Japan SPE: TSMC results read-across: Demand strengthening further, continues to significantly exceed supply

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TSMC (covered by our Asia technology analyst Evelyn Yu), the world's largest foundry, held its 3Q FY12/26 (Jul-Sep) earnings call from 15:00 JST on October 15. We summarize the key points below, focusing mainly on the current business environment, capex outlook, and read-across for Japanese SPE makers.

Demand environment centered on AI

TSMC raised its 2026 sales outlook again to +44% yoy, from its forecast of growth of slightly over +40% yoy provided at 2Q results. Management explained that in addition to customer discussions, factors such as hyperscaler capex, data center construction progress, and the availability of power and components, all indicate that demand for advanced processes—mainly for AI applications—is strengthening further, and as such, demand continues to significantly exceed supply. TSMC previously projected a high-50s percentage CAGR for AI accelerator sales (excluding CPUs) from 2024 to 2029, but it noted that the actual figure is likely to exceed expectations given the robust demand.

Capex outlook

TSMC maintained its 2026 capex guidance of USD60 bn-USD64 bn. With cumulative 1Q-3Q capex standing at USD40.6 bn, spending is expected to increase significantly in 4Q. The company reiterated its view that capex in 2026-2028 will be substantially higher than over the past three years, though quantitative guidance for 2027 and beyond was not provided. In addition, preparations have begun for the production of the A14 process node, which succeeds N2, and the company reconfirmed its original timeline of commencing risk production in 2027 and entering mass production in 2028. It also indicated that it expects demand for A14 to be even larger in scale than for N2.

Read-across for Japanese SPE makers

While we saw little in this earnings release that would significantly alter expectations for capex or equipment demand, we still believe the repeated emphasis on the strength of demand by TSMC—which holds a dominant share in AI semiconductors—represents an overall positive implication for equipment demand over the next few years. Although market sentiment toward SPE stocks is less than positive at present, we continue to favor stocks poised to achieve above-sector-average sales growth driven by idiosyncratic factors, face no particular capacity constraints, and are

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positioned for margin expansion. We reiterate our Buy ratings on **Lasertec (on CL), Disco, Tokyo Electron, and Ebara.**

