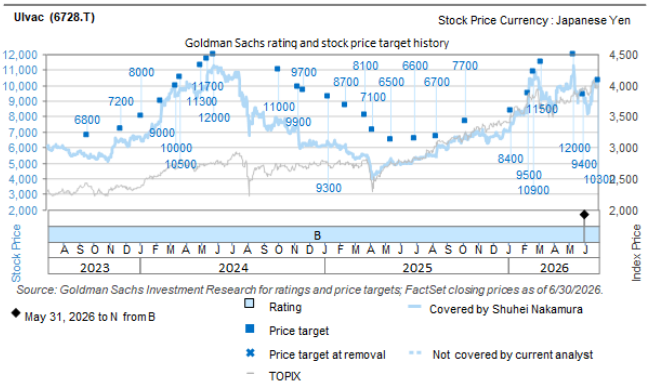


The price targets shown should be considered in the context of all prior published Goldman Sachs research, which may or may not have included price targets, as well as developments relating to the company, its industry and financial markets.



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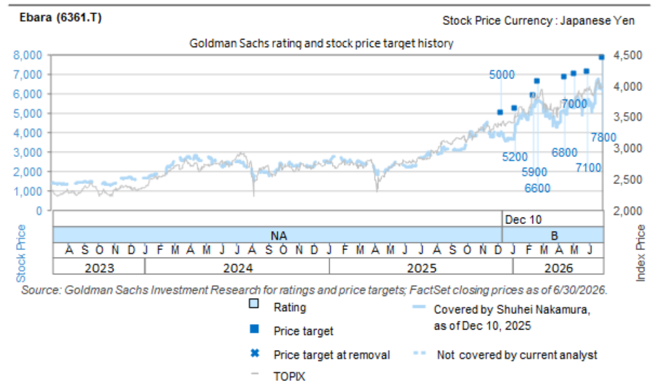
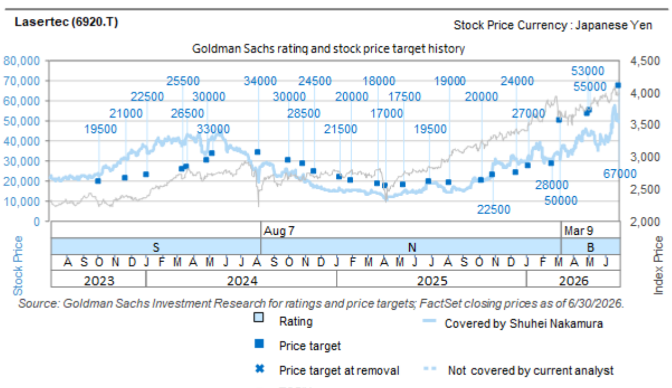


The price targets shown should be considered in the context of all prior published Goldman Sachs research, which may or may not have included price targets, as well as developments relating to the company, its industry and financial markets.



The price targets shown should be considered in the context of all prior published Goldman Sachs research, which may or may not have included price targets, as well as developments relating to the company, its industry and financial markets.

Target price history table(s)

DISCO (6146.T)

Date of report	Target price (¥)	Closing price (¥)
06-Jul-26	100,000	78,000
30-Jun-26	95,000	81,260
31-May-26	87,000	65,090
22-Apr-26	86,000	74,830
09-Mar-26	83,000	66,500
21-Jan-26	68,000	58,570
08-Jan-26	64,000	55,590
06-Jan-26	62,000	54,200
29-Oct-25	61,000	56,390
08-Oct-25	60,000	52,140
06-Oct-25	56,000	54,000
09-Jul-25	51,000	41,290
30-Jun-25	47,000	42,630
13-Apr-25	43,000	27,470
04-Apr-25	44,000	27,635
24-Mar-25	51,000	33,060
21-Nov-24	59,000	42,380
01-Nov-24	57,000	42,810
04-Oct-24	54,000	39,710
02-Oct-24	56,000	37,410
02-Sep-24	63,000	41,350
22-Aug-24	66,000	43,560
04-Jul-24	71,000	64,580
27-May-24	65,000	61,790
04-Apr-24	60,000	56,750
21-Mar-24	56,000	52,960
13-Mar-24	53,000	50,000
31-Jan-24	43,000	40,380
24-Jan-24	42,000	40,730
04-Jan-24	39,000	33,630
21-Nov-23	34,000	32,030
26-Oct-23	32,000	26,960
05-Oct-23	31,000	27,940
15-Aug-23	30,000	25,865

Tokyo Electron (8035.T)

Date of report	Target price (¥)	Closing price (¥)
30-Jun-26	83,000	77,150
31-May-26	62,000	52,420
04-May-26	57,000	47,450
30-Apr-26	55,000	44,390
09-Mar-26	52,000	38,920
21-Feb-26	50,000	43,960
06-Feb-26	44,000	41,030
06-Jan-26	43,000	37,350
15-Dec-25	38,000	31,140
31-Oct-25	36,000	34,180
08-Oct-25	32,500	29,255
31-Jul-25	30,000	27,330
30-Jun-25	33,000	27,680
07-Apr-25	30,000	17,060
24-Mar-25	32,500	22,190
10-Jan-25	35,000	27,025
02-Oct-24	38,500	25,080
02-May-24	43,000	35,010
21-Mar-24	41,000	39,340
13-Mar-24	40,000	37,390
09-Feb-24	33,000	29,755
04-Jan-24	30,000	24,005
25-Nov-23	27,000	24,005

Ebara (6361.T)

Date of report	Target price (¥)	Closing price (¥)
22-Jul-26	7,900	5,593
30-Jun-26	7,800	6,256
31-May-26	7,100	5,683
04-May-26	7,000	5,242
15-Apr-26	6,800	5,004
21-Feb-26	6,600	5,638
13-Feb-26	5,900	5,303
06-Jan-26	5,200	4,050
10-Dec-25	5,000	3,942

Ulvac (6728.T)

Date of report	Target price (¥)	Closing price (¥)
30-Jun-26	10,300	10,345
31-May-26	9,400	9,504
12-May-26	12,000	11,320
09-Mar-26	11,500	9,054
21-Feb-26	10,900	10,410
10-Feb-26	9,500	8,817
06-Jan-26	8,400	7,481
08-Oct-25	7,700	6,589
13-Aug-25	6,700	5,619
30-Jun-25	6,600	5,306
13-May-25	6,500	5,300
07-Apr-25	7,100	3,991
24-Mar-25	8,100	5,499
12-Feb-25	8,700	6,223
10-Jan-25	9,300	6,257
21-Nov-24	9,700	6,260
11-Nov-24	9,900	7,357
02-Oct-24	11,000	7,503
27-May-24	12,000	11,235
14-May-24	11,700	9,700

Ebara (6361.T)

Date of report	Target price (¥)	Closing price (¥)

Ulvac (6728.T)

Date of report	Target price (¥)	Closing price (¥)
02-May-24	11,300	9,700
21-Mar-24	10,500	9,862
13-Mar-24	10,000	9,407
13-Feb-24	9,000	7,888
04-Jan-24	8,000	6,408
25-Nov-23	7,200	6,539
19-Sep-23	6,800	5,474

Lasertec (6920.T)

Date of report	Target price (¥)	Closing price (¥)
22-Jul-26	70,000	42,990
30-Jun-26	67,000	49,700
04-May-26	55,000	42,930
30-Apr-26	53,000	42,690
09-Mar-26	50,000	30,360
21-Feb-26	28,000	30,640
06-Jan-26	27,000	32,760
15-Dec-25	24,000	30,300
31-Oct-25	22,500	28,410
08-Oct-25	20,000	20,030
07-Aug-25	19,000	14,295
30-Jun-25	19,500	19,410
12-May-25	17,500	14,775
07-Apr-25	17,000	10,585
24-Mar-25	18,000	14,040
31-Jan-25	20,000	15,470
10-Jan-25	21,500	15,655
21-Nov-24	24,500	17,280
31-Oct-24	28,500	23,475
02-Oct-24	30,000	22,785
07-Aug-24	34,000	22,170
10-May-24	33,000	40,940
30-Apr-24	30,000	34,600
21-Mar-24	26,500	43,060
13-Mar-24	25,500	38,270
04-Jan-24	22,500	35,220
25-Nov-23	21,000	30,970
05-Oct-23	19,500	22,890

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

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