Morgan Stanley | MUFG

UPDATE

*September 9, 2026 10:56 AM GMT*

## Semiconductor Production Equipment | Japan

# Discontinuation of Coverage

Effective immediately, we are discontinuing coverage of the companies listed below due to a reallocation of resources. All prior research on these companies should no longer be relied upon.

Ulvac (6728.T)

Our final investment rating is Equal-weight and our final PT is ¥8,100: We had rated the stock EW for the following reasons: In light of Ulvac's focus on improving profitability, efforts to grow the semiconductor/electronic component manufacturing equipment business appear to be gradually bearing fruit, with scope for further upside. Meanwhile, the firm relies heavily on FPD manufacturing equipment for sales and lags behind SPE peers in terms of profitability while also having a relatively low growth potential in the medium term.

Ushio (6925.T)

Our final investment rating is Overweight and our final PT is ¥4,900: We had rated the stock OW for the following reasons: With the substrate industry entering an investment upcycle, we expect the back-end lithography systems business to expand. In the light sources business too, the company looks set for profitability improvement ahead following the acquisition of competitor OSRAM.


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**SEMICONDUCTOR PRODUCTION EQUIPMENT**
**Japan**
Industry View **Attractive**

investors should be aware that the firm may have a conflict of

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# Valuation Methodology and Risks

**Ulvac (6728.T)**

Our price target of ¥8,100 is based on F6/28e EPS of ¥572.9 and a P/E of 14.2x.

Since the percentage of profits from SPE exceeds 60%, we set the EPS base year to F6/28, in line with SPE makers such as Tokyo Electron.

Given the relatively high reliance on FPD production equipment with low market growth, we use the 60-month forward average P/E for Mar 2018-Feb 2023, which is lower than that of peers.

**Risks to Upside**

Recovery in electronic device demand driven by more stable political and economic conditions, launch of large businesses (OLED deposition/battery production equipment), resumption of 3D-NAND investment by major memory makers.

**Risks to Downside**

Prolonged slump in electronic device demand, further FPD capex postponement/cancellation, weaker growth in China high-tech market due to deeper US-China trade issues.

**Ushio (6925.T)**

We use a SOTP valuation framework. For the Industrial Process segment, we apply the average forward P/E of six major substrate manufacturers (Ibiden, SEMCO, Unimicron, AT&S, NYPCB, and Kinsus). For the remaining segments, we apply a target P/E in line with the forward P/E of the TSE Prime Market.

**Risks to Upside**

- A prolonged upcycle in the package substrate industry.
- Increased investment in advanced packaging by major MPU manufacturers.
- Large-scale share buybacks.

**Risks to Downside**

- Weak demand for consumer electronics such as smartphones.
- Delays in the rollout of advanced packaging technologies by major MPU vendors.