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Semiconductor Production Equipment | Japan

SEMICON Taiwan Day 1 – Takeaways from SiPh Seminar

On the first day of SEMICON Taiwan 2026, we attended a seminar focused on silicon photonics. Below we summarize the presentations, particularly those related to testing, an area closely connected to Advantest.

SEMICON Taiwan 2026, the international semiconductor equipment exhibition, opened on August 31 (pre-event forums held on August 31–September 1, exhibition running September 2–4). On August 31, we attended the Silicon Photonics Global Summit, where industry participants delivered presentations focused on silicon photonics. Fifteen companies presented, including Advantest, ficonTEC (unlisted), and Lightmatter (unlisted).

Testing is the key challenge for CPO (Co-Packaged Optics) mass production: One of the most notable observations was that multiple speakers identified testing as a key challenge for silicon photonics (SiPh). References to testing came not only from test system vendors such as Advantest, but also from foundries and OSATs, suggesting broad consensus across the supply chain regarding the importance of testing.

Testing is becoming increasingly complex in SiPh: The rapid growth in demand for Advantest's testers in recent years has been driven by the adoption of advanced packaging technologies such as CoWoS for XPUs and the resulting increase in testing complexity. In SiPh, optical engines are packaged together with XPUs and HBM, further increasing testing complexity. The key challenge for SiPh devices is manufacturability, namely achieving high yields at an economical cost. Testing requirements are becoming more demanding in areas such as alignment accuracy, automation, and expertise in handling data that extends beyond traditional electrical testing.

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SEMICONDUCTOR PRODUCTION EQUIPMENT
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Industry View **Attractive**

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Future testing demand is seen as enormous: ficonTEC, which supplies testing systems for SiPh, stated that the next 5 years will require more capacity than the company has delivered over the past 25 years combined. The company has shipped a cumulative 2,000 systems over the last 25 years, but plans to ship 1,000 systems, or half that amount, within the next 1–1.5 years. This highlights the sharp increase in testing demand for SiPh applications.

Shift-left trend: For CPO testing, the following Insertion 1–4 testing processes are envisioned. As assembly progresses through later stages, scrap costs rise due to the increasing value added to the assembly. As a result, securing a Known Good Optical Engine as early as possible is critical. According to Advantest's presentation, Insertion 1 and Insertion 2 are receiving increasing emphasis.

- Insertion 1: Separate single-sided wafer testing of EIC (electronic integrated circuit) wafers and PIC (photonic integrated circuit) wafers
- Insertion 2: Double-sided wafer testing after hybrid bonding of PIC wafers and EIC dies
- Insertion 3: Optoelectrical testing of the optical engine
- Insertion 4: Final test after packaging

Challenges in PIC testing: In particular, Insertion 2 faces challenges related to wafer warpage and alignment with the FAU (fiber array unit). Alignment requirements are especially stringent: while EIC precision requirements are measured in microns, PIC requirements fall below one micron. In addition, fiber connector standards have not yet been unified across the industry, further increasing handling complexity.

Large-scale mass production remains some way off: Regarding CPO testing, Advantest stated in February that it expected an "HVM Ramp by mid-2027", and indicated in the latest presentation that its goal is to complete "HVM qualification" by mid-2027. Meanwhile, Lightmatter suggested that NPO (Near Packaged Optics) will remain in use through 2027, with migration toward CPO accelerating from late 2028 onward.

Testing remains a challenge, but migration to CPO appears inevitable: Multiple companies across the supply chain, including Lightmatter, identified testing as a key obstacle to large-scale production. At the same time, there was unanimous agreement that CPO will become an essential technology going forward given requirements for lower power consumption, greater bandwidth, and lower latency. Our overall impression was that participants across the ecosystem are actively working together to address the remaining challenges.

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Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1555	42%	450	48%	29%	767	44%
Equal-weight/Hold	1577	43%	395	42%	25%	770	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	559	15%	93	10%	17%	216	12%
Total	3,694		939			1754	

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

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DISCO (6146.T)	O (07/07/2023)	¥58,120
Ebara (6361.T)	O (12/04/2024)	¥4,681
JEOL (6951.T)	E (07/08/2025)	¥7,074
KOKUSAI ELECTRIC (6525.T)	O (12/19/2025)	¥8,787
Lasertec (6920.T)	U (07/28/2025)	¥33,640
Nikon (7731.T)	U (08/08/2023)	¥1,930
SCREEN Holdings (7735.T)	O (11/13/2025)	¥13,600
Tekscend Photomask (429A.T)	E (11/18/2025)	¥3,760
Tokyo Electron (8035.T)	O (12/19/2025)	¥56,440
Ulvac (6728.T)	E (01/17/2024)	¥7,496
Ushio (6925.T)	O (01/05/2026)	¥3,889

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