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Investor Presentation | Japan

Semiconductor Production Equipment: Tech Monthly Sep 2026

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SEMICONDUCTOR PRODUCTION EQUIPMENT

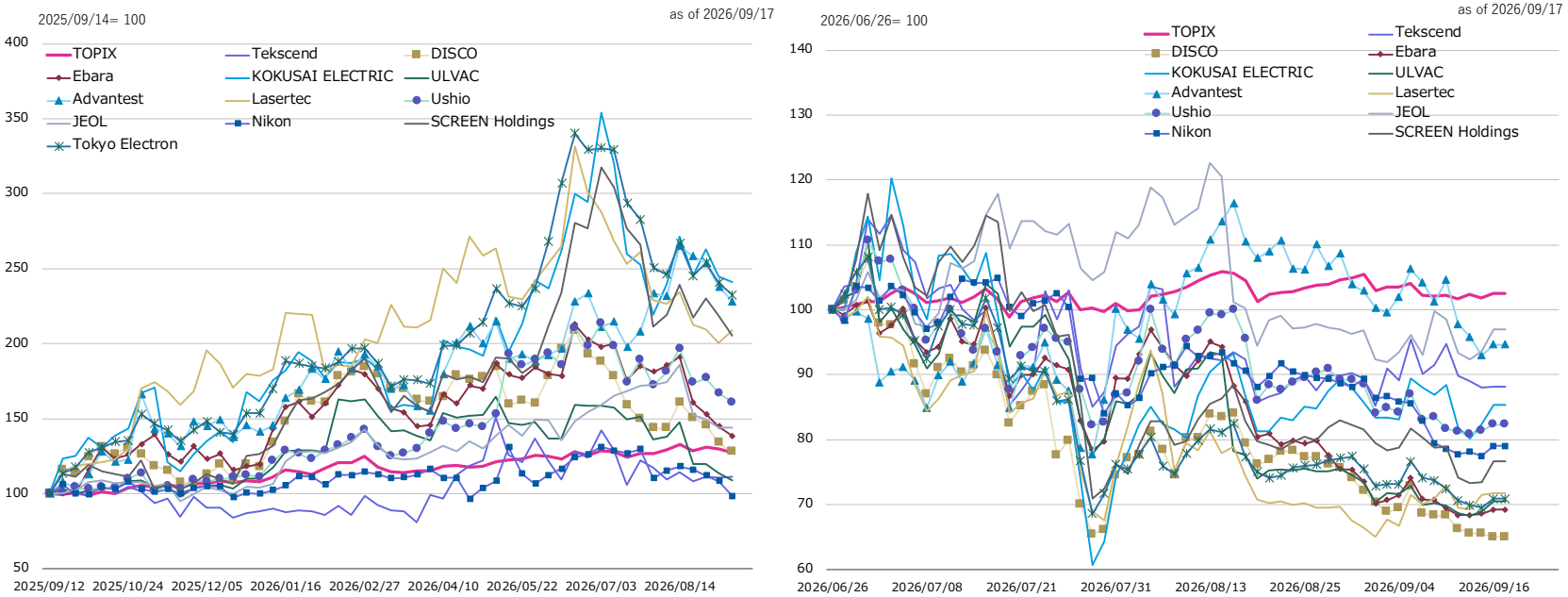
Japan
Industry View **Attractive**

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Stock price performance



Source: FactSet data, Morgan Stanley Research

Stock performance and valuations

			Rating	Share price						Valuation												
				(LC)	(LC)	Performance				Cons PE (x)			Cons EV/EBITDA (x)			Cons PBR (x)			Cons Div. yield		
			MS	Last close	MS PT	YTD	3m	1m	11/20 ~	F1	F2	F3	F1	F2	F3	F1	F2	F3	F1	F2	F3
Semiconductor Production Equipment (Japan)																					
8035	JP	Tokyo Electron	OW	51,690	65,000	50.6%	-27.1%	-12.6%	59.0%	30.5	22.0	17.7	21.2	16.0	13.0	9.6	7.9	6.5	1.6%	2.2%	2.8%
7735	JP	SCREEN Holdings	OW	12,670	17,000	66.3%	-15.4%	-11.2%	95.5%	20.4	15.5	13.2	12.5	9.8	8.5	4.3	3.6	3.1	1.5%	2.0%	2.3%
6525	JP	Kokusai Electric	OW	8,512	8,300	54.9%	-12.7%	-7.3%	101.7%	35.2	24.4	18.8	21.2	15.6	12.4	7.8	6.5	5.3	0.7%	1.1%	1.4%
6146	JP	DISCO	OW	51,000	78,000	5.9%	-37.5%	-22.1%	7.9%	29.6	23.9	20.2	19.8	16.4	14.1	7.9	6.5	5.6	1.3%	1.6%	2.1%
6857	JP	Advantest	OW	30,700	36,000	56.4%	1.2%	-16.7%	47.3%	33.0	25.7	21.3	24.5	19.4	16.2	17.9	11.9	8.5	0.4%	0.6%	0.9%
6361	JP	Ebara	OW	4,300	7,100	16.7%	-31.0%	-26.6%	11.3%	19.6	16.2	13.6	11.8	9.3	7.9	3.4	3.0	2.7	1.8%	2.1%	2.6%
6920	JP	Lasertec	UW	35,750	36,000	20.6%	-23.2%	-7.9%	27.9%	31.6	23.4	19.5	21.9	16.6	13.8	10.2	7.9	6.0	1.1%	1.4%	1.8%
6951	JP	JEOL	EW	7,119	7,100	41.5%	6.7%	-19.5%	53.3%	17.2	13.8	12.4	10.3	8.2	7.4	2.2	2.0	1.8	1.8%	2.3%	2.2%
7731	JP	Nikon	UW	1,730	1,100	-0.8%	-17.6%	-15.4%	-0.4%	52.0	25.7	19.4	11.9	9.2	8.0	1.0	0.9	0.9	1.2%	1.9%	2.0%
429A	JP	Tekscend	EW	3,670	4,600	21.1%	-12.5%	-4.4%	17.3%	13.9	12.8	11.1	6.2	5.4	4.7	1.9	1.7	1.6	1.9%	2.0%	2.3%
PLAB	US	Photronics (Not covered)	NA	28	NA	-13.0%	-8.5%	-16.4%	37.3%	13.9	13.6	12.7	NA	NA	NA	NA	NA	NA	NA	NA	NA
Semiconductor Capital Equipment (North America)																					
LRCX	US	Lam Research	OW	269	367	57.3%	-27.1%	-19.0%	92.9%	28.4	22.7	19.4	23.3	19.0	16.5	18.1	12.5	9.6	0.4%	0.5%	0.6%
AMAT	US	Applied Materials	EW	415	642	61.6%	-26.9%	-18.1%	88.6%	32.4	22.2	17.0	28.0	18.7	14.8	12.0	9.3	7.4	0.5%	0.5%	0.6%
KLAC	US	KLA Corp	OW	167	253	37.7%	-29.5%	-17.8%	51.8%	30.5	25.0	20.8	25.2	20.7	17.7	23.8	20.8	14.2	0.6%	0.6%	0.8%
TER	US	Teradyne	EW	341	397	76.3%	-16.7%	-18.5%	118.8%	37.0	29.1	22.1	29.9	22.9	17.1	13.7	10.2	7.8	0.2%	0.1%	0.2%
Mid Small Cap/Manufacturer (Japan):																					
7729	JP	Tokyo Seimitsu	OW	16,505	22,000	48.6%	-14.0%	-13.8%	52.3%	21.1	17.1	14.7	12.5	10.6	9.2	3.2	2.8	2.5	1.9%	2.4%	2.8%
6315	JP	Towa	EW	2,140	3,200	-0.5%	-28.3%	-14.8%	-15.0%	19.0	14.5	12.2	10.6	8.5	7.3	2.1	1.9	1.7	1.1%	1.3%	1.4%
Semiconductors (Japan)																					
285A	JP	Kioxia Holdings	OW	50,780	110,000	386.6%	-46.4%	-5.5%	348.0%	4.9	3.5	2.9	3.4	2.5	2.3	4.5	2.3	1.4	1.2%	2.3%	3.9%

Note: Data as of September 16 market close. Prices and price targets are in Japanese yen except for Teradyne, Applied Materials, Lam Research, KLA and Photronics, which are in US dollars. Tokyo Seimitsu and Towa are covered by Yoshihito Hasegawa. Koixia Holdings is covered by Kazuo Yoshikawa. Teradyne, Applied Materials, Lam Research, and KLA are covered by Shane Brett; NA = No data found on FactSet/Morgan Stanley Research. Photronics is not covered; Japan Semiconductors: In-Line
Mid Small Cap/Manufacturer (Japan): In-Line, Semiconductor Capital Equipment (North America): In-Line
Source: FactSet, Morgan Stanley Research; Cons = based on FactSet Consensus; MSe = Morgan Stanley Research estimates

SEMICON Taiwan Day 1 – Takeaways from SiPh Seminar

- **Testing was consistently highlighted as a key bottleneck for SiPh/CPO commercialization**, with concerns shared across the supply chain including foundries, OSATs, and test equipment vendors.
- **Testing complexity is increasing as optical engines, XPUs, and HBM become more tightly integrated**, creating higher requirements for alignment accuracy, automation, and yield management.
- **Industry participants expect a significant expansion in testing demand**. ficonTEC indicated that the next five years could require more capacity than it delivered over the previous 25 years combined.
- **The industry is placing greater emphasis on early-stage ("shift-left") testing** to identify defects sooner and reduce the cost impact of failures later in the manufacturing process.
- **While mass production of CPO is still several years away, adoption appears inevitable**, driven by the need for higher bandwidth, lower power consumption, and reduced latency. Testing remains one of the most critical enablers of this transition.

SEMICON Taiwan Day 2 - Heterogeneous Integration Seminar Takeaways

- **AI compute growth is driving demand for advanced packaging technologies,** with AMD highlighting 3D stacking, PLP and optical interconnects as key enablers for improving system-level energy efficiency.
- **TSMC continues to push CoWoS scaling,** achieving 98%+ yields on 5.5x-reticle CoWoS and targeting further expansion to larger reticle sizes over the next several years.
- **Panel-level packaging (PLP) is gaining momentum** as package sizes increase, with larger panel formats expected to improve manufacturing efficiency and create opportunities for advanced lithography equipment suppliers.
- **Hybrid bonding remains a critical technology for future semiconductor packaging,** with CMP identified as one of the most important technical challenges for achieving finer-pitch interconnects.
- **HBM is an important future application for hybrid bonding,** although SK hynix indicated that cost-effective MR-MUF technologies will remain the primary solution in the near term while hybrid bonding development continues.

SEMICON Taiwan Day 3 - IR Tech Talk

- **TEL acknowledged recent market share losses and emphasized more disciplined R&D prioritization,** while continuing to pursue opportunities to expand its served available market (SAM).
- **Deposition is a major focus area for future growth,** with TEL developing new technologies for CFET-era gap filling and next-generation interconnect structures, including Ru and air-gap integration.
- **Etch remains one of TEL's strongest growth opportunities**, particularly through cryogenic etchers for high-aspect-ratio NAND applications and increasing adoption of gas chemical etch in GAA manufacturing.
- **Advanced device architectures are creating new process requirements,** driving demand for technologies that enable higher aspect ratios, lateral processing, finer pitches, and lower power consumption.
- **Management highlighted multiple potential drivers for future share gains,** particularly in deposition and etch, although meaningful commercialization of some technologies may occur over a longer time horizon.

SEMICON Taiwan Days 4–5: Takeaways from Advanced Testing Forum and Booth Visits

- **Testing is increasingly becoming a bottleneck for AI/HPC semiconductors,** driven by growing complexity in die, package, and HBM testing. Industry participants broadly expect test intensity and demand to continue rising.
- **Thermal management is emerging as one of the most critical challenges in wafer testing,** prompting development of predictive temperature control and new die-level test approaches.
- **Probe card technology is facing growing technical hurdles,** including finer probe pitches, higher data rates, and increased power densities, requiring innovations in materials, signal integrity, and cooling solutions.
- **The industry continues to push testing earlier in the manufacturing flow ("shift-left")** to improve yields and reduce the financial impact of defects in increasingly expensive AI devices.
- **Equipment market conditions remain favorable,** with suppliers maintaining pricing power and reporting healthy demand, while companies such as Kokusai Electric and Lasertec highlighted positive business momentum.

HNA Volume Adoption and Large-mask Transition Gain Momentum (1)

- **High-NA EUV adoption timelines are becoming clearer.**

  Samsung announced plans to introduce High-NA EUV (HNA EUV) into DRAM mass production by 2028, which would represent the industry's first volume use of HNA EUV in DRAM. TSMC also provided clearer guidance, targeting HNA EUV adoption in mass production by 2030.

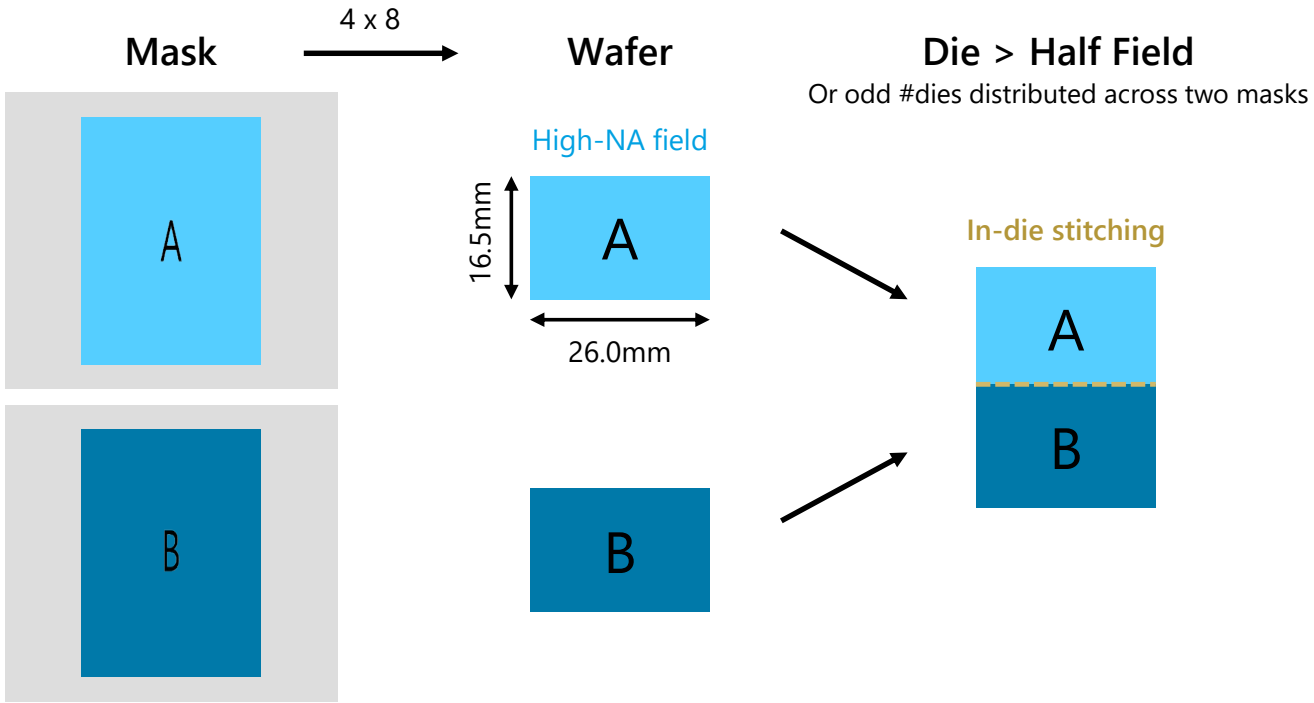
- **Industry support for large-mask migration is strengthening.**

  ASML and TSMC launched a joint initiative to develop 6x12-inch large masks, with Samsung also participating. The roadmap targets a pilot line by 2031 and mass-production readiness by 2033, signaling growing alignment among major leading-edge semiconductor manufacturers.

- **Positive implications for mask-equipment suppliers.**

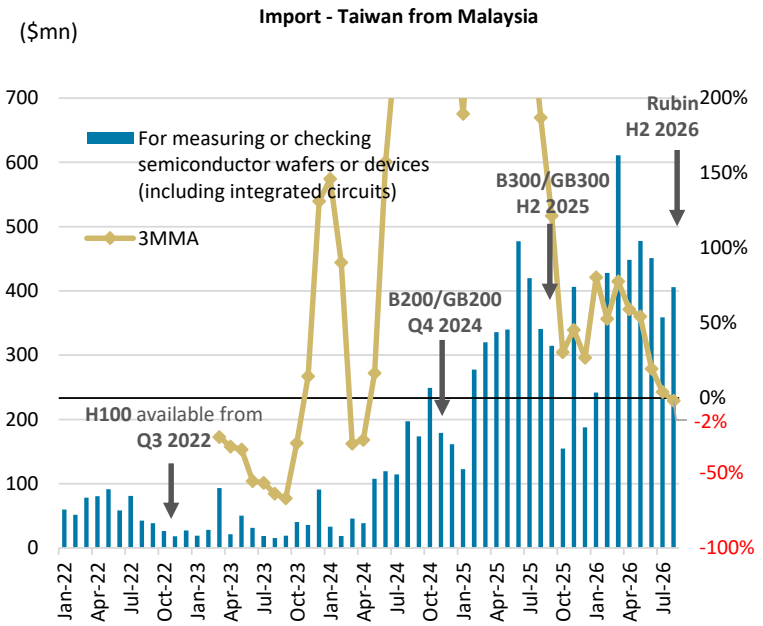
  We view both HNA EUV and large-mask adoption as long-term tailwinds for mask-related equipment. Demand should shift toward HNA-compatible inspection and mask-writing tools, while large-mask adoption will require new mask-manufacturing infrastructure. However, given the long implementation timelines, we do not expect any impact on Lasertec's order guidance for the current fiscal year.

HNA Volume Adoption and Large-mask Transition Gain Momentum (2)

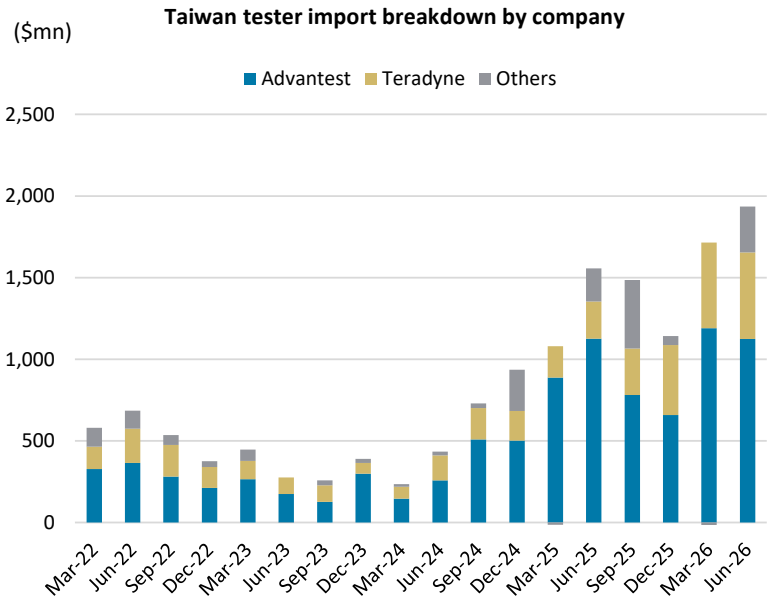


Source: imec, ASML, Morgan Stanley Research

Taiwan test-related equipment imports from Malaysia

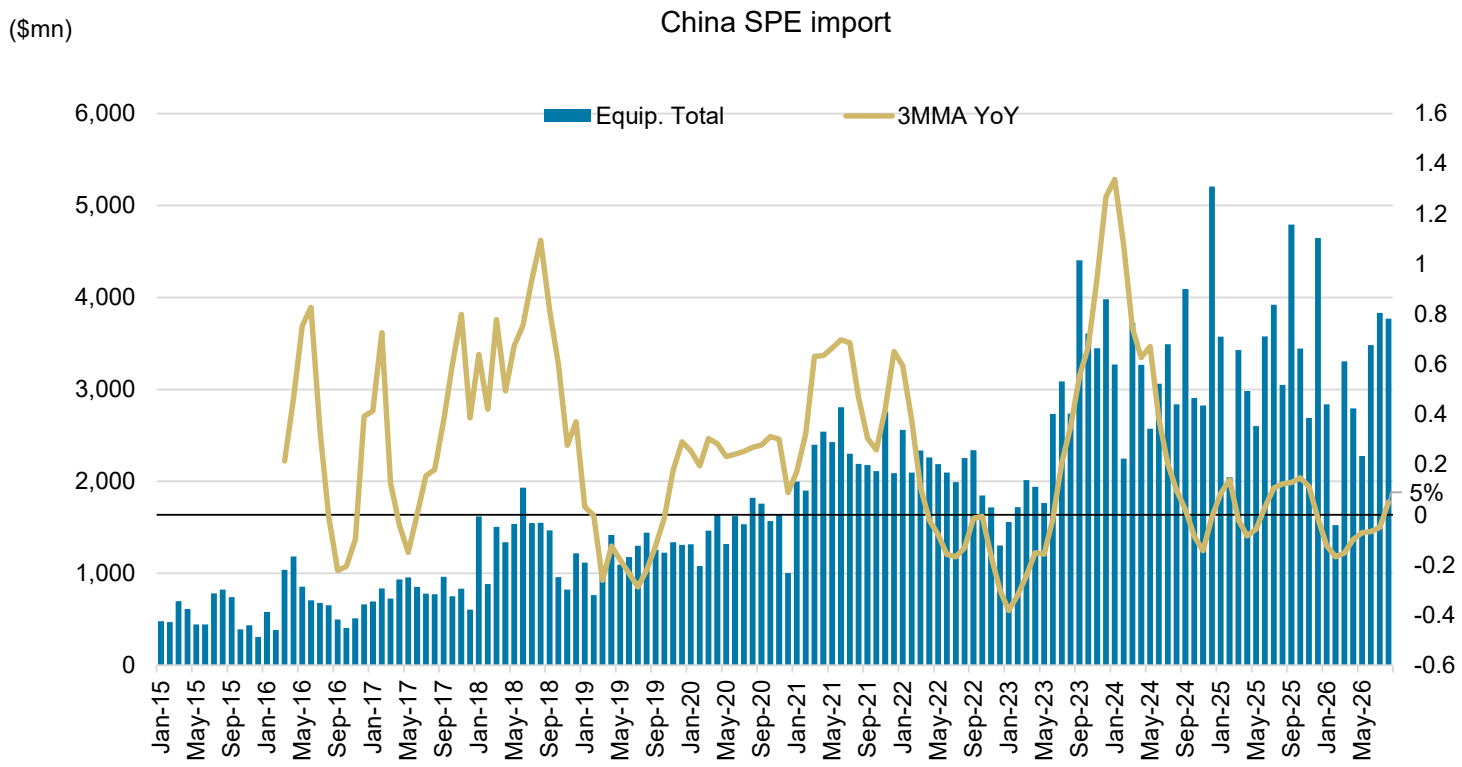


Source: Ministry of Economic Affairs, R.O.C., Morgan Stanley Research



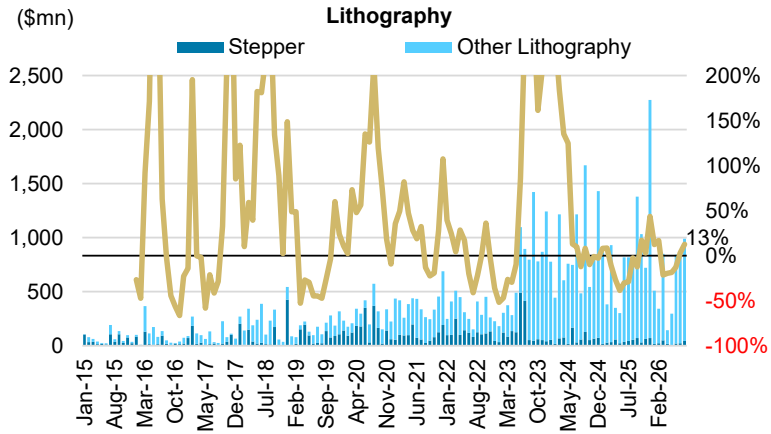
Note: The bar shows Taiwan testing equipment import from Malaysia. Blue (Advantest) and yellow (Teradyne) shows quarterly sales to Taiwan of each company. The sum of blue and yellow may not reconcile with total due to shipment and revenue recognition timing and other factors.
Source: Ministry of Economic Affairs, R.O.C., Company data, Morgan Stanley Research

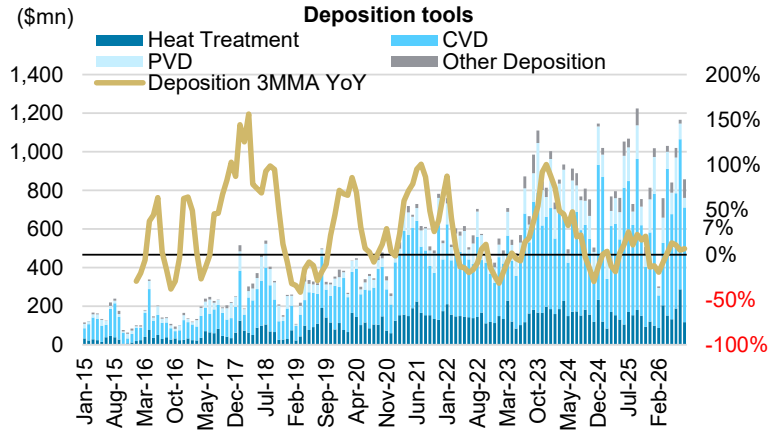
China monthly SPE import data: Aug +5% YoY, 3MMA

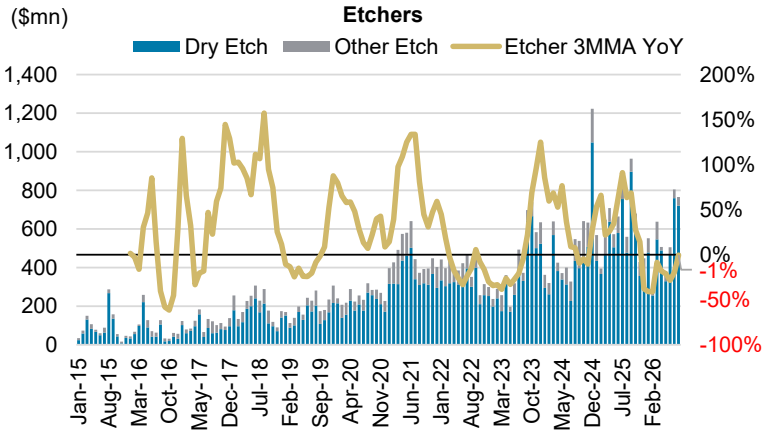


Note: Data excludes handling equipment and components
Source: General Administration of Customs of the People's Republic of China, Morgan Stanley Research

China monthly SPE import data

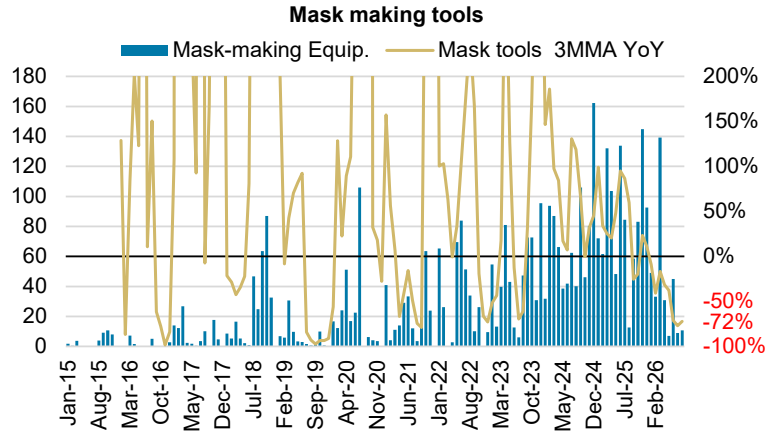


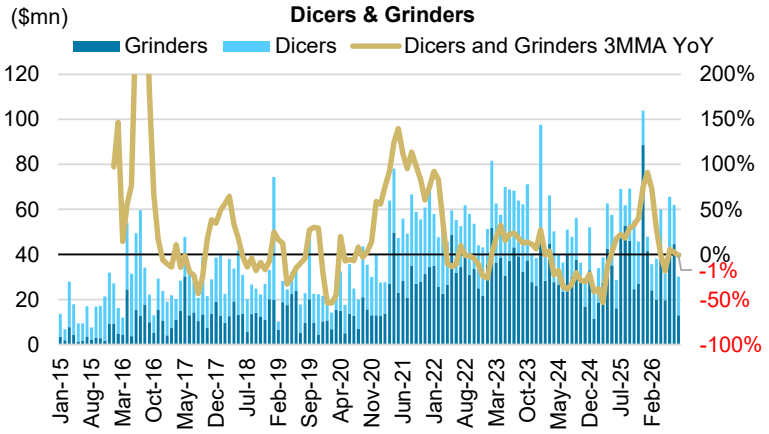


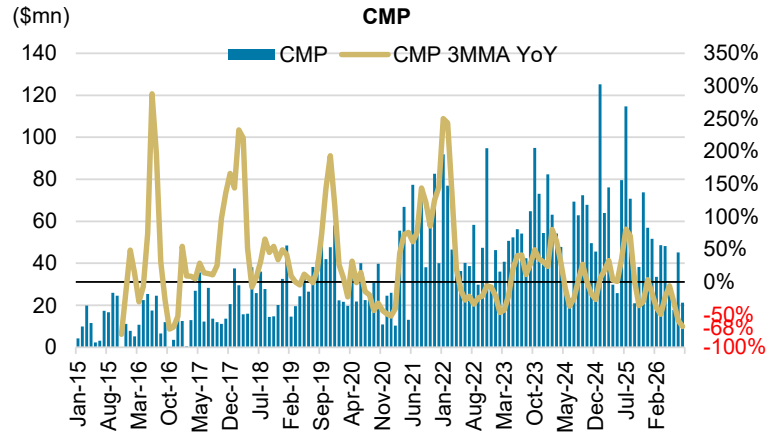


Source: General Administration of Customs of the People's Republic of China, Morgan Stanley Research

China monthly SPE import data

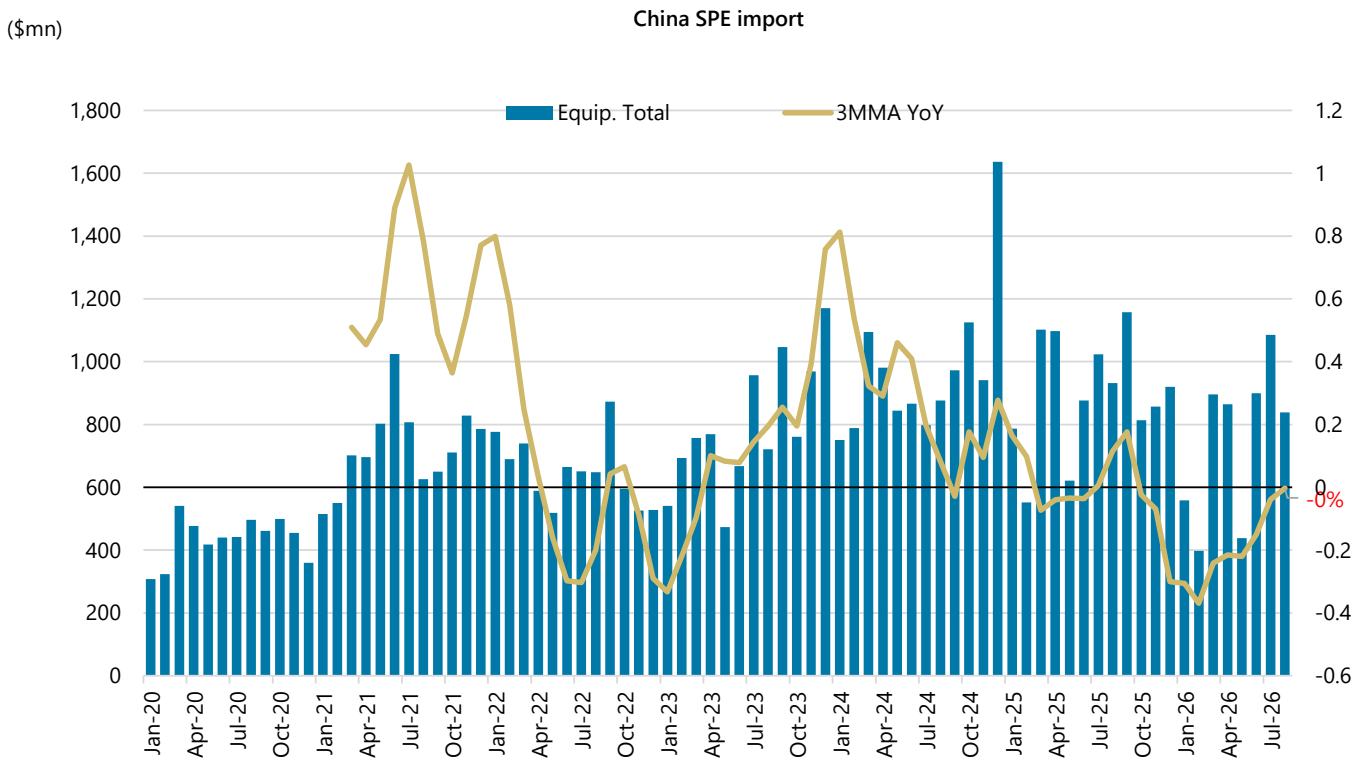






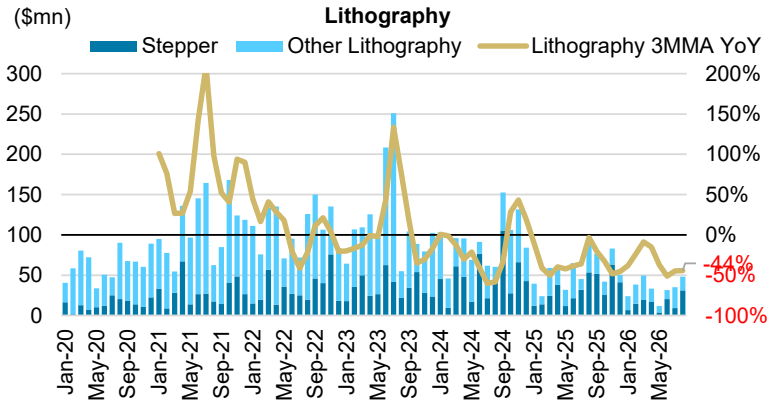
Source: General Administration of Customs of the People's Republic of China, Morgan Stanley Research

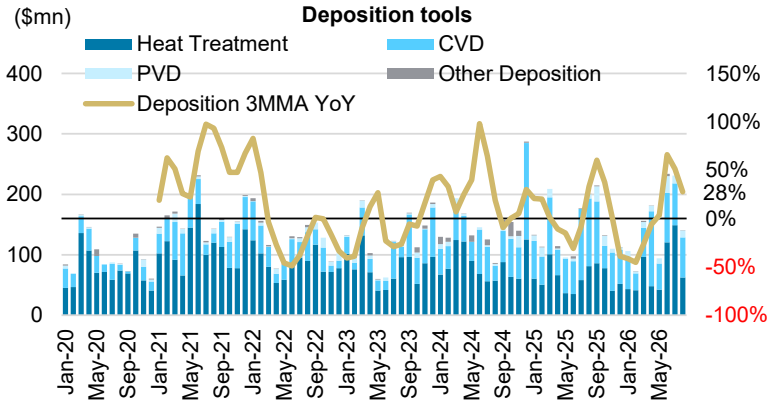
China monthly SPE imports from Japan: Aug -0% YoY, 3MMA

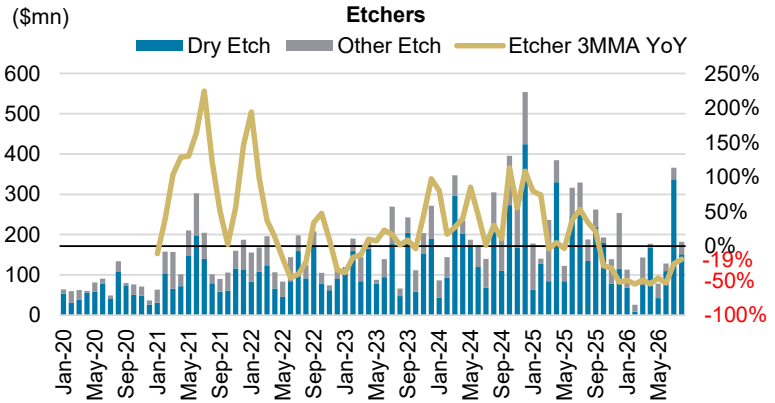


Note: Data excludes handling equipment and components
Source: General Administration of Customs of the People's Republic of China, Morgan Stanley Research

China monthly SPE imports from Japan

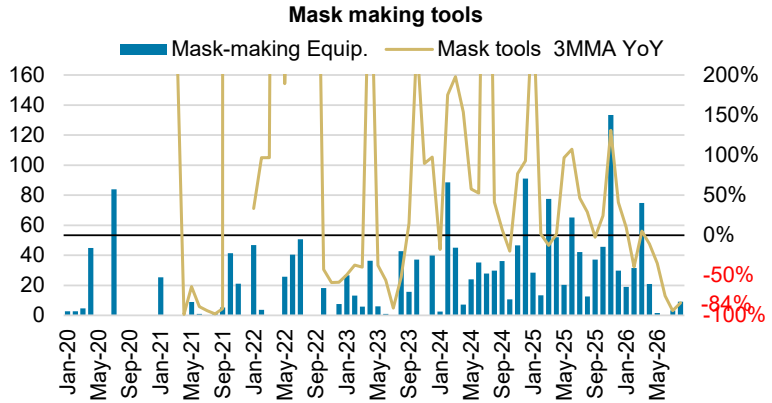


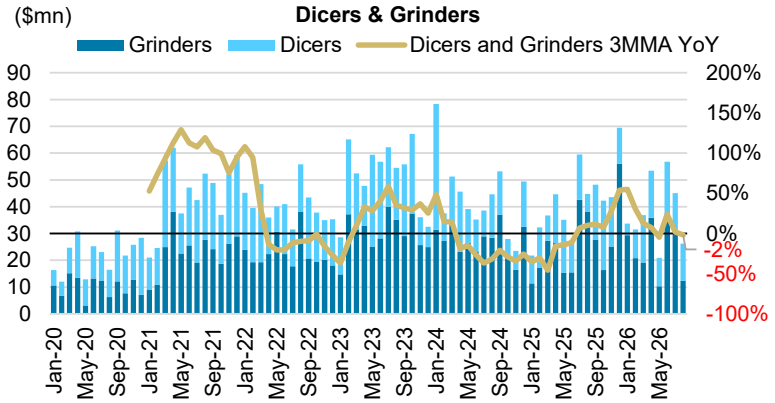


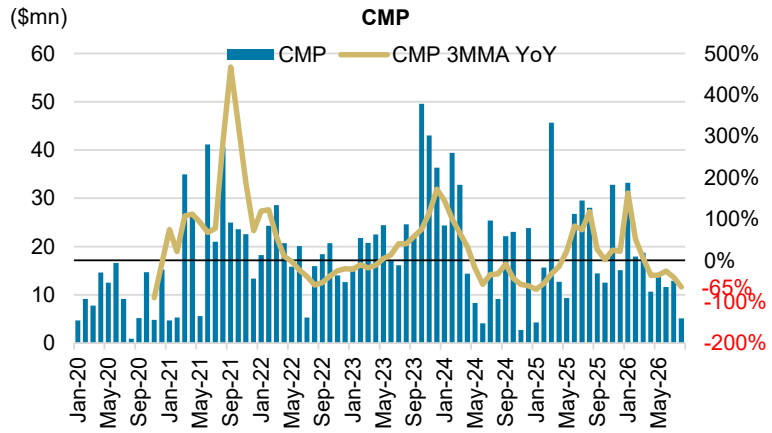


Source: General Administration of Customs of the People's Republic of China, Morgan Stanley Research

China monthly SPE imports from Japan

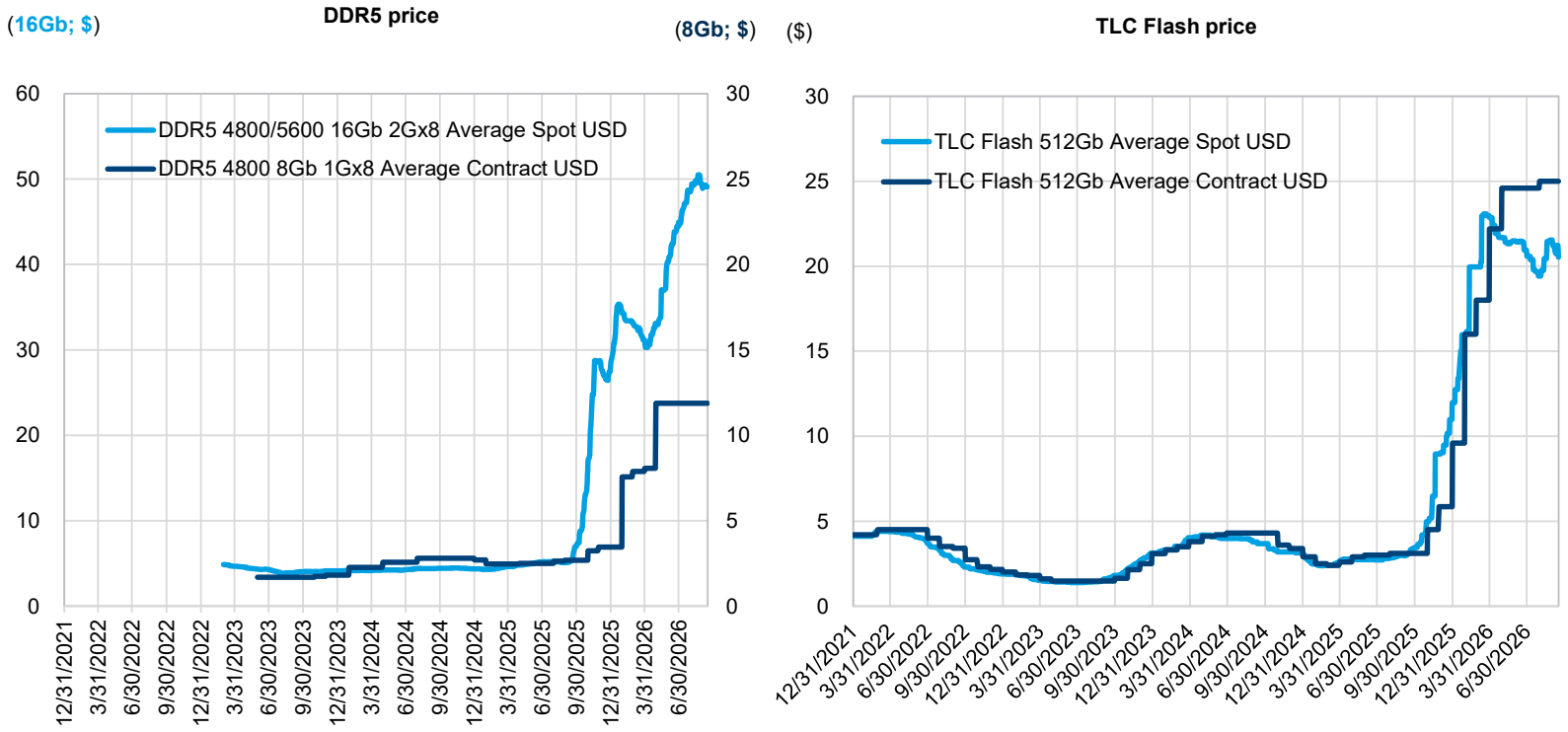






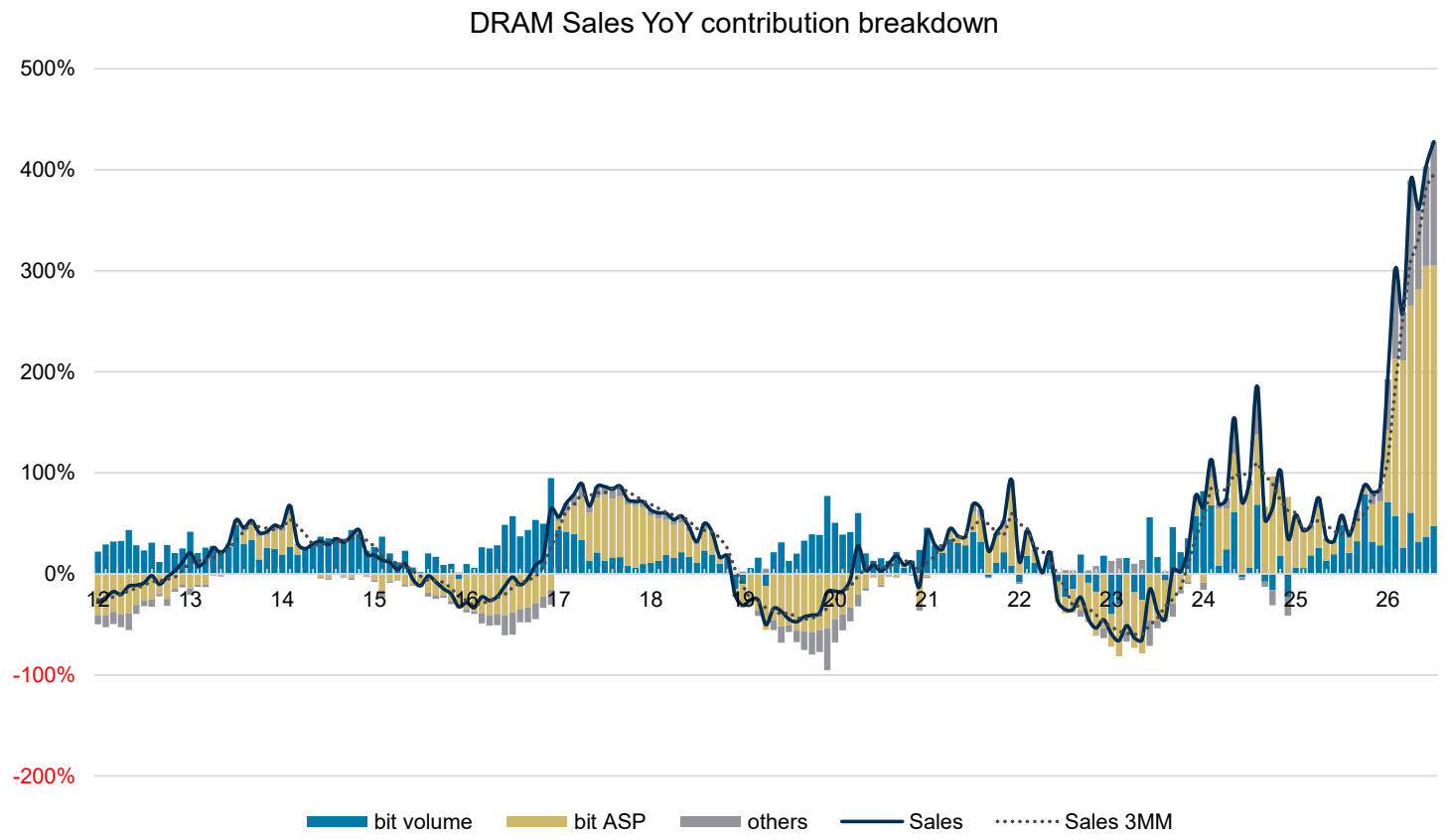
Source: General Administration of Customs of the People's Republic of China, Morgan Stanley Research

Memory price trends



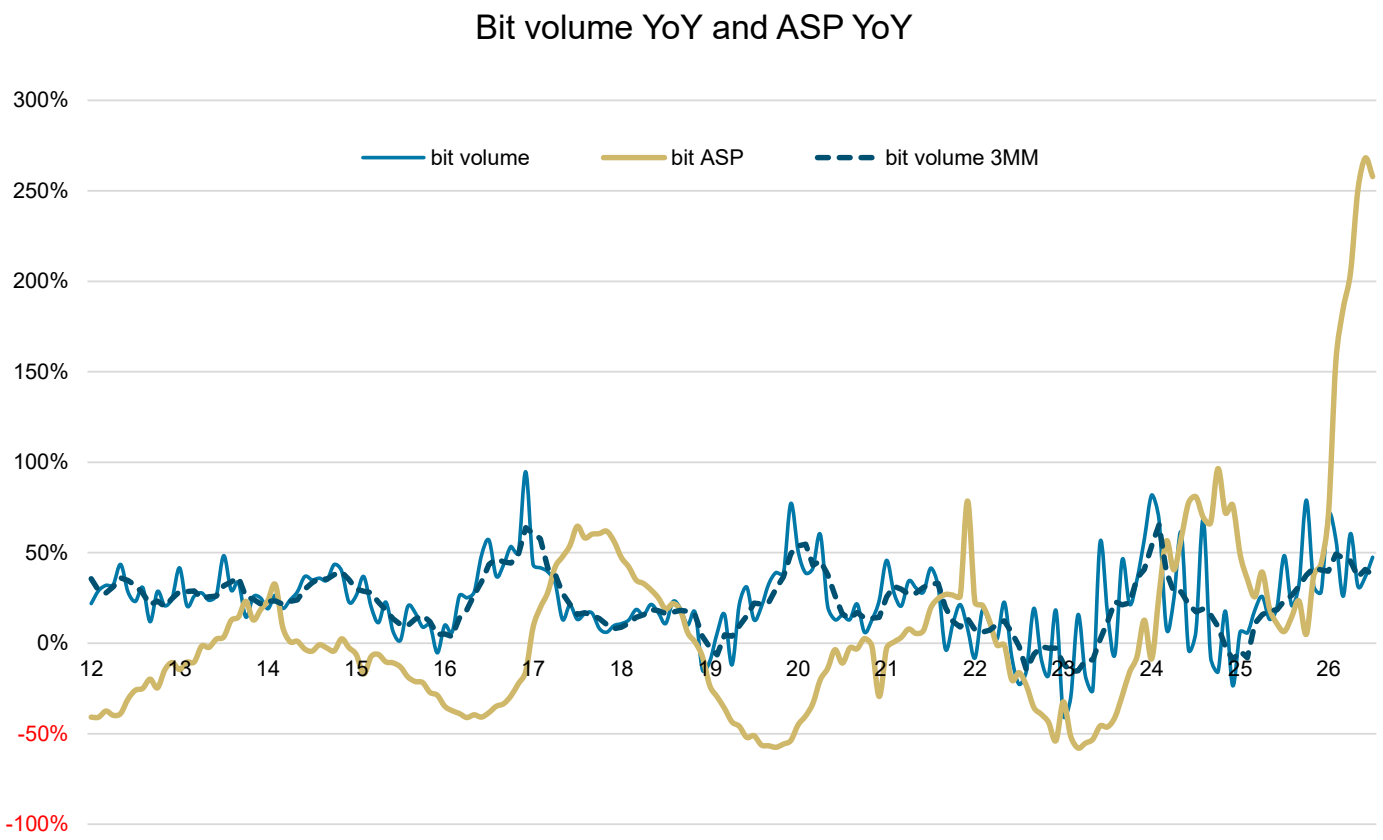
Source: FactSet, Morgan Stanley Research

DRAM YoY growth



Source: WSTS, Morgan Stanley Research

DRAM bit shipment and ASP YoY growth



Source: WSTS, Morgan Stanley Research

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(as of August 31, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
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.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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INDUSTRY COVERAGE: Semiconductor Production Equipment

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/18/2026)
Suzune Tamura, CFA		
Advantest (6857.T)	O (01/17/2024)	¥32,050
DISCO (6146.T)	O (07/07/2023)	¥52,420
Ebara (6361.T)	O (12/04/2024)	¥4,323
JEOL (6951.T)	E (07/08/2025)	¥7,263
KOKUSAI ELECTRIC (6525.T)	O (12/19/2025)	¥8,884
Lasertec (6920.T)	U (07/28/2025)	¥39,090
Nikon (7731.T)	U (08/08/2023)	¥1,746
SCREEN Holdings (7735.T)	O (11/13/2025)	¥12,805

Tekscend Photomask (429A.T)	E (11/18/2025)	¥3,770
Tokyo Electron (8035.T)	O (12/19/2025)	¥53,110

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