Passive Components

#AI#EV#Hardware

Companies: Murata, Taiyo Yuden, TDK, Yageo, Walsin Technology, Hollystone, PSA, Nippon Chemi-con & SEMCO

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Rippling Effect of Capacity Shift Will be Large

Murata's potential 10-20% capacity shift could remove JPY100-200bn of supply from commodity MLCCs—roughly equivalent to the combined FY25 MLCC sales of Yageo and Walsin Tech. We believe this could tighten supply, trigger price hikes first among Asian suppliers, and ultimately force Japanese suppliers to reconsider pricing strategy. Even excluding price hikes, we forecast Murata/Taiyo Yuden OP to grow at 50%/90% CAGRs to JPY1tr/JPY140bn by FY3/29. We raise our Murata/Taiyo Yuden TPs to JPY15,000/JPY23,000, based on 35x/30x FY3/29 PER. We believe Yageo will be a major beneficiary in high voltage and commodity MLCC.

From 30% to 80% CAGR for data center MLCC demand

Our checks indicate Murata's upgrade to its FY25-30 data center MLCC growth outlook—from 30% to 80%—reflects larger-than-expected CSP spending, higher Vera Rubin MLCC content (2x volume), and especially TPU demand for training. Non-data center demand is also picking up on allocation fears. March MLCC orders at Murata and Taiyo Yuden hit historical highs, and we expect momentum to continue in 1QFY26 on potential price increases and shortage concerns. Current FY26 MLCC order books are already 70% above FY25 production, based on our checks.

Data centers soaking up capacity

Data center MLCCs consume roughly 10x the capacity of commodity MLCCs because their higher capacitance requires larger sizes and more layers. Lower yields for high-end products such as X6S and X7R further amplify the capacity burden, as we believe that even Murata's yield rate hovers at only 70% level. Despite unprecedented demand growth for a single MLCC application, suppliers remain reluctant to expand capacity beyond current 10-15% plans. We think this will be insufficient for FY27 and beyond, when data centers could become the largest MLCC end market at 40% of demand.

Capacity shift will have a large impact on supply/demand

We believe Murata is considering a 10-20% capacity shift. Given its ~JPY1tr in annual MLCC sales, this could remove JPY100-200bn of capacity from commodity MLCCs—roughly equal to the combined FY25 MLCC sales of Taiwan's two largest suppliers, Yageo and Walsin Technology. Yageo's MLCC utilization is now around 75%, but its B/B ratio has surged to 1.3, implying utilization could exceed 90% by 4QFY26. Murata's shift could create a supply vacuum, push up spot prices, and eventually prompt Asian suppliers to raise prices as demand accelerates.

Japanese companies will need to reconsider pricing strategy

Murata remains reluctant to raise prices (Taiyo Yuden basically follows), given its focus on long-term customer relationships. However, if industry-wide price hikes emerge, it may be unable to keep prices lower without triggering more orders than it can absorb. A widening price gap would also create arbitrage opportunities for distributors, which account for less than 10% of Murata sales but remain meaningful relative to Taiwanese suppliers' sales.

PEER VALUATION COMPARISON

	Murata	Taiyo Yuden	TDK	SEMCO	Yageo
Stock code	6981 JP	6976 JP	6762 JP	009150 KS	2327 TT
Rating	BUY	BUY	HOLD	Not Rated	Not Rated
M. Cap (US$ bn)	101.7	13.0	43.1	86.0	56.0
Share price (L.C.)	¥ 8,556	¥ 15,725	¥ 3,504	₩ 1,747k	TWD 855
TP (L.C.)	¥ 15,000	¥ 23,000	¥ 3,300	N.M.	N.M.
FY26E PER	43.4	66.9	28.5	97.4	47.6
FY27E PER	29.9	35.1	26.6	53.3	32.6
FY28E PER	20.4	20.9	25.2	38.7	23.8

Source: Bloomberg, Aletheia Capital/TAG

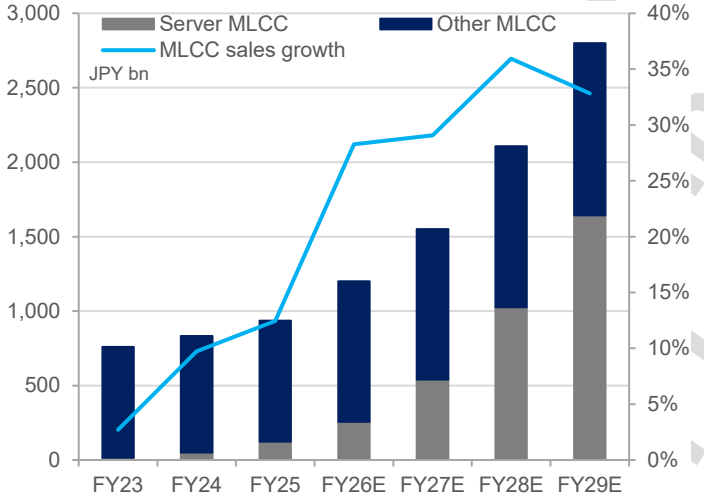
Data center MLCC demand – CAGR from 30% to 80%

We have written extensively on how a CAGR of 60-70% in the TDP (thermal design power) roadmap would drive a similar demand growth for decoupling MLCC (we had assumed a 50% CAGR for simplicity) as capacitance requirement is a function of delta change in current and spec change (the duration of transient response time and change in voltage droop).

Our checks indicate that Murata's recent upward revision of its outlook for data center growth (from 30% to 80% for FY25-30) is due to 1) larger-than-expected CSP spending; 2) larger-than-expected MLCC content for Vera Rubin (2x MLCC volume); and in particular 3) the MLCC content in TPUs, in particular TPUs for training purposes. Murata's forecast was also echoed by Taiyo Yuden at its small meeting post-FY3/26 results.

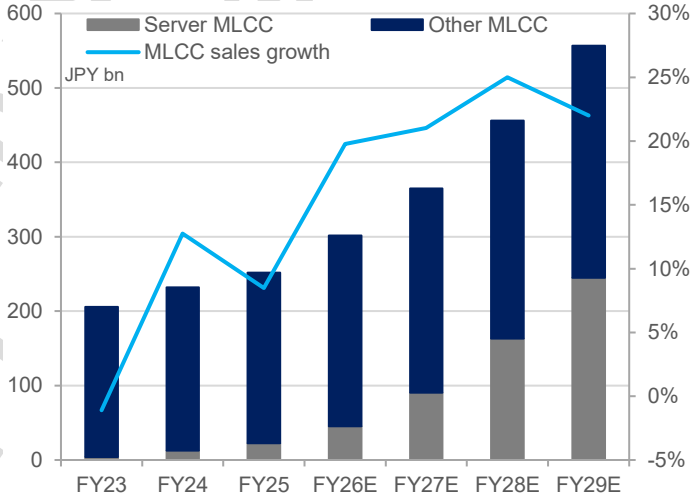
For FY26-27, we think the assumption for 80% is on the conservative side, as PSU and semiconductor suppliers have already guided for 100%+ growth. Furthermore, companies also indicate that growth guidance is constrained by supply rather than demand as each supplier is capped by the capacity availability. Based on an 80-90% CAGR for data center MLCC (we think Murata should grow faster due to its wider product portfolio in decoupling and powerline) and 8% CAGR for non-MLCC applications, the figures below are our MLCC forecasts for Murata and Taiyo Yuden. We estimate data centers will account for 50% of Murata's MLCC sales by FY28 from the low single digits in FY24.

FIGURE 1 – MURATA MLCC SALES BREAKDOWN AND YOY GROWTH



Source: Company data, Aletheia Capital/TAG

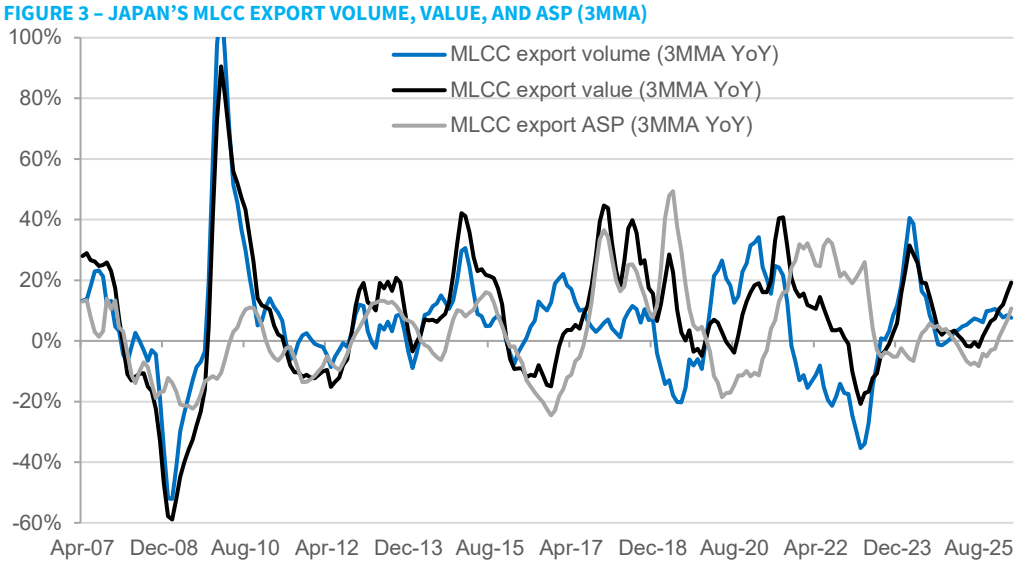
FIGURE 2 – TAIYO YUDEN SALES BREAKDOWN AND YOY GROWTH



Source: Company data, Aletheia Capital/TAG

Of Murata's guidance for 80-100% sales for data center MLCC in FY3/27, volume is expected to rise by 30%-40%, with the rest of 50-60% due to a mixed ASP change. As Vera Rubin begins to ramp and TPU production increases, data center MLCC growth should begin to accelerate in 2HFY. As a result, we should see a mixed ASP continue to trend up (Figure 4).

FIGURE 3 – JAPAN'S MLCC EXPORT VOLUME, VALUE, AND ASP (3MMA)



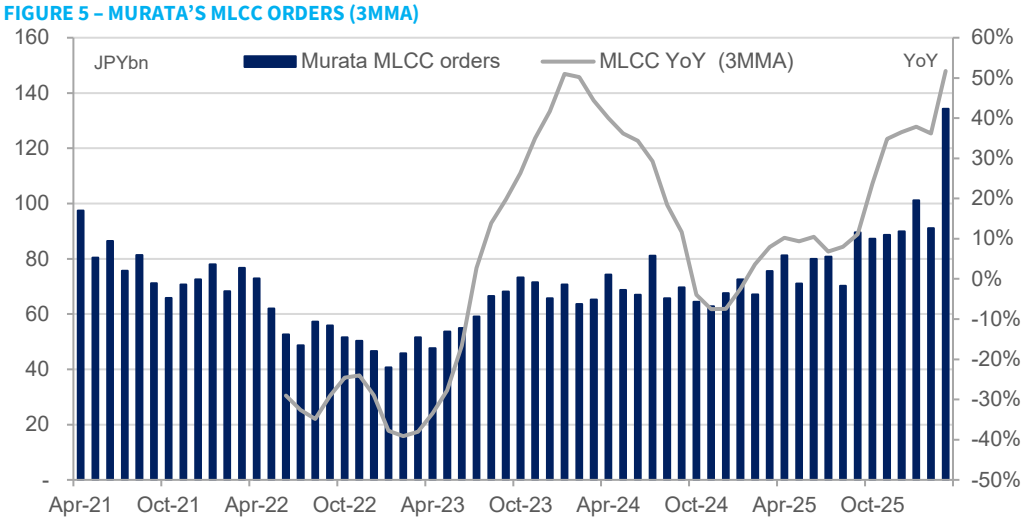
Source: MoF, Aletheia Capital/TAG

FIGURE 4 – JAPAN MLCC EXPORT ASP

Source: MoF, Aletheia Capital/TAG

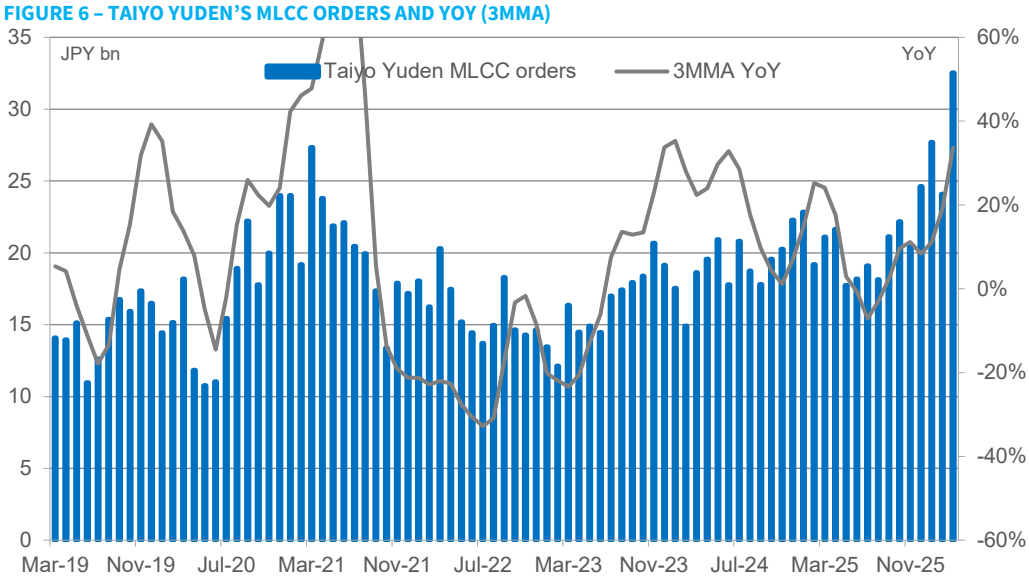
Recall that Murata began to talk about the potential for a 'squeezing-out' effect at the end of 2025, as it saw non-data center demand also beginning to pick up, out of fear of an allocation shortage. As shown in the charts below, we estimate that monthly orders for MLCC began to rise from the end of FY25 and further accelerated into March as both companies posted historically high orders for MLCC. We think that order momentum is continuing in 1QFY26 on expectations of a potential price increase. If we were to use 100 as the base for Murata's FY25 MLCC production volume, current order book for FY26 already stands at 170, based on our check.

FIGURE 5 – MURATA'S MLCC ORDERS (3MMA)



Source: Aletheia Capital/TAG

FIGURE 6 – TAIYO YUDEN'S MLCC ORDERS AND YOY (3MMA)

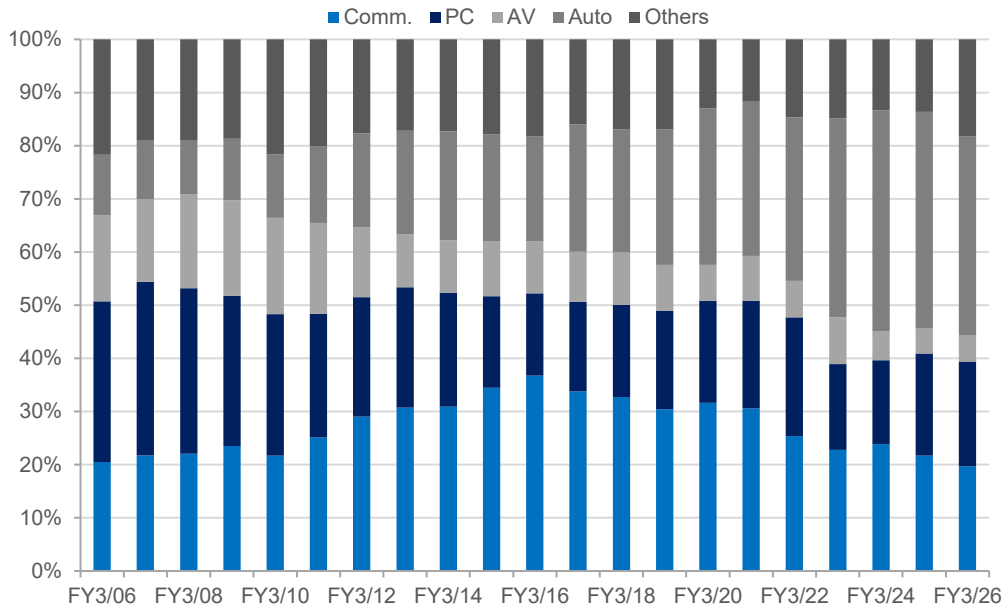


Source: Aletheia Capital/TAG

Shifting production up to 20% will have a large impact on the industry

Given the diversified nature of the MLCC market (similar to analog semiconductors), the data center growth that we are witnessing is unprecedented, so companies are also adapting as they see how demand changes. We think this is also one of the reasons for suppliers' reluctance to sharply expand capacity vs. the current guidance of 10-15% for Murata and 10% for Taiyo Yuden.

FIGURE 7 – MLCC APPLICATION BY END MARKETS

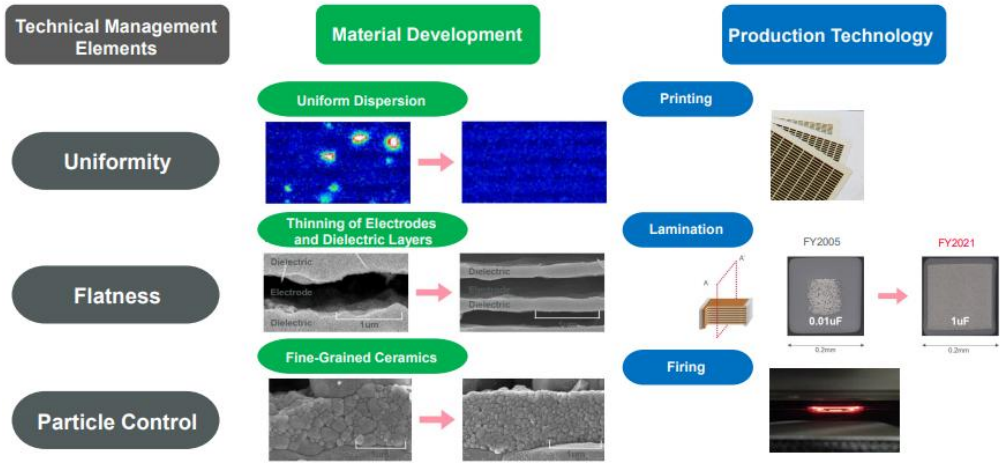


Source: Company data, Aletheia Capital/TAG

So instead of sharply increasing capacity, as Murata indicated at the small meeting, it is considering shifting production for other applications to data centers. But we believe the other reasons are a 10:1 ratio in capacity consumption for data center MLCC vs. regular MLCC, as well as a low yield rate for data center MLCC.

We estimate that the yield rate for some data center MLCC is only 70% vs. 95%+ for commodity MLCC due to stringent specs that require tight crystals in dielectric layers to be tightly compacted to prevent capacitance drift in higher temperatures for products such as X6S and X7R (X stands for -55°C, and 6 stands for tolerance up to 105°C and 7 is up to 125°C, and S and R stand for capacitance change within 15% or 25%). We think this is why Murata and Taiyo Yuden have recently been stressing the importance of internal materials and in-house production equipment.

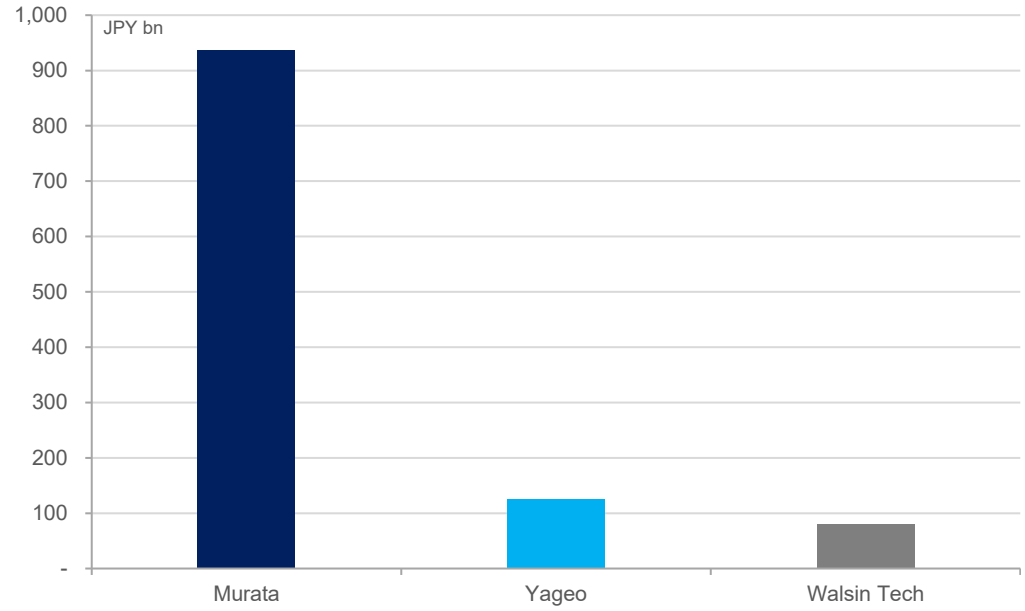
FIGURE 8 – DIELECTRIC MATERIAL AND PRODUCTION TECHNOLOGY



Source: Murata

We believe Murata is considering shifting 10-20% capacity (more likely towards 20%). Given Murata's ~JPY1tr in annual MLCC sales, this represents a potential JPY100-200bn shift in capacity from the commodity market. The impact on the industry will be enormous, as the combined sales of the two largest MLCC suppliers in Taiwan, Yageo and Walsin Tech, add up to about JPY200bn in FY25.

FIGURE 9 – MLCC SALES COMPARISON IN FY25



Source: Company data, Aletheia Capital/TAG

We believe Yageo's MLCC utilization rate is at 75%, but our checks indicate its B/B ratio has also surged to 1:3, so the utilization rate should reach +90% by 4QFY25. Taiwanese suppliers have so far exercised caution about raising MLCC prices due to their current yield rate as well as clients' backlash after 2017-18 price hikes. But the supply vacuum resulting from Murata's production shift could trigger an increase in spot MLCC prices and eventually prompt Asian suppliers to raise prices as they see a tsunami of demand.

We believe Murata is still reluctant to raise prices, considering its stance on maintaining long-term relationships. But if we see an industry-wide price hike, Murata cannot maintain a lower price as this will prompt further order surges that it will not be able to handle (we are already hearing cases of Murata declining orders). Furthermore, this will also create arbitrage

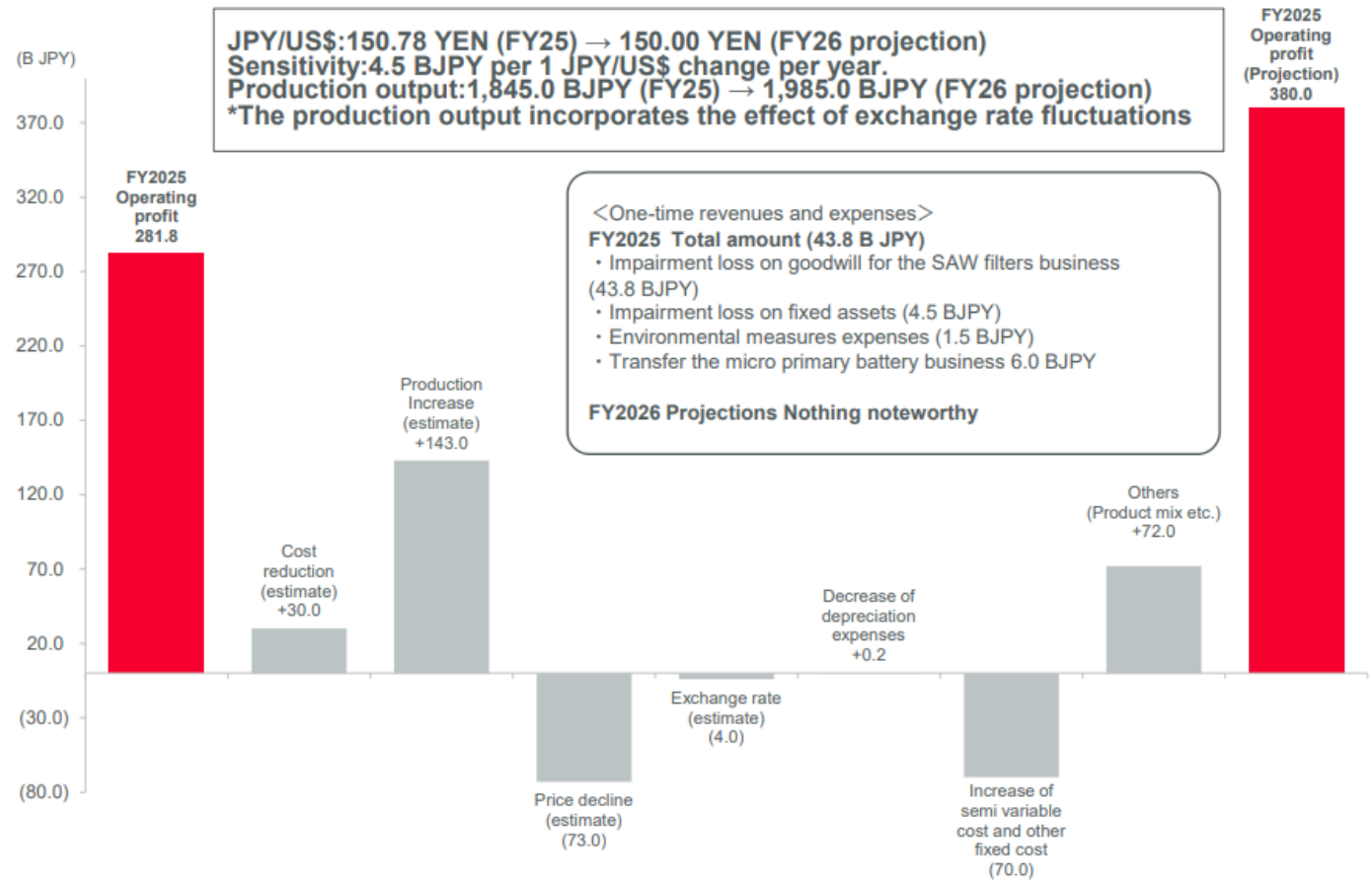
opportunities for distributors (we estimate distributors account for <10% of Murata sales, but still a large number vs. Taiwanese companies' sales).

We are not incorporating price hikes for Murata and Taiyo Yuden in our forecasts. But we think Murata will eventually be forced to reconsider its pricing strategy and could eventually be forced to raise prices – not unlike the 2018 price hikes. One should also note price hikes in the previous cycle was selective – we think Apple was not subject to price hikes given their large volume. Meanwhile, the current demand surge is not anything that the industry has ever seen.

Marginal profit differences between Murata and Taiyo Yuden

Our forecasted 50/90% CAGR in OP for Murata/Taiyo Yuden is based on the high marginal profit of these companies. As shown in the figures below, the two largest drivers to profits are utilization rate and ASP pressure. Murata's marginal profit on production value change (utilization rate profit is a function of production value rather than sales so OPM tend to expand as companies built up inventories on a upcycle and vice versa) is consistently at about 65%. Note that Murata's FY3/27 OP waterfall analysis includes JPY72bn positive impact in others category of which JPY43.8bn is attributed to one-offs in FY3/26 and the remaining JPY28.2bn is due to product mix change – i.e. about 1.5% OP margin improvement due to better MLCC product mix.

FIGURE 10 – MURATA'S OP WATERFALL GUIDANCE FOR FY3/27



Source: Murata

FIGURE 11 - MARGINAL PROFIT ANALYSIS FOR MURATA

JPYm	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26	FY3/27COE
Reported production value	1,880,000	1,744,000	1,568,000	1,726,000	1,845,000	1,985,000
JPY/USD	112.38	135.48	144.62	152.57	150.78	150.00
Forex sales sensitivity	12,000	10,000	10,000	9,000	9,000	9,000
Forex impact on production value	75,840	230,975	91,450	71,527	(16,110)	(7,020)
Reported production value change strip out forex	243,000	(136,000)	(176,000)	158,000	119,000	140,000
Production value change (forex adjusted)	167,160	(366,975)	(267,450)	86,473	135,110	147,020
Utilization profit change	117,000	(215,000)	(129,000)	115,000	156,000	143,000
Marginal profit on production value change	70%	59%	48%	133%	115%	97%
ASP pressure factor	(32,000)	(21,000)	(67,000)	(90,000)	(105,000)	(73,000)
YoY change in production value (add back ASP pressure)	199,160	(345,975)	(200,450)	176,473	240,110	216,000
Marginal profit including ASP pressure	**59%**	**62%**	**64%**	**65%**	**65%**	**65%**
ASP pressure	**-1.8%**	**-1.2%**	**-4.1%**	**-5.4%**	**-6.1%**	**-3.9%**
OP impact per 1% ASP pressure	**18,125**	**16,868**	**16,402**	**16,534**	**17,259**	**18,870**
Mixed change						**1.5%**

Source: Company data, Aletheia Capital/TAG

As shown in the figure below, we estimate that the marginal profit for Taiyo Yuden has ranged between from 20~90% in past years as Taiyo Yuden's utilization profit number includes inventory change, sales change, and product mix change (our analysis strips out inventory change). The low 22% marginal profit in FY3/24 was due to a surge of Chinese smartphone demand that was of relatively lower margin. As the strength for Taiyo Yuden is in the large-size, high-cap MLCC (as well asl ultra small-size MLCC for iPhone application), decoupling MLCC for data center application plays into Taiyo Yuden's strength. Taiyo Yuden's high marginal profit also makes it a high beta stock in this upturn.

FIGURE 12 - MARGINAL PROFIT ANALYSIS FOR TAIYO YUDEN

JPYbn	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26	FY3/27COE
Reported sales change	18.59	48.72	(30.13)	3.14	18.79	13.90	28.7
Sales change due to forex	(5.30)	15.40	37.60	13.10	15.40	(4.10)	-
Yen change YoY	(3.09)	5.59	22.64	9.12	9.29	(2.62)	0.01
sales sensitivity to yen	1.72	2.75	1.66	1.44	1.66	1.56	1.56
Actual sales change strip out forex	23.9	33.3	(67.7)	(10.0)	3.4	18.0	28.7
Utilization profit	36.7	41.6	(45.5)	(2.1)	35.5	30.7	32.9
Inventory change	(1.9)	9.5	(7.4)	(6.1)	7.5	(1.8)	1.8
actual sales change, mix	38.6	32.1	(38.1)	4.0	28.0	32.5	31.2
Marginal profit on sales change (not including ASP)	161%	96%	56%	-40%	826%	180%	109%
Sales change including (add back ASP pressure)	49.8	39.9	(53.0)	18.4	29.4	38.2	47.6
ASP pressure factor to OP	(25.9)	(6.6)	(14.7)	(28.4)	(26.0)	(20.2)	(18.9)
Marginal profit on sales change (including ASP)	**77%**	**80%**	**72%**	**22%**	**95%**	**85%**	**65%**
ASP pressure	**-7.9%**	**-1.9%**	**-4.4%**	**-8.1%**	**-7.1%**	**-5.4%**	**-4.7%**
OP impact per 1% ASP pressure	**3.27**	**3.56**	**3.34**	**3.51**	**3.64**	**3.76**	**4.03**
Taiyo Yuden's OP	**40.8**	**68.2**	**32.0**	**9.1**	**10.5**	**20.0**	**30.0**
ASP pressure 's impact to OP (as a % of OP)	-64%	-10%	-46%	-313%	-249%	-101%	-63%

Source: Company data, Aletheia Capital/TAG

Taiwan MLCC supply chain

GPU-based AI server systems are exceptionally MLCC-intensive. A single GPU in the HGX (Blackwell) form factor requires over 3,000 MLCCs, while the NVL72 rack-scale (GB200/GB300) configuration drives this further to around 6,000 MLCCs per GPU—representing roughly 3× and 6× the MLCC content of a typical general-purpose server, respectively. We see three structural trends that will continue to drive overall MLCC demand in AI servers—especially for high-capacitance MLCCs, where content growth is most pronounced.

1. GPU migration toward higher compute density is materially increasing MLCC content, particularly for devices above 1 µF. For NVIDIA's next-generation Vera Rubin platform, MLCC demand per GPU is expected to exceed 13,000 units, roughly 2× the MLCC content of Grace Blackwell in the NVL72 rack-scale configuration.

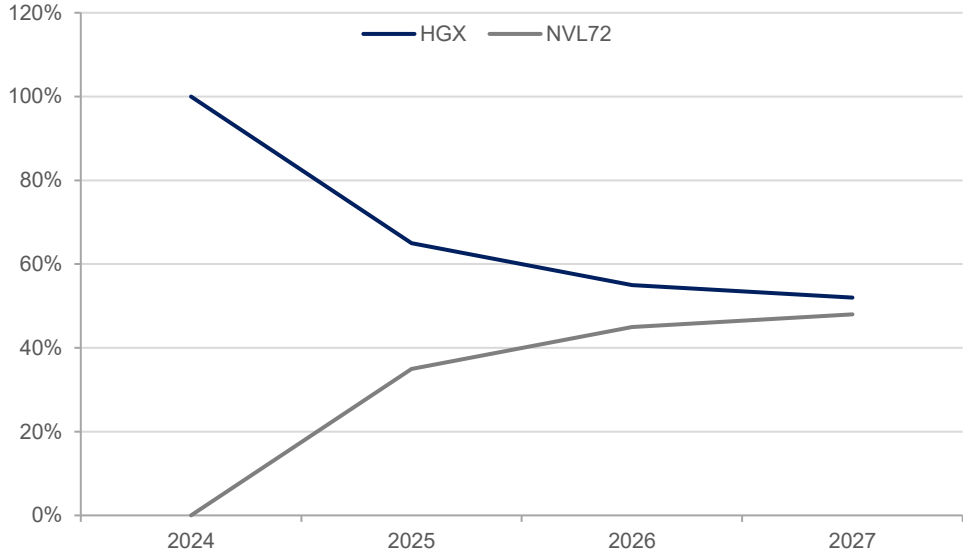
FIGURE 13 - MLCC DEMAND IN VARIOUS AI SERVERS AND GENERAL SERVERS

	General Server	Blackwell GPU – HGX	GB200/300 – NVL72	VR100 – NVL72
Silicon solution	2 of CPUs	8 of Blackwell GPU	2GPUs + 1CPU (Bianca module)	2GPUs + 1CPU (Strata module)
MLCC demand per module		25,000	9,000	17,000-18,000
MLCC per system	2,000		440,000 per rack (excluding power shelf)	>900,000 per rack (excluding power shelf)
MLCC per CPU/GPU	1,000	3,125	6,111	13,194
MLCC mix:				
<1uF	25%	15-20%	<15%	<10%
>1uF	75%	80%	85%	90%

Source: Aletheia Capital/TAG

2. NVIDIA's introduction of rack-scale architectures to improve GPU utilization has also driven a significant increase in MLCC density. MLCC content per GPU rises from roughly 3,000 units in the HGX configuration to about 6,000 units in rack-scale systems. Importantly, the share of high-capacitance MLCCs also increases, reaching ~85% penetration in rack-scale designs versus ~80% in HGX.

FIGURE 14 - MIX OF HGX AND NVL72 FOR NVIDIA GPU DEMAND



Source: Aletheia Capital/TAG

3. Earlier adoption of HVDC 800V in Vera Rubin will increase high-voltage (NP0) MLCC demand by 60%-100% per rack

Supplier and market share for AI passive components

Within GPU racks, MLCCs are capturing a significantly larger share of total passive component value. For NVIDIA's Vera Rubin platform, MLCC value contribution is expected to rise to ~65%, up from 35–40% in the GB200/GB300 generation—driven primarily by the continued shift toward high-capacitance MLCCs. MLCCs are broadly categorized into three segments: commodity MLCCs, high-voltage MLCCs (NP0), and high-capacitance MLCCs.

FIGURE 15 - PASSIVE COMPONENT VALUE MIX AND SUPPLIER FOR NVIDIA RACK SCALE CONFIGURATION

	GB200/GB300	VR100	Suppliers
MLCC - commodity			Yageo
MLCC - high voltage	37% (more than half is high capacitance)	65% (more than 70% is high capacitance)	Yageo, Holystone, PSA, TDK
MLCC - high capacitance			Murata, Semco, Taiyo Yuden, TDK, Yageo
Tantalum	35%	10%	Kemet (Yageo), Panasonic
Resistors	1%	<2%	Yageo, KOA, TFT
Inductor	26%	25%	Cyntec, Lianzhen, Pulse (Yageo)

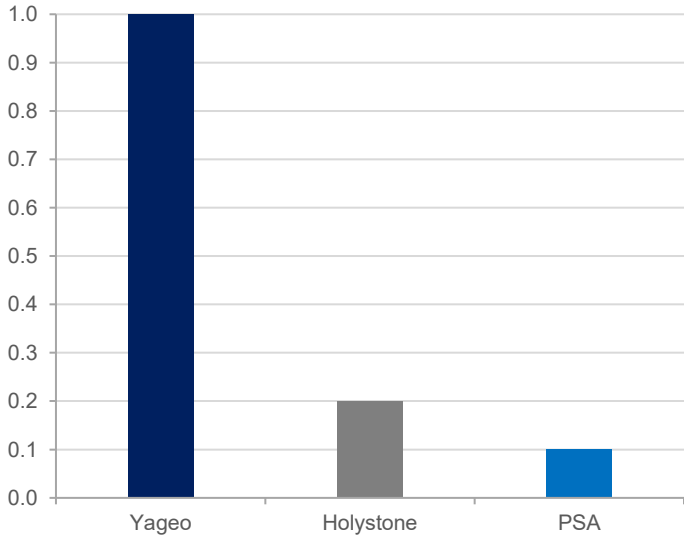
Source: Aletheia Capital/TAG

►Commodity MLCC: This is mainly supplied by Taiwanese suppliers such as Yageo and Walsin Technology. We see that its demand volume could continue to grow by 30% while migrating to the Vera Rubin GPU from the Grace Blackwell GPU.

►High-capacitance MLCC: This segment is primarily supplied by Murata, Samsung Electro-Mechanics (Semco), Taiyo Yuden, and TDK. Within GPU racks, high-capacitance MLCCs are taking an increasingly dominant share of total MLCC value—exceeding 50% in GB200/GB300 systems and rising to ~70% in the Vera Rubin NVL72 rack.

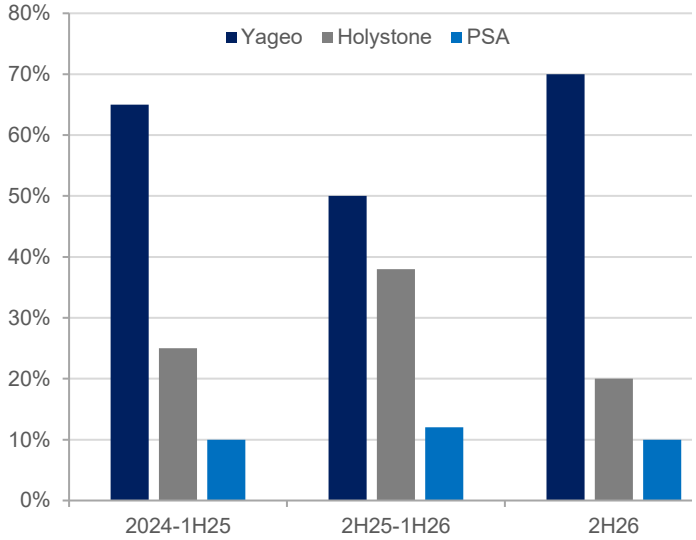
►High-voltage MLCC (>500 Voltage): This category is positioned for solid content-value growth as adoption of 400 V and 800 V DC architectures increases will require 60-100% high-voltage MLCC growth per rack. We believe Yageo holds the largest capacity in high-voltage MLCCs, with Hollystone and PSA (that is, Walsin Technology group companies including Prosperity Dielectric and Kamaya Electric) operating at roughly 20% and 10% of Yageo Group's capacity scale, respectively. Tightening supply conditions could enable Yageo to regain share, getting back to 70% in 2H26 from below ~65% in 1H26, with the potential to return to 70-75% in 2027 given its substantial capacity advantage.

FIGURE 16: HIGH VOLTAGE CAPACITY COMPARISON IN TAIWAN



Source: Aletheia Capital/TAG

FIGURE 17: HIGH VOLTAGE SHARE CHANGES IN AI



Source: Aletheia Capital/TAG

Murata

#Hardware #AI #Auto #EV

Buy

Price: **JPY 8,556** Target Price: **JPY 15,000** Upside: **75.3%** Total return: **76.1%** Risk: High

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Murata

Bloomberg	6981 JP
RIC	6981.T
Market cap (USDbn)	101.7
Average daily T/O (USD|m)	902.0

Entering the JPY1tr OP Club

We believe Murata may transfer up to 20% capacity to support surging data center demand. While Murata is not considering price hikes, it may be ultimately forced to reconsider pricing strategy when other suppliers begin to raise prices, in a similar fashion to 2017-18. Without factoring a price hike, we estimate Murata's OP will grow at 50% CAGR to reach JPY1tr by FY3/29 driven by 90% growth in data center MLCC. We raise our FY3/27-29 OP estimate by 17-72% and TP from JPY5,200 (25x FY3/28 PER) to JPY15,000 (35x FY3/29 PER).

Capacity shift will likely have large impact on supply/demand

We believe Murata is likely to considering shifting 10-20% of its capacity. Given its annual MLCC sales of ~JPY1tr, this represents a potential JPY100-200bn market vacuum. The impact on the industry will be large, as Yageo's 2026 MLCC sales are on track to ~JPY150bn (NT$30bn). This could trigger an increase in commodity prices and eventually prompt Asian suppliers to raise prices as they see a tsunami of demand, on top of the already 1.3x B/B ratio as reported by Yageo. We understand Murata is unwilling to raise prices, but it might eventually be forced to review its pricing strategy to prevent arbitrage – not unlike the FY17-18 cycle.

Non-MLCC is a mixed bag

Of Murata's sales guidance of JPY325bn for data centers in FY3/27, MLCC accounts for 74%, followed by 8% in power supplies (PMIC and PSU) and 6% in battery for BBU. Murata forecasts RF communication sales to decline 4% YoY in FY3/27 due to 15% decline in MetroCirc sales on ASP pressure and lower usage. RF module sales are expected to be flattish YoY – socket gains in Rx and Tx modules are as expected but this is also offset by another socket loss. SAW filter sales are expected to increase on further xBAR penetration within Apple. Energy power sales are expected to increase slightly by 2% on about JPY26bn PSU and PMIC (for Google) sales, but this is also offset by JPY12bn decrease in micro battery sales (sold to Maxell) and price pressure on power tool battery, despite BBU sales growth. But power supply business should turn profitable by 4QFY3/27 from our estimated JPY12bn loss in FY3/26 as new businesses pick up.

OP to reach JPY1tr in FY3/29 when data center MLCC sales exceed JPY1tr

Without incorporating price hike, we model MLCC sales to grow by a 30% CAGR from FY25-30 based on 90% for data centers and 9% for non-data center applications. As data center MLCC becomes 50% of MLCC sales by FY3/29, we estimate Murata's OP will reach JPY1tr. An area in which Murata lags is silicon capacitors due to a lack of silicon supply (capacity from the IPDiA acquisition is insufficient), so how Murata secures additional foundry capacity would be key to monitor.

KEY FINANCIAL AND VALUATION MATRIX

FYE Mar (¥ bn)	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E
Revenue	1,640	1,743	1,831	2,130	2,560	3,202	3,897
OP	215	280	282	459	674	1,001	1,362
Pre tax profit	239	304	309	482	699	1,027	1,389
Net profit	181	234	234	361	524	770	1,042
FD EPS (¥)	95.7	123.8	123.8	197.2	286.1	420.4	568.7
DPS (¥)	52.0	57.0	65.0	70.0	85.0	110.0	130.0
PER (x)	89.4	69.1	69.1	43.4	29.9	20.4	15.0
PB (x)	6.3	6.3	5.9	5.3	4.7	4.0	3.3
EV/EBITDA (x)	35.3	32.9	30.5	23.4	17.0	12.0	9.0
ROE (%)	6.9%	9.1%	8.6%	12.2%	15.6%	19.4%	21.7%
Cash yield (%)	0.6%	0.7%	0.8%	0.8%	1.0%	1.3%	1.5%

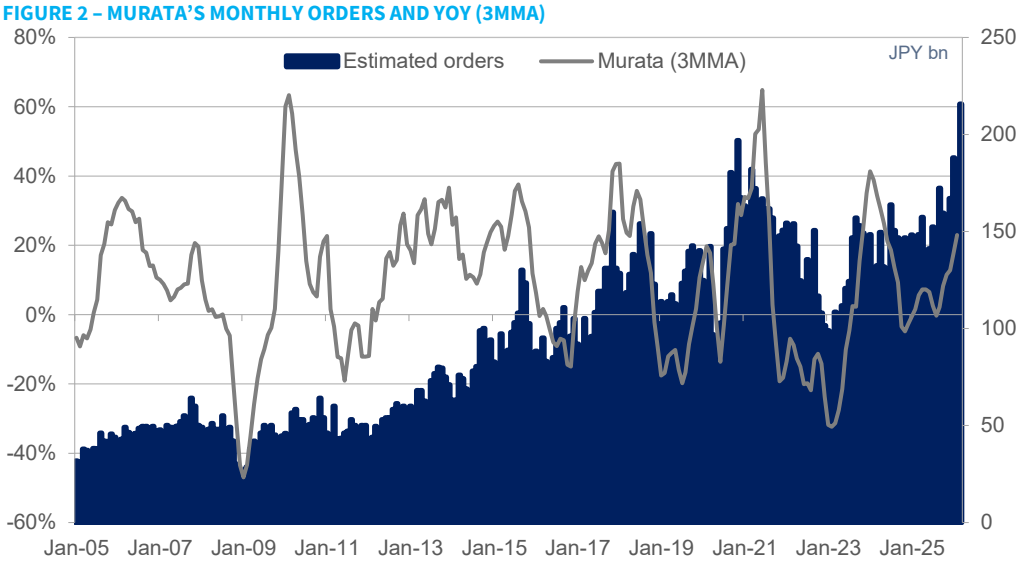
Source: Aletheia Capital/TAG

FIGURE 1 – EARNINGS REVISION FOR MURATA

JPYm	FY3/27E (new)	FY3/27E (old)	FY3/28E (new)	FY3/28E (old)	FY3/29E (new)	FY3/29E (old)
Sales						
Component	1,446,270	1,278,041	1,808,638	1,413,386	2,391,400	1,566,841
Capacitors	1,201,224	1,036,221	1,547,105	1,155,277	2,111,591	1,293,910
Inductors/EMI filter	245,046	241,819	261,533	258,109	279,809	272,931
Device module	668,111	697,684	736,215	765,914	795,042	799,496
RF, communication	385,591	387,221	404,200	409,844	413,070	418,609
Energy power	167,951	200,186	209,426	240,279	253,254	259,306
Functional device	114,569	110,277	122,589	115,791	128,718	121,581
Others	15,156	14,259	15,156	14,259	15,156	142,529
Total	2,129,538	1,989,984	2,560,009	2,193,558	3,201,598	2,380,595
COGS	1,189,483	1,138,097	1,380,750	1,221,572	1,670,132	1,316,241
GP	940,054	851,886	1,179,260	971,987	1,531,467	1,064,354
GPM	44.1%	42.8%	46.1%	44.3%	47.8%	44.7%
YoY	21.3%	12.1%	25.4%	14.1%	29.9%	10.0%
OPEX	481,470	458,649	505,544	470,798	530,821	483,278
SG&A	311,479	297,519	327,053	306,445	343,406	315,638
R&D	169,991	161,130	178,490	164,353	187,415	167,640
OP	458,584	393,237	673,716	501,189	1,000,646	581,076
OPM	21.5%	19.8%	26.3%	22.8%	31.3%	24.0%
YoY	62.7%	45.8%	46.9%	27.5%	48.5%	16.0%

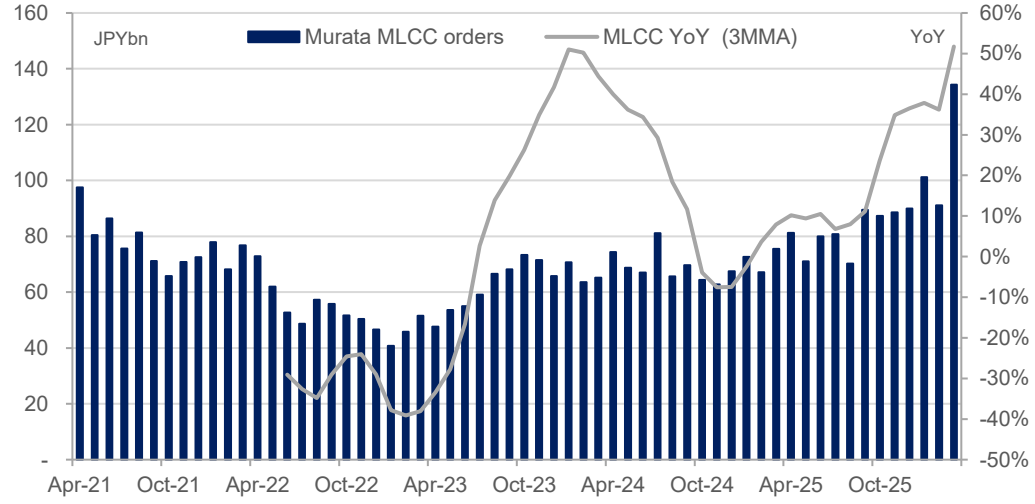
Source: Aletheia Capital/TAG estimates

FIGURE 2 – MURATA'S MONTHLY ORDERS AND YOY (3MMA)



Source: Aletheia Capital/TAG estimates

FIGURE 3 - MURATA'S MLCC ORDERS AND YOY (3MMA)



Source: Aletheia Capital/TAG estimates

FIGURE 4 – QUARTERLY, HALF-YEAR, AND ANNUAL FORECAST FOR MURATA

JPYm	1QFY3/27E	2QFY3/27E	1HFY3/27E	3QFY3/27E	4QFY3/27E	2HFY3/27E	FY3/27E	1QFY3/28E	2QFY3/28E	1HFY3/28E	3QFY3/28E	4QFY3/28E	2HFY3/28E	FY3/28E
Component	333,746	367,011	700,757	373,429	372,085	745,514	1,446,270	412,887	462,643	875,530	470,438	462,670	933,108	1,808,638
Capacitors	276,009	304,092	580,101	310,848	310,275	621,123	1,201,224	350,532	395,320	745,851	404,103	397,151	801,254	1,547,105
Inductors/EMI filter	57,737	62,919	120,655	62,581	61,810	124,391	245,046	62,356	67,323	129,679	66,336	65,519	131,854	261,533
Device module	147,689	183,896	331,585	172,738	163,788	336,526	668,111	161,819	201,900	363,719	191,328	181,168	372,496	736,215
RF, communication	83,840	115,239	199,079	100,231	86,282	186,513	385,591	87,661	122,135	209,796	106,076	88,328	194,404	404,200
Energy pow er	37,310	39,355	76,666	43,543	47,742	91,285	167,951	45,761	48,412	94,173	54,261	60,992	115,253	209,426
Functional device	26,539	29,302	55,841	28,964	29,764	58,728	114,569	28,397	31,353	59,750	30,991	31,848	62,839	122,589
Others	3,702	3,663	7,365	3,720	4,071	7,791	15,156	3,702	3,663	7,365	3,720	4,071	7,791	15,156
Total	485,137	554,570	1,039,707	549,887	539,944	1,089,831	2,129,538	578,408	668,206	1,246,614	665,486	647,909	1,313,395	2,560,009
COGS	277,251	306,038	583,289	304,828	301,366	606,194	1,189,483	321,354	355,662	677,016	358,279	345,455	703,734	1,380,750
GP	207,886	248,532	456,418	245,059	238,578	483,637	940,054	257,054	312,544	569,598	307,207	302,454	609,661	1,179,260
GPM	42.9%	44.8%	43.9%	44.6%	44.2%	44.4%	44.1%	44.4%	46.8%	45.7%	46.2%	46.7%	46.4%	46.1%
YoY	20%	19%	20%	26%	20%	23%	21%	24%	26%	25%	25%	27%	26%	25%
OPEX	117,528	111,121	228,649	119,536	133,285	252,822	481,470	123,404	116,677	240,081	125,513	139,950	265,463	505,544
SG&A	74,922	70,272	145,194	77,013	89,272	166,285	311,479	78,668	73,786	152,454	80,864	93,736	174,600	327,053
R&D	42,606	40,848	83,455	42,523	44,013	86,536	169,991	44,737	42,891	87,627	44,649	46,214	90,863	178,490
OP	90,358	137,412	227,769	125,523	105,292	230,815	458,584	133,650	195,868	329,517	181,694	162,504	344,198	673,716
OPM	19%	25%	22%	23%	20%	21%	22%	23%	29%	26%	27%	25%	26%	26%
YoY	47%	33%	38%	231%	34%	98%	63%	48%	43%	45%	45%	54%	49%	47%

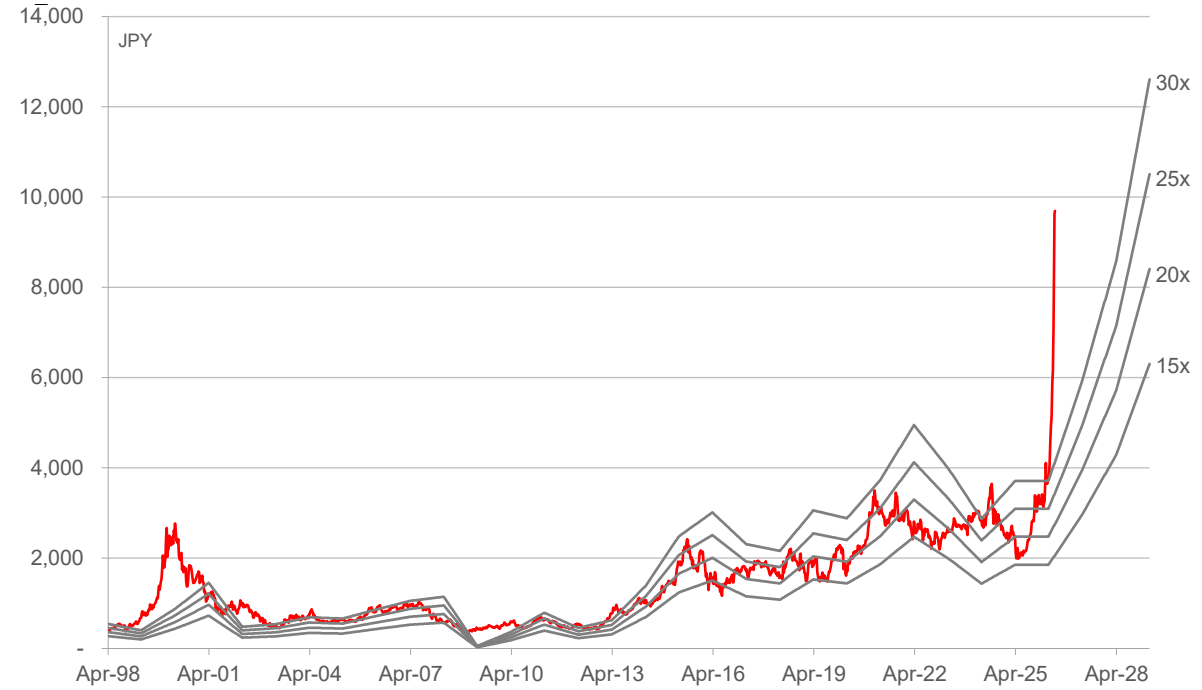
Source: Aletheia Capital/TAG estimates

FIGURE 5 - ANNUAL FORECASTS FOR MURATA

JPYm	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26	FY3/27E	FY3/28E	FY3/29E	FY3/30E
Sales									
Component	984,299	914,165	933,771	1,033,118	1,159,734	1,446,270	1,808,638	2,391,400	3,040,935
Capacitors	788,539	738,841	753,520	831,845	936,418	1,201,224	1,547,105	2,111,591	2,745,069
Inductors/EMI filter	195,760	175,324	180,251	201,273	223,316	245,046	261,533	279,809	295,866
Device module	815,040	760,980	695,236	697,165	655,966	668,111	736,215	795,042	841,197
RF, communication	528,217	453,646	440,142	443,602	394,829	385,591	404,200	413,070	422,300
Energy pow er	180,438	214,556	164,393	155,741	154,063	167,951	209,426	253,254	283,742
Functional device	106,385	92,778	90,701	97,822	107,074	114,569	122,589	128,718	135,154
Others	13,182	11,651	11,151	13,069	15,156	15,156	15,156	15,156	15,156
Total	1,812,521	1,686,796	1,640,158	1,743,352	1,830,856	2,129,538	2,560,009	3,201,598	3,897,288
COGS	1,044,292	1,010,948	1,003,361	1,025,650	1,056,030	1,189,483	1,380,750	1,670,132	1,977,904
GP	768,229	675,848	636,797	717,702	774,826	940,054	1,179,260	1,531,467	1,919,384
GPM	42.4%	40.1%	38.8%	41.2%	42.3%	44.1%	46.1%	47.8%	49.2%
YoY	23%	-12%	-6%	13%	8%	21%	25%	30%	25%
OPEX	344,169	377,961	375,695	426,955	455,517	481,470	505,544	530,821	557,362
SG&A	232,872	253,722	243,193	277,681	296,647	311,479	327,053	343,406	360,576
R&D	111,297	124,239	132,502	149,274	158,870	169,991	178,490	187,415	196,786
OP	424,060	297,887	215,447	279,702	281,835	458,584	673,716	1,000,646	1,362,022
OPM	23%	18%	13%	16%	15%	22%	26%	31%	35%
YoY	35%	-30%	-28%	30%	1%	63%	47%	49%	36%

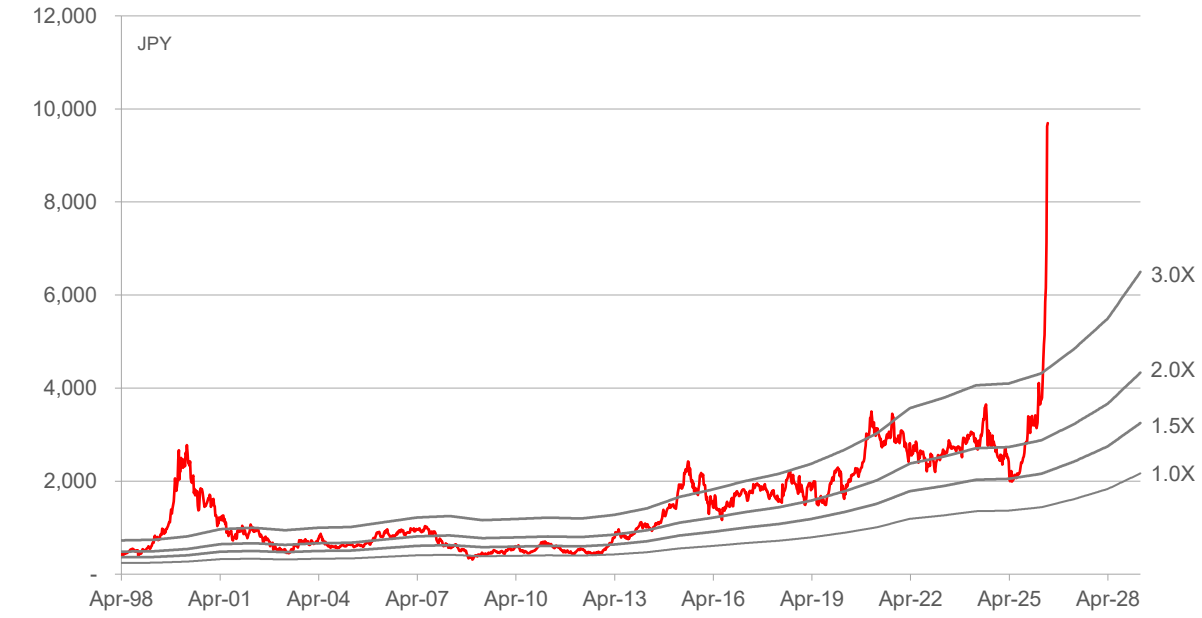
Source: Aletheia Capital/TAG estimates

FIGURE 6 – MURATA'S PER TRADING RANGE



Source: Bloomberg, Aletheia Capital/TAG

FIGURE 7 – MURATA'S PBR TRADING RANGE



Source: Bloomberg, Aletheia Capital/TAG

Financial Statements

INCOME STATEMENT

FYE Mar (¥ bn)	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E
Revenue	1,743	1,831	2,130	2,560	3,202	3,897
Depreciation	173	178	180	190	210	230
EBITDA	453	460	639	864	1,211	1,592
SG&A	278	297	311	327	343	361
OPN profit	280	282	459	674	1,001	1,362
Non-op	25	27	23	25	26	27
Pre-Tax Profit	304	309	482	699	1,027	1,389
Tax expenses	71	75	120	175	257	347
Net Profit	234	234	361	524	770	1,042
FD EPS (¥)	123.8	123.8	197.2	286.1	420.4	568.7
Share counts (m)	1,889	1,889	1,832	1,832	1,832	1,832
Revenue chg. (%)	6.3	5.0	16.3	20.2	25.1	21.7
EBITDA chg. (%)	2.0	3.0	4.0	5.0	6.0	7.0
OPN profit chg. (%	29.8	0.8	62.7	46.9	48.5	36.1
Net profit chg. (%)	29.3	0.0	54.4	45.1	46.9	35.3
FD EPS chg. (%)	2.0	3.0	4.0	5.0	6.0	7.0

BALANCE SHEET

FYE Mar (¥ bn)	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E
Fixed Assets	1,184	1,301	1,376	1,519	1,725	2,002
Other LT Assets	306	266	266	266	266	266
LT investments	40	50	50	50	50	50
Cash/eqvl.	676	678	732	828	1,000	1,310
A/R	294	328	382	459	574	699
Inventory	483	520	586	681	823	975
Others	96	79	79	79	79	79
Total Assets	3,028	3,199	3,448	3,858	4,494	5,358
A/P	31	43	43	43	43	43
ST Debt	1	2	2	2	2	2
Other ST Liabilities	245	272	282	296	318	341
LT Debt	2	2	2	2	2	2
Other LT Liabilities	170	163	163	163	163	163
Total Liability	447	480	490	505	527	550
Equity	2,581	2,719	2,957	3,353	3,967	4,808
Liabilities + Equity	3,028	3,199	3,448	3,858	4,494	5,358

CASH FLOW STATEMENT

FYE Mar (¥ bn)	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E
Net profit	234	234	361	524	770	1,042
Depreciation	173	178	180	190	210	230
Chang in WC	24	-18	-109	-157	-236	-253
Others	20	31	0	0	0	0
OPN cash flow	452	425	432	557	744	1,019
Capex	-183	-245	-256	-333	-416	-507
M&A	9	10	11	12	13	14
Others	-25	51	0	0	0	0
CF from investing	-208	-194	-256	-333	-416	-507
Free cash	278	191	187	236	341	526
Debt raised/(repai	-50	1	0	0	0	0
Equity raised/(repa	0	0	0	0	0	0
Dividend paid	-102	-111	-123	-128	-156	-201
Others	-89	-93	0	0	0	0
CF from financing	-241	-203	-123	-128	-156	-201
Chg in cash	3	29	54	96	172	311
Year beginning CF	622	625	654	707	803	976
Year end CF	625	654	707	803	976	1,286

RATES, RATIOS & PER SHARE DATA

FYE Mar	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E
EBITDA margin (%)	26.0	25.1	30.0	33.7	37.8	40.8
OPN margin (%)	16.0	15.4	21.5	26.3	31.3	34.9
Net Profit Margin (%	13.4	12.8	17.0	20.5	24.0	26.7
Tax Rate %	23.2	24.2	25.0	25.0	25.0	25.0
ROE (%)	9.1	8.6	12.2	15.6	19.4	21.7
ROIC (%)	9.1	8.6	12.2	15.6	19.4	21.7
ROA (%)	7.7	7.3	10.5	13.6	17.1	19.4
Current ratio (X)	5.6	5.1	5.4	6.0	6.8	7.9
Debt/equity (%)	0.1	0.1	0.1	0.1	0.1	0.1
Net gearing (%)	(26)	(25)	(25)	(25)	(25)	(27)
AR days	62	65	65	65	65	65
AP days	25	28	28	28	28	28
Inventory days	172	180	180	180	180	180
Capex/revenue (%)	10.5	13.4	12.0	13.0	13.0	13.0
FD EPS (¥)	124	124	197	286	420	569
BVPS (¥)	1,366	1,439	1,614	1,831	2,166	2,625
SPS (¥)	923	969	1,163	1,398	1,748	2,128
OPN CFPS	239	225	236	304	406	556
FCFPS (¥)	142	96	96	122	179	280
DPS (Gross ¥)	57	65	70	85	110	130

Source: Company data, Aletheia Capital/TAG

Taiyo Yuden

#Hardware #AI #Auto #EV

↔ Buy

Price: **JPY 15,725** Target Price: **JPY 23,000** Upside: **46.3%** Total return: **46.9%** Risk: High

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Taiyo Yuden

Bloomberg	6976 JP
RIC	6976.T
Market cap (USDbn)	12.9
Average daily T/O (USD|m)	686.7

Rising Sun

We estimate Taiyo Yuden's OP will grow by ~90% CAGR to reach JPY140bn by FY3/29. Its higher operating leverage makes it a classic high beta stock which explains the stock's outperformance YTD vs. Murata. One key difference between the two is Taiyo Yuden's low exposure to commodity markets – this means that if commodity MLCC prices were to rise first, Taiyo Yuden is unlikely to benefit much. We raise our FY3/27-29 OP estimate by 20~87% and our TP from JPY5,800 (20x FY3/28) to JPY23,000 (30x FY3/29 PER).

Data Center growth driver is similar but with some variations

While Murata's FY3/26 MLCC sales are 3.7x larger than Taiyo Yuden's, the gap widens to 5.4x for data Center MLCC due to Murata's wider product portfolio. Furthermore, one should also note that Taiyo Yuden is relatively weaker in high-voltage MLCC (for powerlines) which has been widely used in automotive applications. Although Taiyo Yuden has made substantial progress in gaining share for automotive applications in recent years, the share gains have been more in infotainment applications as Murata and TDK remain the stronger competitors in legacy powertrain applications. Furthermore, Taiyo Yuden does not manufacture silicon capacitors. Opportunities for growth in data centers for Taiyo Yuden is largely in decoupling applications.

But low MLCC margin means large upside to improvement

We estimate Taiyo Yuden's MLCC OPM was only 7% in 2HFY26 vs. Murata's 27%. But this also means that there is more room for the margin to improve vs. its 27% peak in past cycles due to its higher operating leverage. Figure 1 shows Taiyo Yuden's marginal profit, which ranged from 22%-90% in past years – product mix plays a large part in determining its marginal profit. Note that Murata's marginal profit has been consistent at 65%, but this is due to how each company calculates marginal profit (Murata attributes a product mix change to the others category in its OP waterfall breakdown). As such, we think Taiyo Yuden's assumption of 65% for FY3/27 is conservative, as well as its ASP pressure assumption.

OP to reach JPY140bn by FY3/29

Taiyo Yuden shifted its integrated devices division into other components from FY3/27. Of its guidance for sales of JPY37bn for other components, 60% is aluminium capacitors (under ELNA) and 25% is filters. We estimate this division will post a JPY4bn loss in FY3/27 vs. a JPY6bn loss in FY3/26. We think ELNA has little growth opportunity as its focus is on polymer hybrid aluminium capacitors for auto applicative. ELNA does not appear to supply large-size aluminium capacitor for PSU applications, which is dominated by three other Japanese companies. We estimate MLCC sales will post 20%+ to drive a CAGR of 90% in total OP as MLCC OPM exceeds its previous peak in FY3/29.

KEY FINANCIAL AND VALUATION MATRIX

FYE Mar (¥ bn)	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E
Revenue	322.6	341.4	355.3	404.9	470.3	563.6	666.0
OP	9.1	10.5	20.0	44.0	83.0	138.8	200.0
Pre tax profit	13.8	10.5	24.1	44.2	83.3	139.1	200.3
Net profit	8.3	2.3	14.8	32.0	60.9	102.2	147.5
FD EPS (¥)	61.1	17.1	108.8	235.0	447.6	750.8	1084.0
DPS (¥)	90.0	90.0	90.0	90.0	100.0	130.0	200.0
PER (x)	257.3	919.2	144.5	66.9	35.1	20.9	14.5
PB (x)	6.5	6.7	6.2	5.9	5.2	4.3	3.4
EV/EBITDA (x)	43.8	38.9	32.1	24.0	16.1	11.0	8.0
ROE (%)	2.5	0.7	4.3	8.8	14.8	20.4	23.4
ROA (%)	1.4	0.4	2.4	5.0	8.8	13.1	16.1
Dividend yield (%)	0.6	0.6	0.6	0.6	0.6	0.8	1.3

Source: Aletheia Capital/TAG

FIGURE 1 – ANALYSIS OF TAIYO YUDEN'S MARGINAL PROFIT AND ASP SENSITIVITY

JPYbn	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26	FY3/27COE
Reported sales change	18.59	48.72	(30.13)	3.14	18.79	13.90	28.7
Sales change due to forex	(5.30)	15.40	37.60	13.10	15.40	(4.10)	-
Yen change YoY	(3.09)	5.59	22.64	9.12	9.29	(2.62)	0.01
sales sensitivity to yen	1.72	2.75	1.66	1.44	1.66	1.56	1.56
Actual sales change strip out forex	23.9	33.3	(67.7)	(10.0)	3.4	18.0	28.7
Utilization profit	36.7	41.6	(45.5)	(2.1)	35.5	30.7	32.9
Inventory change	(1.9)	9.5	(7.4)	(6.1)	7.5	(1.8)	1.8
actual sales change, mix	38.6	32.1	(38.1)	4.0	28.0	32.5	31.2
Marginal profit on sales change (not including ASP)	161%	96%	56%	-40%	826%	180%	109%
Sales change including (add back ASP pressure)	49.8	39.9	(53.0)	18.4	29.4	38.2	47.6
ASP pressure factor to OP	(25.9)	(6.6)	(14.7)	(28.4)	(26.0)	(20.2)	(18.9)
Marginal profit on sales change (including ASP)	**77%**	**80%**	**72%**	**22%**	**95%**	**85%**	**65%**
ASP pressure	**-7.9%**	**-1.9%**	**-4.4%**	**-8.1%**	**-7.1%**	**-5.4%**	**-4.7%**
OP impact per 1% ASP pressure	**3.27**	**3.56**	**3.34**	**3.51**	**3.64**	**3.76**	**4.03**
Taiyo Yuden's OP	**40.8**	**68.2**	**32.0**	**9.1**	**10.5**	**20.0**	**30.0**
ASP pressure 's impact to OP (as a % of OP)	-64%	-10%	-46%	-313%	-249%	-101%	-63%

Source: Company data, Aletheia Capital/TAG

FIGURE 2 -EARNINGS FORECAST REVISION FOR TAIYO YUDEN

JPYbn	FY3/27E (new)	FY3/27E (old)	FY3/28E (new)	FY3/28E (old)	FY3/29E (new)	FY3/29E (old)
Capacitors	301.560	273.075	364.975	301.023	456.218	332.651
Inductors	66.249	65.480	68.236	67.445	70.283	69.468
Other electronics components	37.051	37.769	37.051	37.887	37.051	38.008
Total sales	404.859	376.325	470.261	406.354	563.552	440.126
Capacitors	38.627	32.131	76.676	48.900	131.422	67.876
Inductors	9.334	8.403	10.328	9.385	11.352	10.397
Other electronics components	(4.000)	(3.990)	(4.000)	(4.029)	(4.000)	(4.068)
Total OP	43.961	36.544	83.004	54.255	138.774	74.205
OPM						
Capacitors	12.8%	11.8%	21.0%	16.2%	28.8%	20.4%
Inductors	14.1%	12.8%	15.1%	13.9%	16.2%	15.0%
Other electronics components	-10.8%	-8.1%	-10.8%	-8.0%	-10.8%	-7.9%
Total OP	10.9%	9.7%	17.7%	13.4%	24.6%	16.9%

Source: Aletheia Capital/TAG estimates

FIGURE 3 – QUARTERLY, HALF-ANNUAL, AND ANNUAL FORECST FOR TAIYO YUDEN

JPYbn	1QFY3/27E	2QFY3/27E	1HFY3/27E	3QFY3/27E	4QFY3/27E	2HFY3/27E	FY3/27E	1QFY3/28E	2QFY3/28E	1HFY3/28E	3QFY3/28E	4QFY3/28E	2HFY3/28E	FY3/28E
Capacitors	68.625	77.773	146.397	77.129	78.034	155.162	301.560	82.349	93.327	175.677	94.097	95.201	189.298	364.975
Inductors	15.284	17.153	32.437	17.646	16.166	33.812	66.249	15.743	17.667	33.410	18.175	16.651	34.826	68.236
Other electronics components	8.685	9.119	17.804	9.575	9.671	19.246	37.051	8.685	9.119	17.804	9.575	9.671	19.246	37.051
Total sales	92.594	104.045	196.638	104.350	103.870	208.220	404.859	106.777	120.114	226.891	121.848	121.523	243.371	470.261
OP														
Capacitors	5.598	11.086	16.684	10.700	11.243	21.943	38.627	13.832	20.419	34.252	20.881	21.543	42.424	76.676
Inductors	1.695	2.629	4.323	2.875	2.135	5.011	9.334	1.924	2.886	4.810	3.140	2.378	5.518	10.328
Other electronics components	(1.000)	(1.000)	(2.000)	(1.000)	(1.000)	(2.000)	(4.000)	(1.000)	(1.000)	(2.000)	(1.000)	(1.000)	(2.000)	(4.000)
Total OP	6.292	12.715	19.007	12.576	12.378	24.954	43.961	14.756	22.305	37.062	23.021	22.921	45.943	83.004
OPM														
Capacitors	8.2%	14.3%	11.4%	13.9%	14.4%	14.1%	12.8%	16.8%	21.9%	19.5%	22.2%	22.6%	22.4%	21.0%
Inductors	11.1%	15.3%	13.3%	16.3%	13.2%	14.8%	14.1%	12.2%	16.3%	14.4%	17.3%	14.3%	15.8%	15.1%
Other electronics components	-11.5%	-11.0%	-11.2%	-10.4%	-10.3%	-10.4%	-10.8%	-11.5%	-11.0%	-11.2%	-10.4%	-10.3%	-10.4%	-10.8%
Total OP	6.8%	12.2%	9.7%	12.1%	11.9%	12.0%	10.9%	13.8%	18.6%	16.3%	18.9%	18.9%	18.9%	17.7%

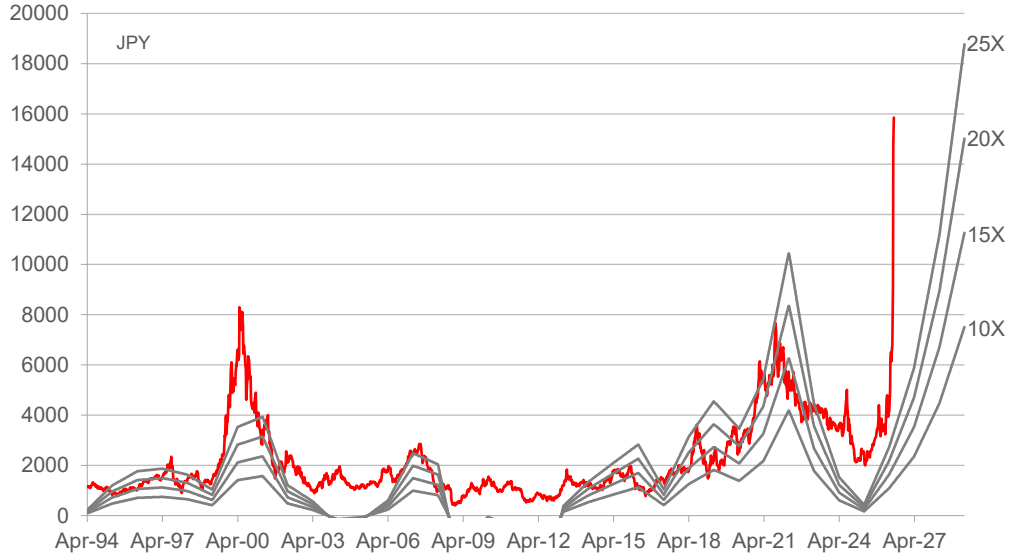
Source: Aletheia Capital/TAG estimates

FIGURE 4 – ANNUAL FORECASTS FOR TAIYO YUDEN

JPYbn	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26	FY3/27E	FY3/28E	FY3/29E	FY3/30E
Capacitors	170.633	176.457	195.198	230.383	208.115	205.829	232.066	251.771	301.560	364.975	456.218	556.587
Inductors	40.595	38.770	41.564	48.925	52.866	55.566	61.546	64.319	66.249	68.236	70.283	72.392
Integrated modules & devices	47.930	49.808	46.930	48.799	32.581	34.934	22.986	14.796	-	-	-	-
Other electronics components	15.189	17.292	17.227	21.527	25.941	26.317	24.838	24.453	37.051	37.051	37.051	37.051
Total sales	274.347	282.327	300.919	349.634	319.503	322.646	341.436	355.339	404.859	470.261	563.552	666.029
Capacitors	38.960	39.480	39.360	60.000	26.700	4.120	7.080	17.000	38.627	76.676	131.422	191.643
Inductors	1.400	0.300	2.100	7.290	9.600	6.400	8.100	8.800	9.334	10.328	11.352	12.406
Integrated modules & devices	(2.310)	1.000	2.500	2.900	(2.210)	(0.500)	(3.600)	(4.100)	-	-	-	-
Other electronics components	(2.800)	(3.600)	(3.200)	(2.000)	(2.000)	(1.000)	(0.974)	(1.700)	(4.000)	(4.000)	(4.000)	(4.000)
Total OP	35.250	37.180	40.760	68.190	32.090	9.020	10.606	20.000	43.961	83.004	138.774	200.049
OPM												
Capacitors	22.8%	22.4%	20.2%	26.0%	12.8%	2.0%	3.1%	6.8%	12.8%	21.0%	28.8%	34.4%
Inductors	3.4%	0.8%	5.1%	14.9%	18.2%	11.5%	13.2%	13.7%	14.1%	15.1%	16.2%	17.1%
Integrated modules & devices	-4.8%	2.0%	5.3%	5.9%	-6.8%	-1.4%	-15.7%	-27.7%	-	-	-	-
Other electronics components	-18.4%	-20.8%	-18.6%	-9.3%	-7.7%	-3.8%	-3.9%	-7.0%	-10.8%	-10.8%	-10.8%	-10.8%
Total OP	12.8%	13.2%	13.5%	19.5%	10.0%	2.8%	3.1%	5.6%	10.9%	17.7%	24.6%	30.0%

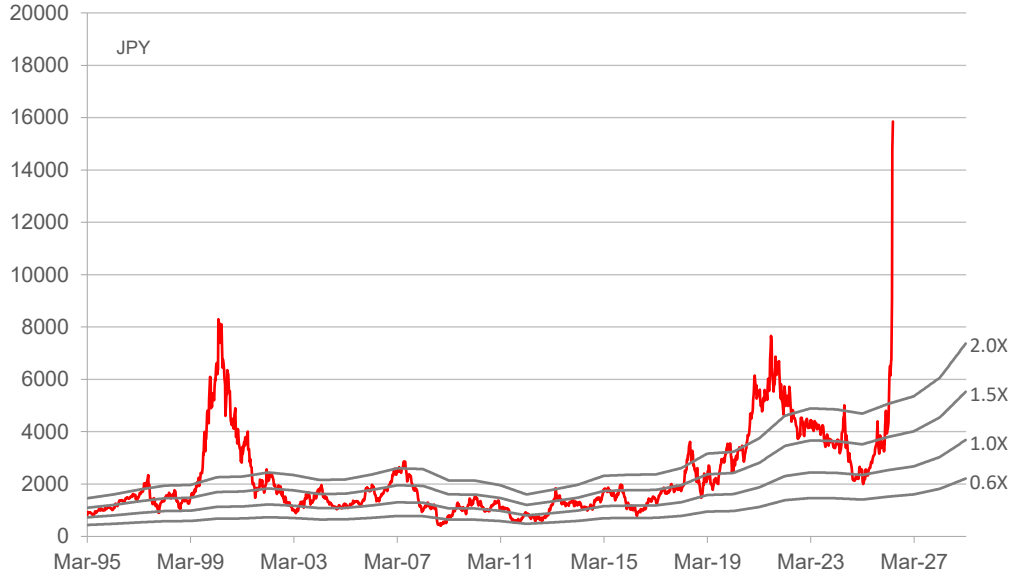
Source: Company data, Aletheia Capital/TAG estimates. OP breakdown is our estimate. Integrated modules & devices are combined with other electronic components from FY3/27.

FIGURE 5 – TAIYO YUDEN'S PER TRADING RANGE



Source: Bloomberg, Aletheia Capital

FIGURE 6 – TAIYO YUDEN'S PBR TRADING RANGE



Source: Bloomberg, Aletheia Capital

Financial Statements

INCOME STATEMENT

FYE Mar (¥ bn)	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E
Revenue	341.4	355.3	404.9	470.3	563.6	666.0
Depreciation	46.3	49.1	48.0	53.0	57.0	60.0
EBITDA	56.7	69.1	92.0	136.0	195.8	260.0
SG&A	61.1	61.9	64.4	67.0	69.7	72.5
OPN profit	10.5	20.0	44.0	83.0	138.8	200.0
Non-op	-2.1	0.1	-0.8	-0.7	-0.7	-0.7
Pre-Tax Profit	8.4	20.1	43.2	82.3	138.1	199.3
Tax expenses	6.0	5.3	11.2	21.4	35.9	51.8
Net Profit	2.3	14.8	32.0	60.9	102.2	147.5
FD EPS (¥)	17.1	108.8	235.0	447.6	750.8	1,084.0
Share counts (m)	136.1	136.1	136.1	136.1	136.1	136.1
Revenue chg.	6	4	14	16	20	18
EBITDA chg.	1	1	1	1	1	1
OPN profit chg.	15	91	120	89	67	44
Net profit chg.	-72	536	116	90	68	44
FD EPS chg.	0	6	2	2	2	1

BALANCE SHEET

FYE Mar (¥ bn)	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E
Fixed Assets	286.8	290.0	282.0	289.0	292.0	292.0
Other LT Assets	7.0	7.3	7.3	7.3	7.3	7.3
LT investments	0.0	0.0	0.0	0.0	0.0	0.0
Cash/eqvl.	78.2	100.1	107.4	124.5	174.7	265.7
A/R	80.5	86.4	98.4	114.3	137.0	161.9
Inventory	110.0	125.8	136.5	147.4	163.4	181.1
Others	10.5	6.0	6.0	6.0	6.0	6.0
Total Assets	573.2	615.5	637.5	688.5	780.4	913.9
A/P	2.1	2.5	2.5	2.5	2.5	2.5
ST Debt	19.7	35.2	35.2	35.2	35.2	35.2
Other ST Liabilities	57.9	56.1	58.3	60.6	64.0	67.7
LT Debt	144.7	136.0	136.0	136.0	136.0	136.0
Other LT Liabilities	29.7	41.4	41.4	41.4	41.4	41.4
Total Liability	254.0	271.1	273.4	275.7	279.0	282.7
Equity	319.2	344.4	364.1	412.8	501.4	631.2
Liabilities + Equity	573.2	615.5	637.5	688.5	780.4	913.9

CASH FLOW STATEMENT

FYE Mar (¥ bn)	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E
Net profit	2.3	14.8	32.0	60.9	102.2	147.5
Depreciation	46.3	49.1	48.0	53.0	57.0	60.0
Chang in WC	-13.5	-8.6	-20.4	-24.5	-35.3	-38.9
Others	-1.2	2.8	0.0	0.0	0.0	0.0
OPN cash flow	33.9	58.1	59.6	89.4	123.8	168.7
Capex	-62.7	-41.1	-40.0	-60.0	-60.0	-60.0
M&A	2.0	3.0	4.0	5.0	6.0	7.0
Others	-0.8	15.4	0.0	0.0	0.0	0.0
CF from investing	-63.5	-25.7	-40.0	-60.0	-60.0	-60.0
Free cash	-26.8	20.1	23.6	34.4	69.8	115.7
Debt raised/(repaid)	15.7	6.5	0.0	0.0	0.0	0.0
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	-11.2	-11.2	-12.2	-12.2	-13.6	-17.7
Others	0.4	-5.8	0.0	0.0	0.0	0.0
CF from financing	5.0	-10.5	-12.2	-12.2	-13.6	-17.7
Chg in cash	-24.6	21.9	7.3	17.1	50.2	91.0
Year beginning CF	102.8	78.2	100.1	107.4	124.5	174.7
Year end CF	78.2	100.1	107.4	124.5	174.7	265.7

RATES, RATIOS & PER SHARE DATA

FYE Mar	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E
EBITDA margin (%)	16.6	19.5	22.7	28.9	34.7	39.0
OPN margin (%)	3.1	5.6	10.9	17.7	24.6	30.0
Net Profit Margin (%)	0.7	4.2	7.9	13.0	18.1	22.1
Tax Rate %	72.2	26.2	26.0	26.0	26.0	26.0
ROE (%)	0.7	4.3	8.8	14.8	20.4	23.4
ROIC (%)	0.5	2.9	6.0	10.4	15.2	18.4
ROA (%)	0.4	2.4	5.0	8.8	13.1	16.1
Current ratio (X)	3.5	3.4	3.6	4.0	4.7	5.8
Debt/equity (%)	51.5	49.7	47.0	41.5	34.1	27.1
Net gearing (%)	27	21	18	11	(1)	(15)
AR days	86	89	89	89	89	89
AP days	37	35	35	35	35	35
Inventory days	149	168	168	168	168	168
Capex/revenue (%)	18.4	11.6	9.9	12.8	10.6	9.0
FD EPS (¥)	17	109	235	448	751	1,084
BVPS (¥)	2,345	2,531	2,676	3,033	3,684	4,638
SPS (¥)	2,509	2,611	2,975	3,456	4,141	4,894
OPN CFPS	249	427	438	657	910	1,239
FCFPS (¥)	(211)	125	144	216	469	798
DPS (Gross ¥)	90	90	90	100	130	200

Source: Company data, Aletheia Capital/TAG

TDK

↔ Hold

#Hardware #AI #Auto #EV

Price: **JPY 3,504** Target Price: **JPY 3,300** Upside: **-5.8%** Total return: **-4.7%** Risk: High

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TDK

Bloomberg	6762 JP
RIC	6762.T
Market cap (USDbn)	43.1
Average daily T/O (USD|m)	432.9

Non-China Battery Supply Chain Strategy is the Key

TDK's lack of sales exposure to data centers outside of HDD components is the main reason for its underperformance YTD vs. Murata/Taiyo Yuden. The catalyst to watch is how CATL/ATL construct a non-China battery supply chain addressing the data center market in which it has little presence. We raise our FY3/27-28 OP estimate by 8%/13% and our TP from JPY2,300 (20x FY3/28 PER) to JPY3,300 (25x FY3/28 PER). Maintain a HOLD rating.

Data Center sales are still mostly HDD

Of TDK's JPY250bn in data center sales in FY3/26 (or 10% of sales), we estimate JPY230bn came from recording devices (HDD heads and suspensions), with passive components accounting for <JPY10bn, and the remainder being batteries for ESS/UPS. We estimate recording device sales will grow 40%/10% in FY3/27-28 driven by outsourcing from captive clients to increase TDK's market share in heads from 16% in FY3/26 to 25% by FY3/28. Of the JPY10bn in passive components sales, we estimate aluminium capacitors made up JPY7-8bn, followed by MLCC and inductors. TDK's aluminum capacitor sales totalled JPY93bn in FY3/26 (3.7% of sales) and contributed JPY5bn OP (1.7% of OP). In comparison, the industry leader Nippon Chemi-Con posted JPY120bn in aluminium capacitor sales in FY3/26, of which JPY11.5bn came from data centers. Aluminium capacitor for data center is likely to post 90-100% CAGR in the next few years, but the contribution to profits is insignificant. For MLCC and inductors, data center sales are classified under industrial & others. While we note that industrial application growth began to accelerate in 4QFY, it only accounts 10%/18% within MLCC/inductors.

How CATL/ATL build a non-China cell production for ESS/BBU is key

Based on TDK's FY3/31 plan, energy applications are targeted to make up JPY250-300bn of data center sales for ESS/BBU applications. Among the three battery suppliers to Delta Electronics (Panasonic, Murata, and TDK), TDK is the smallest supplier due to the preference by CSP clients for non-China production sites. TDK's mid-size battery sales totalled >JPY80bn (about 10% OPM) and are projected to grow 30% YoY in FY3/27. But to achieve its FY3/31 target, TDK will also need to work with CATL, which controls their cell production JV. How CATL/ATL construct non-China production targeting data Center applications is key to drive battery growth.

Steady growth vs. explosive growth

We see TDK's profit increasing steadily on the back of gradual growth in passive components and higher outsourcing opportunities from captive HDD makers – in contrast to Murata/Taiyo Yuden's explosive profit growth driven by data Center MLCC. While aluminium capacitors for data centers will grow, this is a traditionally low margin business, so the contribution will be limited. There is usually upside on TDK's guidance for batteries, but the key to monitor is data Center business development.

KEY FINANCIAL AND VALUATION MATRIX

Mar 31 (¥ bn)	FY22A	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue	1,902	2,181	2,104	2,205	2,505	2,852	3,038	3,214
OP	167	169	173	224	272	330	352	381
Pre tax profit	234	167	179	238	277	339	363	381
Net Profit	178	114	125	167	196	239	256	270
EPS, ¥	91	59	64	86	101	123	131	139
DPS, ¥	14	21	23	30	36	40	44	48
PER (X)	38.4	59.7	54.6	40.7	34.8	28.5	26.6	25.2
PB (X)	5.1	4.7	4.0	3.8	3.1	2.9	2.7	2.5
EV/EBITDA	15.8	16.3	16.4	13.9	12.2	9.9	9.4	9.1
ROE (%)	13.2	7.8	7.3	9.2	8.9	10.1	10.0	9.9
ROA (%)	5.8	3.6	3.7	4.7	4.4	5.1	5.2	5.2
Dividend yield (%)	0.4	0.6	0.7	0.9	1.0	1.1	1.3	1.4

Source: Aletheia Capital/TAG

FIGURE 1 – EARNINGS FORECAST REVISION FOR TDK

JPYbn	FY3/27E (new)	FY3/27E (old)	FY3/28E (new)	FY3/28E (old)
Passive components	676.2	608.9	718.1	625.8
Capacitors	303.8	269.0	338.0	278.8
Inductors	247.9	219.7	253.4	224.6
Other passives	124.5	120.2	126.7	122.4
Sensors	260.4	237.9	247.0	244.4
Magnetic application products	357.6	324.2	383.1	347.0
Energy application products	1,506.1	1,460.5	1,637.3	1,589.4
Others	52.0	52.0	52.0	52.0
Consolidated sales	2,852.2	2,683.6	3,037.5	2,858.6
Passive components	77.5	49.5	94.0	55.9
Capacitors	45.4	33.1	59.1	37.0
Inductors	26.1	10.2	28.4	12.2
Other passives	6.0	6.2	6.6	6.8
Sensors	25.9	28.4	21.7	30.1
Magnetic application products	48.2	42.1	51.8	46.4
Energy application products	241.4	244.8	251.8	241.7
Others	(4.0)	(4.0)	(4.0)	(4.0)
Total OP	329.8	305.1	352.2	310.8
Restructuring charges	-	-	-	-
One-off profit	-	-	-	-
Normalized OP	329.8	305.1	352.2	310.8

Source: Aletheia Capital/TAG

FIGURE 2 - QUARTERLY, HALF-YEAR, AND ANNUAL FORECAST FOR TDK

	1QFY3/27E	2QFY3/27E	1HFY3/27E	3QFY3/27E	4QFY3/27E	2HFY3/27E	FY3/27E	1QFY3/28E	2QFY3/28E	1HFY3/28E	3QFY3/28E	4QFY3/28E	2HFY3/28E	FY3/28E
Passive components	161.5	169.3	330.8	172.2	173.2	345.4	676.2	170.5	180.5	351.0	183.7	183.4	367.1	718.1
Capacitors	73.2	75.0	148.1	76.7	79.0	155.7	303.8	80.0	84.3	164.3	86.3	87.3	173.7	338.0
Inductors	57.9	62.7	120.7	63.6	63.6	127.2	247.9	59.7	64.0	123.7	64.9	64.8	129.8	253.4
Other passives	30.4	31.6	62.0	31.8	30.6	62.5	124.5	30.8	32.2	63.0	32.5	31.2	63.7	126.7
Sensors	56.2	68.0	124.2	72.2	64.0	136.2	260.4	53.6	64.8	118.3	67.9	60.7	128.6	247.0
Magnetic application products	83.2	90.5	173.6	92.7	91.2	183.9	357.6	93.9	96.3	190.2	98.5	94.4	192.9	383.1
Recording devices	72.2	80.1	152.4	83.8	80.2	164.0	316.4	83.0	86.0	168.9	89.7	83.4	173.0	342.0
Magnets	10.9	10.3	21.3	8.9	11.0	19.9	41.2	10.9	10.3	21.3	8.9	11.0	19.9	41.2
Energy application products	346.6	383.9	730.5	404.0	371.5	775.6	1,506.1	375.4	417.0	792.3	439.4	405.6	845.0	1,637.3
Battery	320.1	354.3	674.4	377.4	347.1	724.5	1,398.9	348.1	385.9	734.0	411.4	380.0	791.4	1,525.4
Power supply	26.5	29.6	56.1	26.7	24.4	51.1	107.1	27.3	31.1	58.3	28.0	25.6	53.6	111.9
Others	13.0	13.0	26.0	13.0	13.0	26.0	52.0	13.0	13.0	26.0	13.0	13.0	26.0	52.0
Consolidated sales	660.5	724.7	1,385.1	754.1	712.9	1,467.0	2,852.2	706.3	771.5	1,477.8	802.6	757.1	1,559.7	3,037.5
OP														
Passive components	16.5	19.5	36.0	20.5	21.0	41.6	77.5	20.2	23.8	44.1	25.0	24.9	49.9	94.0
Capacitors	10.2	11.0	21.2	11.7	12.6	24.2	45.4	13.0	14.7	27.7	15.5	15.9	31.4	59.1
Inductors	4.9	6.8	11.7	7.2	7.2	14.4	26.1	5.8	7.3	13.1	7.6	7.6	15.2	28.4
Other passives	1.4	1.7	3.1	1.7	1.3	3.0	6.0	1.5	1.8	3.3	1.8	1.4	3.3	6.6
Sensors	3.8	7.3	11.1	8.6	6.2	14.7	25.9	3.0	6.3	9.3	7.2	5.1	12.4	21.7
Magnetic application products	10.0	12.3	22.3	12.9	13.0	25.9	48.2	12.3	12.9	25.2	13.9	12.7	26.5	51.8
Recording devices	12.0	14.3	26.3	15.4	15.5	30.9	57.2	14.8	15.4	30.2	16.4	15.2	31.5	61.8
Magnets	(2.0)	(2.0)	(4.0)	(2.5)	(2.5)	(5.0)	(9.0)	(2.5)	(2.5)	(5.0)	(2.5)	(2.5)	(5.0)	(10.0)
Energy application products	53.2	65.2	118.4	72.1	50.9	123.0	241.4	53.1	66.4	119.5	74.0	58.3	132.3	251.8
Battery	53.7	65.7	119.4	72.6	51.4	124.0	243.4	53.6	66.9	120.5	74.5	58.8	133.3	253.8
Power supply	(0.5)	(0.5)	(1.0)	(0.5)	(0.5)	(1.0)	(2.0)	(0.5)	(0.5)	(1.0)	(0.5)	(0.5)	(1.0)	(2.0)
Others	(1.0)	(1.0)	(2.0)	(1.0)	(1.0)	(2.0)	(4.0)	(1.0)	(1.0)	(2.0)	(1.0)	(1.0)	(2.0)	(4.0)
Eliminations	(13.2)	(14.5)	(27.7)	(15.1)	(16.4)	(31.5)	(59.2)	(14.1)	(15.4)	(29.6)	(16.1)	(17.4)	(33.5)	(63.0)
Total OP	**69.4**	**88.8**	**158.1**	**98.0**	**73.7**	**171.7**	**329.8**	**73.6**	**92.9**	**166.5**	**103.0**	**82.6**	**185.7**	**352.2**
One-off charge/(profit)														
Profit before restructuring ch	**69.4**	**88.8**	**158.1**	**98.0**	**73.7**	**171.7**	**329.8**	**73.6**	**92.9**	**166.5**	**103.0**	**82.6**	**185.7**	**352.2**

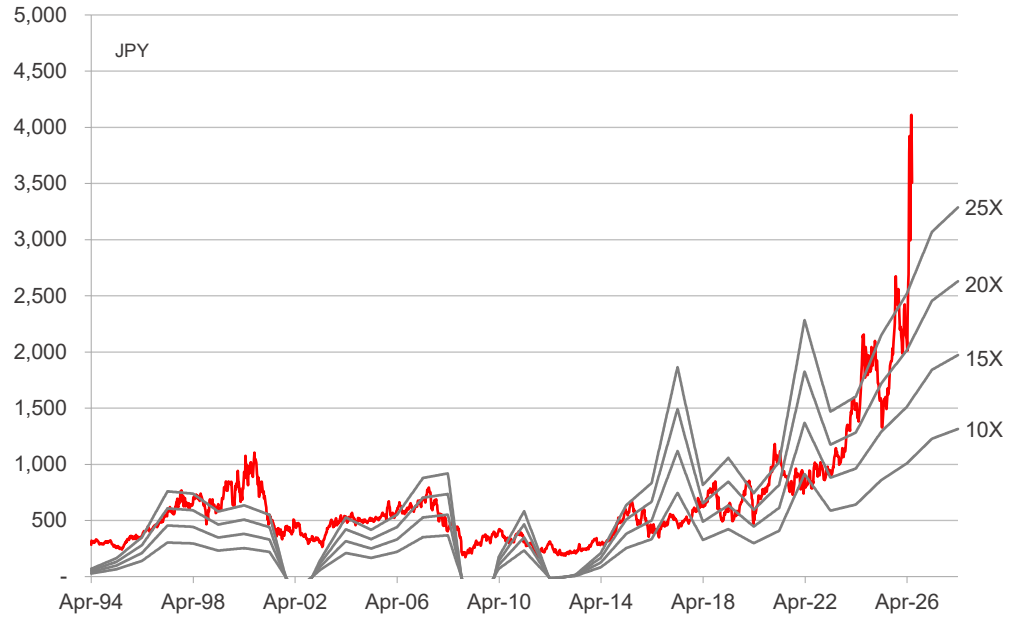
Source: Aletheia Capital/TAG estimates

FIGURE 3 - ANNUAL SALES AND OP FORECAST FOR TDK

	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26	FY3/27E	FY3/28E	FY3/29E
Passive components	438	433	395	407	505	576	566	560	593	676	718	755
Capacitors	157	173	154	158	198	240	245	234	257	304	338	367
Ceramic capacitors	88	106	100	105	127	148	154	150	165	196	221	241
Aluminum & film capacitors	69	67	54	53	71	92	91	84	93	108	117	126
Inductors	158	159	138	140	180	198	192	204	216	248	253	259
Other passives	123	101	104	109	127	138	129	121	120	124	127	129
Sensors	78	76	78	81	131	170	181	189	225	260	247	254
Traditional sensors	25	26	27	26	33	37	40	42	43	46	48	49
Magnetic sensors	27	29	27	29	54	78	92	100	117	124	129	135
MEMS (InvenSense)	26	22	24	26	43	55	48	48	65	90	70	70
Magnetic application products	333	273	220	199	248	201	184	224	263	358	383	396
Recording devices	238	237	193	175	221	162	148	191	227	316	342	355
HDD head	180	178	139	116	150	109	101	128	141	213	235	245
Suspension	58	60	54	60	72	52	47	63	86	103	107	110
Others	95	35	27	24	27	39	36	33	36	41	41	41
Energy application products	371	538	598	740	965	1,173	1,122	1,176	1,370	1,506	1,637	1,757
Battery	371	464	540	699	921	1,105	1,013	1,068	1,265	1,399	1,525	1,640
Power supply		54	58	41	44	68	108	109	105	107	112	117
Others	52	62	72	51	52	61	52	56	54	52	52	52
Consolidated sales	1,272	1,382	1,363	1,479	1,902	2,181	2,104	2,205	2,505	2,852	3,038	3,214
	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26	FY3/27E	FY3/28E	FY3/29E
Passive components	46.3	58.4	39.1	40.2	77.7	95.5	53.9	34.1	41.8	77.5	94.0	108.0
Capacitors	13.7	26.3	18.6	16.3	36.8	49.7	42.0	25.1	21.8	45.4	59.1	70.6
Ceramic capacitor	10.0	20.6	19.2	16.9	30.6	40.4	37.0	21.4	17.1	-	-	-
Aluminium and film capacitor	3.7	5.7	(0.6)	(0.6)	6.2	9.3	4.9	3.8	4.7	-	-	-
Inductors	16.4	17.4	7.7	9.4	24.3	31.2	11.6	20.1	17.7	26.1	28.4	30.3
Other passives	16.3	15.0	12.8	14.5	16.9	14.4	0.3	(11.3)	2.3	6.0	6.6	7.1
Amortization	(0.7)	(0.5)	-	-	(0.4)	-	-	-	-	-	-	-
Sensors	(19.4)	(22.1)	(25.0)	(24.9)	2.7	10.7	6.0	5.0	20.7	25.9	21.7	23.6
Traditional sensors	0.8	-	(0.7)	0.4	1.9	(0.4)	1.4	0.4	(1.3)	(0.0)	0.3	0.6
Magnetic sensors	(3.4)	(1.9)	(3.2)	(3.4)	9.9	16.1	22.6	20.4	21.8	19.0	20.4	22.0
MEMS (InvenSense)	(15.8)	(20.2)	(21.1)	(21.8)	(9.0)	(4.9)	(18.0)	(15.8)	0.2	6.9	0.9	0.9
Magnetic application products	20.9	17.0	0.4	(2.4)	4.6	(56.4)	(35.6)	3.4	27.0	48.2	51.8	56.6
Recording devices	19.7	28.5	22.1	6.0	13.4	(45.0)	(23.5)	15.0	33.7	57.2	61.8	66.6
HDD head	24.9	30.5	21.8	3.7	14.2	(8.2)	(16.3)	2.6	12.1	30.7	39.8	44.6
Suspension	(5.2)	(1.9)	0.3	2.3	(0.8)	(36.8)	(7.2)	12.5	21.5	26.5	21.0	21.0
Others	1.2	(11.4)	(21.7)	(8.4)	(8.8)	(11.4)	(12.0)	(11.7)	(6.7)	(9.0)	(10.0)	(10.0)
Energy application products	70.4	91.0	124.1	147.4	123.2	147.4	195.7	234.4	246.7	241.4	251.8	263.8
Battery	70.4	90.9	128.0	150.2	131.3	147.2	190.5	237.6	255.0	243.4	253.8	265.8
Power supply		0.1	(2.8)	(2.3)	(7.6)	0.2	5.2	(3.2)	(8.3)	(2.0)	(2.0)	(2.0)
Other applied film	-											
Others	(2.4)	(6.7)	(8.6)	(16.1)	(5.6)	(0.4)	(1.8)	(4.4)	(10.2)	(4.0)	(4.0)	(4.0)
Eliminations	(30.1)	(29.8)	(32.2)	(32.7)	(35.8)	(28.0)	(45.3)	(48.3)	(53.6)	(59.2)	(63.0)	(66.7)
Total OP	85.6	107.8	97.9	111.5	166.7	168.8	172.9	224.2	272.4	329.8	352.2	381.3
Restructuring charge	0.7	-	18.3	17.6	13.8	36.9	18.8	19.9	13.1	-	-	-
One-off profit	4.5	4.0	1.0	2.4	-	12.0	1.0	4.3	-	-	-	-
Profit before restructuring charge	81.8	103.8	115.2	126.7	180.5	193.7	190.7	239.8	285.5	329.8	352.2	381.3

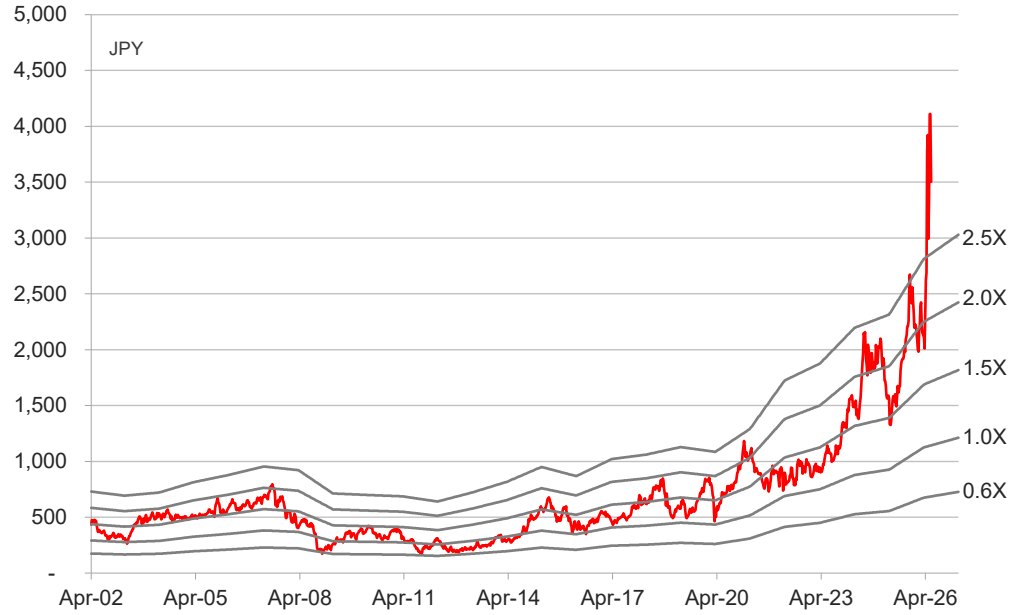
Source: Aletheia Capital/TAG estimates. Detailed sales and OP breakdown is our estimate.

FIGURE 4 – TDK'S PER TRADING RANGE



Source: Bloomberg, Aletheia Capital

FIGURE 5 – TDK'S PBR TRADING RANGE



Source: Bloomberg, Aletheia Capital

Financial Statements

INCOME STATEMENT

FYE Mar (¥ bn)	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue	2,103.9	2,204.8	2,504.8	2,852.2	3,037.5	3,213.8
Depreciation	190.5	196.2	204.2	240.0	247.4	247.4
EBITDA	363.4	420.4	476.6	569.8	599.6	628.7
SG&A	430.1	463.9	511.0	518.8	526.8	534.9
OPN profit	172.9	224.2	272.4	329.8	352.2	381.3
Non-op	6.3	13.6	4.4	8.8	11.3	-0.1
Pre-Tax Profit	179.2	237.8	276.8	338.6	363.5	381.2
Tax expenses	54.6	70.6	81.1	99.8	107.9	111.2
Net Profit	124.7	167.2	195.7	238.7	255.6	270.0
FD EPS (¥)	64.1	86.0	100.7	122.8	131.5	138.9
Share counts (m)	1,943.9	1,943.9	1,943.9	1,943.9	1,943.9	1,943.9
Revenue chg. (%)	-3.5	4.8	13.6	13.9	6.5	5.8
EBITDA chg. (%)	-3.1	15.7	13.4	19.6	5.2	4.9
OPN profit chg. (%)	2.4	29.7	21.5	21.1	6.8	8.3
Net profit chg. (%)	9.2	34.1	17.1	22.0	7.1	5.6
FD EPS chg. (%)	9.2	34.1	17.1	22.0	7.1	5.6

BALANCE SHEET

FYE Mar (¥ bn)	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Fixed Assets	991.1	1,030.1	1,225.8	1,356.5	1,412.9	1,486.9
Other LT Assets	474.8	448.4	507.4	507.4	507.4	507.4
LT investments	221.4	226.0	226.8	226.8	226.8	226.8
Cash/eqvl.	650.0	697.3	842.8	792.4	867.0	932.4
A/R	558.3	583.1	780.6	888.8	946.6	1,001.5
Inventory	406.1	410.0	585.4	681.4	734.1	781.4
Others	113.6	146.4	246.4	246.4	246.4	246.4
Total Assets	3,415.3	3,541.4	4,415.2	4,699.7	4,941.2	5,182.8
A/P	351.9	392.5	706.7	822.6	886.2	943.2
ST Debt	212.9	187.1	211.0	211.0	211.0	211.0
Other ST Liabilities	452.0	518.8	656.9	656.9	656.9	656.9
LT Debt	400.3	346.0	332.7	332.7	332.7	332.7
Other LT Liabilities	283.2	285.7	304.4	304.4	304.4	304.4
Total Liability	1,700.4	1,730.2	2,211.6	2,327.5	2,391.1	2,448.1
Equity	1,714.9	1,811.3	2,203.5	2,372.3	2,550.1	2,734.6
Liabilities + Equity	3,415.3	3,541.4	4,415.2	4,699.7	4,941.2	5,182.8

CASH FLOW STATEMENT

FYE Mar (¥ bn)	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Net profit	124.7	167.2	195.7	238.7	255.6	270.0
Depreciation	190.5	196.2	204.2	240.0	247.4	247.4
Chang in WC	90.2	2.5	-8.9	-88.4	-46.8	-45.1
Others	41.6	80.0	116.7	0.0	0.0	0.0
OPN cash flow	447.0	445.8	507.7	390.3	456.1	472.3
Capex	-218.6	-225.3	-298.6	-370.8	-303.8	-321.4
M&A						
Others	2.0	-19.6	-79.2	0.0	0.0	0.0
CF from investing	-216.6	-244.8	-377.8	-370.8	-303.8	-321.4
Free cash	228.4	220.5	209.1	19.6	152.4	150.9
Debt raised/(repaid)	-93.4	-81.3	9.9	0.0	0.0	0.0
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	-42.2	-48.5	-60.7	-70.0	-77.8	-85.5
Others	48.9	-23.9	66.4	0.0	0.0	0.0
CF from financing	-86.6	-153.7	15.5	-70.0	-77.8	-85.5
Chg in cash	143.8	47.3	145.5	-50.4	74.6	65.4
Year beginning CF	506.2	650.0	697.3	842.8	792.4	867.0
Year end CF	650.0	697.3	842.8	792.4	867.0	932.4

RATES, RATIOS & PER SHARE DATA

FYE Mar	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
EBITDA margin (%)	17.3	19.1	19.0	20.0	19.7	19.6
OPN margin (%)	8.2	10.2	10.9	11.6	11.6	11.9
Net Profit Margin (%)	5.9	7.6	7.8	8.4	8.4	8.4
Tax Rate %	30.4	29.7	29.3	29.5	29.7	29.2
ROE (%)	7.3	9.2	8.9	10.1	10.0	9.9
ROCE (%)	5.4	7.1	7.1	8.2	8.3	8.2
ROA (%)	3.7	4.7	4.4	5.1	5.2	5.2
Current ratio (X)	1.7	1.7	1.6	1.5	1.6	1.6
Debt/equity (%)	35.8	29.4	24.7	22.9	21.3	19.9
Net gearing (%)	(2)	(9)	(14)	(10)	(13)	(14)
AR days	97	97	114	114	114	114
AP days	86	94	150	150	150	150
Inventory days	99	99	124	124	124	124
Capex/revenue (%)	10.4	10.2	11.9	13.0	10.0	10.0
FD EPS (¥)	64	86	101	123	131	139
BVPS (¥)	882	932	1,134	1,220	1,312	1,407
SPS (¥)	1,082	1,134	1,289	1,467	1,563	1,653
OPN CFPS	230	229	261	201	235	243
FCFPS (¥)	118	113	108	10	78	78
DPS (Gross ¥)	23	30	36	40	44	48

Source: Company data, Aletheia Capital/TAG

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