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UPDATE

July 1, 2026 06:30 AM GMT

JX Advanced Metals (5016) | Japan

InP Substrates as Core Product Longer Term, But Too Soon to Price In

WHAT'S CHANGED

JX Advanced Metals (5016.T)	From	To
Price Target	3,800円	**4,300円**

We hike our forecasts, raise our P/E for Semi Materials, and lift our PT to ¥4,300. We see InP substrates as a core product longer term, but offering limited contributions short term.

Lift PT to ¥4,300: We apply a P/E of 22.0x (SOTP; previously 19.3x) to our F3/28e EPS of ¥197. By segment, we apply P/E of 41.2x (prev. 28.1x) for semiconductor materials, 25.7x (18.5x) for information and communications materials, and 13.2x (15.6x) for basic materials. Our revised PT particularly reflects the upward revision to our P/E for semiconductor materials to factor in projected medium- to long-term earnings growth for InP substrates. See Investment Summary for details.

Stay EW; view AI-related products as growth drivers (solid sales expansion in sputtering target materials, rapid sales expansion in InP substrates), but short-term profit growth already largely priced in: The firm's share price had greatly underperformed TOPIX post-4Q results, but has turned up again after bottoming on Jun 11, making particularly strong gains after the announcement of major capacity adds for InP substrates on Jun 16, suggesting a very strong market focus on InP substrates. We also expect InP substrates to see a sharp jump in demand for optical transceivers and external light sources for CPO, and a dramatic increase of its earnings contribution from ¥1.5bn in F3/26 to ¥70bn in F3/31. However, in F3/28, we expect its contribution to only amount to ¥7.1bn as production capacity expansion is still ongoing. We also note that supply/demand may not remain as tight as it is now as a result of JX's aggressive capacity adds. Accordingly, we think it too early to fully price in our F3/31 projections, and set our base year as F3/28 instead. Based on the relative positioning of our PT against the current share price within the nonferrous industry, we stay EW.

Earnings estimates: We hike our OP forecasts from ¥235bn to ¥243bn for F3/27, and ¥253bn to ¥260bn for F3/28. In F3/29, we forecast ¥288bn. Our upward revisions mainly reflect the copper premium in the basic materials business, but we expect sales expansion of core products in the semiconductor materials business to remain the primary driver of YoY profit growth.

What could turn us bullish: (1) Further acceleration in semis market growth. (2) Faster growth and better margins (proactive price hikes) in AI-related products, driving faster profit growth. (3) Flexible share buybacks with a focus on capital efficiency. We are not bearish due to the high visibility of the firm's profit growth, particularly driven by its AI-related products, as well as its relative positioning against the valuations of other nonferrous firms we cover.

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JX Advanced Metals (5016.T, 5016 JP)

Nonferrous Metals & Mining | Japan

Stock Rating	**Equal-weight**
Industry View	**In-Line**
Price target	¥4,300
Up/downside to price target (%)	(2)
Shr price, close (Jun 30, 2026)	¥4,398
Mkt cap, curr, basic (bn)	¥4,073.1
Div yld (03/27e) (%)	1.4

Fiscal Year Ending	03/26	03/27e	03/28e	03/29e
Revenue, net (¥bn)	884.6	1,028.2	1,072.0	1,144.6
Operating profit (¥bn)*	175.0	243.0	260.0	288.0
Recurring profit (¥bn)*	-	-	-	-
Net income (¥bn)*	104.6	176.3	182.8	194.8
EPS, basic (¥)*	112.9	190.4	197.1	210.1
Prior EPS, basic (¥)*	124.6	198.8	211.8	-
EPS (¥)**	112.7	189.9	196.9	209.8
Prior EPS (¥)**	124.4	198.3	211.5	-
EV/EBITDA, basic	14.1	13.3	12.1	10.8
P/E, basic*	29.3	23.1	22.3	20.9
P/BV, basic	4.2	4.8	4.2	3.7
Return on avg eqty (%)*	15.6	22.4	20.1	18.7

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
* = GAAP or approximated based on GAAP
** = Based on consensus methodology
e = Morgan Stanley Research estimates

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Investment Summary

Share price performance to date since F3/26

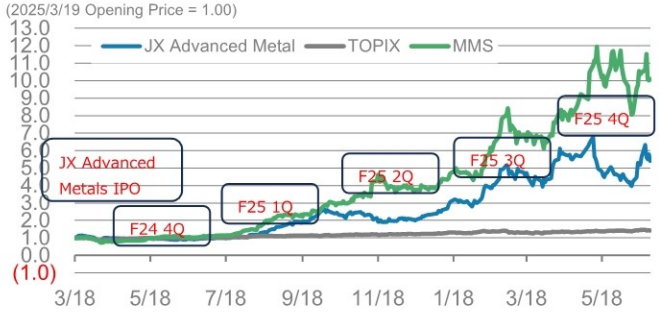
The share price had mostly moved in line with TOPIX until F3/26 1Q results, despite some ups and downs. Between F3/26 1Q and 2Q results, it greatly outperformed TOPIX. During 1Q results, we think the market reacted positively to the earnings beat and announcement of F3/27 guidance above consensus. Furthermore, the upward revision included expanded sales of titanium-copper and tantalum powder for AI servers. Similar to Mitsui Kinzoku during the same time, we think the market re-rated the company as an 'AI-related' stock.

On the other hand, the share price greatly underperformed TOPIX after 2Q results. While the company indicated a growth outlook for sputtering target materials in line with market expectations, we attribute the significant correction to the growth outlook for tantalum powder and InP substrates falling short of market expectations.

Meanwhile, the company's share price once again significantly outperformed TOPIX from around the time of the 3Q earnings release. We believe the key drivers were: 1) rising copper prices; 2) an improving outlook for the semiconductor market; and 3) strong earnings. In 3Q the company delivered earnings above consensus and provided conservative guidance; however, on a mark-to-market basis, full-year guidance could be expected to exceed consensus. In addition, the announcement of a third capacity expansion investment this fiscal year for InP substrates was well-received by the market.

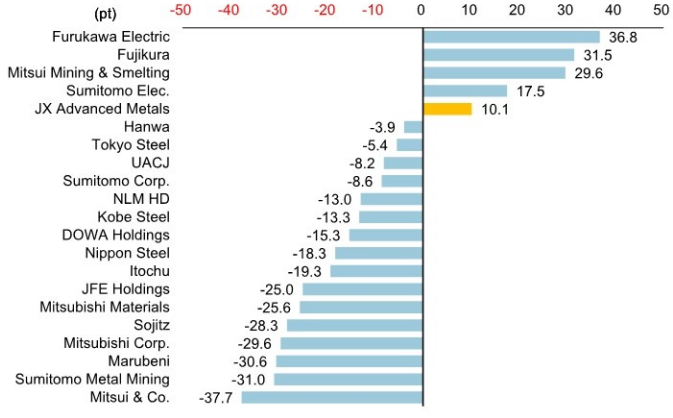
Following 4Q results, the share price greatly underperformed TOPIX, but then bottomed on Jun 11 and turned up again. 4Q results themselves contained no particular surprises, but there were announcements of the partial sale of JX Advanced Metals' shares by ENEOS, the issuance of convertible bonds, and a share buyback. Since future conversion of the CBs is to be settled with treasury shares, which should prevent EPS dilution, we think concerns of reduced liquidity from further share divestments by ENEOS and weakening sentiment towards AI- and data center-related stocks were the factors driving the share price retreat. Meanwhile, we think subsequent share price gains were triggered by the announcements of production capacity adds for magnetic sputtering targets on Jun 11, and significant capacity expansion for InP substrates on Jun 16.

Exhibit 1: JX Advanced Metals and Mitsui Kinzoku stock performance vs. TOPIX



Source: FactSet, Morgan Stanley Research

Exhibit 2: TOPIX-relative performance over Apr 1-Jun 30



Source: FactSet, Morgan Stanley Research

Upward revisions to our forecasts

F3/27: Raise our OP forecast from ¥235bn to ¥243bn (+38.9% YoY), on par with ~ ¥240bn consensus: The +¥8bn hike breaks down to -¥8bn for semiconductor materials (margin revised down), +¥1bn for information & communication materials, +¥20bn for basic materials (copper premium, TC/RCs, inventory effects), and -¥5bn for other. We expect YoY OP growth to be driven primarily by semiconductor materials where we forecast a gain of +¥17.5bn (thin film materials +¥11bn, InP substrates +¥2.5bn, magnetic materials +¥1bn, tantalum powder +¥2bn). We forecast sales volumes of sputtering target materials to increase +21% YoY, and OP in InP substrates to grow +160% to ¥3.9bn.

F3/28: Raise our OP forecast from ¥253bn to ¥260bn (+7% YoY), level with the ~ ¥260bn consensus: The +¥7bn hike breaks down to -¥9bn for semiconductor materials, + ¥1bn for information & communication materials, +¥20bn for basic materials, and -¥5bn for other. We expect YoY OP growth to be driven primarily by semiconductor materials where we forecast a gain of +¥14bn (thin film materials +¥8bn, InP substrates +¥3bn, magnetic materials +¥0.5bn, tantalum powder +¥3bn). In InP substrates, we forecast OP +82% YoY to ¥7.1bn. In basic materials, we factor in a copper premium and improved TC/ RCs.

F3/29: Newly forecast OP of ¥2,880 (+10.8% YoY), roughly level with the ¥286bn consensus: We expect YoY OP growth to be driven primarily by semiconductor materials where we forecast a gain of +¥24.5bn (thin film materials +¥6bn, InP substrates +¥11bn, magnetic materials +¥1bn, tantalum powder +¥5bn). We forecast InP substrate OP +159% to ¥18.4bn. In basic materials, we factor in a copper premium and improved TC/RCs.

Revised price target: SOTP-based 22.0x P/E on F3/28e EPS

We revise our price target from ¥3,800 (P/E 19.3x on F3/27e EPS of ¥198) to **¥4,300 (P/E 22.0x on F3/28e EPS of ¥197)**. This PT corresponds to a P/B of 4.1x. With F3/26 over, we roll our base year forward to F3/28, and adjust our P/E multiples for each segment as detailed below.

Semiconductor materials business mainly consists of sputtering target materials, InP substrates, tantalum-niobium, crystalline materials, high-purity tin, and cadmium telluride. We assign a **41.2x P/E** to this segment, referencing domestic peers involved in semiconductor materials.

We view InP substrates as the biggest driver of medium- to long-term earnings growth. We expect the ramp-up effect from current production capacity expansion works to fully materialize from F3/20, and the earnings contribution from this business to increase exponentially from that time as a result. However, the base year for our price target being set at F3/28 presents the issue that the medium- to long-term earnings growth potential in the InP substrates business is not adequately reflected.

In our F3/31 forecasts, we assume the InP substrates business accounts for 22% (¥70bn) of consolidated OP and 48% of OP within the semiconductor materials segment. Given this, we use a SoTP valuation method for the semiconductor materials segment, applying

the average forward P/E of 48x for Lumentum and Coherent to the InP substrates business, and a P/E of 35x to other semiconductor business, which is the average multiple for reference companies plus a 10% premium (the premium reflects prospects for stronger growth than for these peer firms). Giving a 48% weighting to the InP substrates business, we thus arrive at a blended P/E of 41.2x.

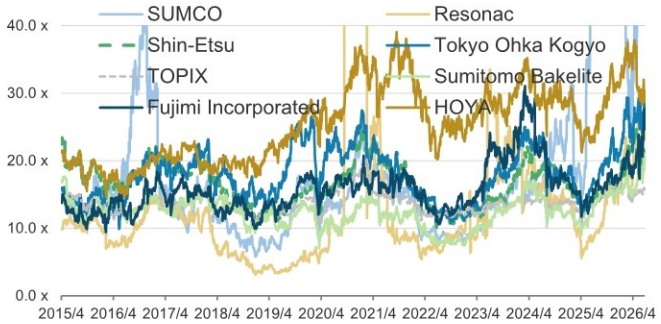
JX's **information & communications segment** consists primarily of a) rolled copper foil for smartphones, b) titanium copper (which is likely to see strong growth with AI servers), and c) products relating to Tatsuta Electric Wire and Toho Titanium. We assign a **25.7x P/E** to this segment, which is the average multiple for reference companies discounted by 10% to reflect the relatively low weighting of AI-related products in JX's business. The **basic materials segment** consists of copper mining and copper smelting. We set a **13.2**x segment P/E here, based on the average projected multiple for peers Sumitomo Metal Mining and Mitsubishi Materials. Since this industry is subject to significant short-term volatility due to market conditions and impairment risks, it is generally more appropriate to use P/B, which focuses on more stable shareholder equity, as a valuation metric. However, JX is invested in mines that are highly competitive on the global stage, which lowers impairment risk. Additionally, the smelting business is run through equity-method affiliates, resulting in a lighter balance sheet. Given the combination of competitive mining assets and its equity-method smelting operations, JX's earnings volatility can be relatively contained, making P/E-based valuation more suitable.

Exhibit 3: Valuation of Peer Companies

Company	Share Price	Mkt Cap	P/E(x)			P/B(x)			ROE(%)			EBIT CAGR (%)		EV/EBITDA(x)			Div yield (%)
	2026/6/26	(JPYbn)	F2026	F2027	F2028	F2026	F2027	F2028	F2026	F2027	F2028	FY22-25	FY26-28	F2026	F2027	F2028	F2026
SUMCO	¥3,818.0	1,337.0	-	60.7	22.5	2.4	2.4	2.2	- 3.4	3.9	9.8	-	-	13.3	11.1	8.5	0.5
Resonac	¥17,330.0	3,204.3	32.5	23.0	19.8	4.0	3.5	3.0	12.4	15.2	15.3	-9.6	19.1	17.1	14.2	12.6	0.4
Nissan Chemical	¥8,381.0	1,129.8	21.5	19.8	18.7	4.1	3.9	3.6	19.3	19.6	19.3	5.3	5.3	13.0	12.4	11.6	2.5
Shin-Etsu Chemical	¥6,835.0	13,567.4	21.6	19.6	18.7	2.7	2.6	2.5	12.6	13.3	13.3	-11.4	8.1	11.3	10.4	9.6	1.7
Tokyo Ohka Kogyo	¥11,205.0	1,432.0	32.4	27.9	23.6	5.3	4.7	4.0	16.3	16.7	17.1	17.8	15.6	18.3	15.1	13.2	0.8
Sumitomo Bakelite	¥7,616.0	672.1	21.9	19.4	16.6	1.8	1.7	1.6	8.3	8.8	9.5	13.2	15.2	10.3	9.2	7.9	1.6
Fujimi Incorporated	¥4,555.0	364.8	28.8	24.8	22.5	3.8	3.5	3.3	13.2	14.3	14.6	0.9	15.6	16.5	13.8	11.5	1.9
HOYA	¥25,575.0	8,563.5	32.2	28.7	25.1	8.3	8.0	7.6	25.8	27.9	30.4	14.9	11.5	21.1	18.9	16.9	1.3
Resideo Technologies	$32.3	791.7	11.6	10.7	-	-	-	-	-	-	-	-	-	9.6	9.0	-	-
KFMI	CNY 354.8	2,328.0	113.0	82.9	62.2	16.6	14.2	12.1	14.7	17.2	19.4	19.1	39.4	61.2	47.9	38.9	-
JX Advanced Metals/Semi materials												**5.0**	**29.4**				
Semicon material Ave			**35.0**	**31.7**	**25.5**	**5.5**	**4.9**	**4.4**	**13.2**	**15.2**	**16.5**	**6.3**	**16.2**	**19.2**	**16.2**	**14.5**	**1.3**
Lumentum Holdings	$862.0	10,841.8	105.2	46.2	28.5	27.1	17.2	9.0	25.8	37.1	31.5	-	97.2	83.0	34.7	21.9	-
Coherent	$407.3	12,880.9	74.5	50.3	35.4	7.3	6.8	5.6	9.8	13.4	15.7	-	44.9	48.6	31.2	20.8	0.0
InP			**89.8**	**48.2**	**31.9**	**17.2**	**12.0**	**7.3**	**17.8**	**25.3**	**23.6**	**-**	**71.1**	**65.8**	**32.9**	**21.4**	**0.0**
Mitsui M&S	¥42,390.0	2,433.8	27.0	24.8	22.0	5.0	4.3	3.8	18.5	17.5	17.3	90.9	16.0	17.2	14.7	12.9	0.7
DOWA	¥8,744.0	542.0	9.1	8.6	7.6	1.1	1.0	0.9	11.8	11.6	11.7	19.5	11.8	7.5	7.0	6.5	3.6
Furukawa Electric	¥45,280.0	3,199.8	36.5	25.7	19.7	6.6	5.4	4.4	17.9	20.9	22.1	49.3	41.4	23.7	16.9	13.1	0.5
Sumitomo Electric	¥11,935.0	9,475.7	27.8	23.1	19.0	3.2	2.9	2.6	11.4	12.6	13.9	35.5	20.7	14.3	12.2	10.4	1.4
Fujikura	¥6,131.0	10,883.6	43.2	34.0	28.7	14.6	11.8	9.8	33.7	34.8	34.1	56.6	22.5	28.4	23.0	20.2	0.9
Corning	$228.0	31,725.2	71.7	54.7	41.7	15.1	13.6	11.2	21.1	24.9	26.9	4.6	26.4	38.3	32.4	25.3	0.5
JX Advanced Metals/ICT materials												**13.7**	**9.7**				
ICT material Ave			**35.9**	**28.5**	**23.1**	**7.6**	**6.5**	**5.5**	**19.1**	**20.4**	**21.0**	**42.7**	**23.1**	**21.6**	**17.7**	**14.7**	**1.3**
Mitsubishi Materials	¥4,363.0	573.7	8.6	7.8	7.3	0.8	0.8	0.7	9.3	9.8	9.2	50.8	7.9	10.9	10.1	8.0	2.7
Sumitomo Metal Mining	¥7,635.0	2,220.4	10.1	10.1	9.5	0.9	0.9	0.8	9.3	8.8	8.7	5.1	7.9	10.1	9.5	8.6	3.5
JX Advanced Metals/Basic materials												**68.7**	**0.0**				
Basic material Ave			**9.3**	**8.9**	**8.4**	**0.9**	**0.8**	**0.8**	**9.3**	**9.3**	**9.0**	**27.9**	**7.9**	**10.5**	**9.8**	**8.3**	**3.1**

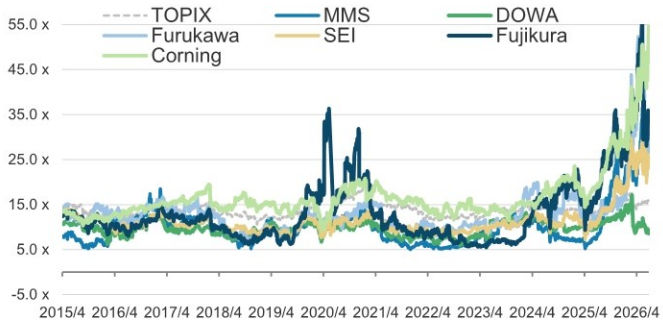
Source: FactSet, Morgan Stanley Research, Estimates based on FactSet

Exhibit 4: P/E of Semiconductor Materials Peer Companies



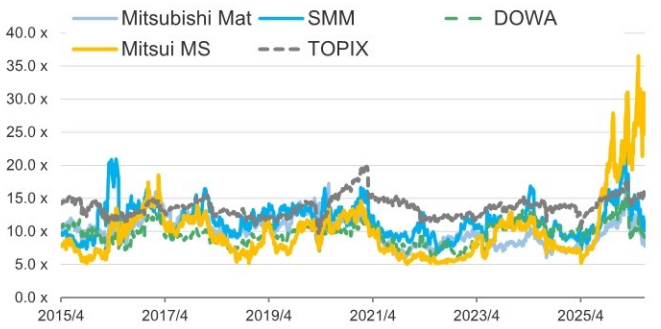
Source: FactSet, Morgan Stanley Research, Estimates based on FactSet

Exhibit 5: P/E of ICT Materials Peer Companies



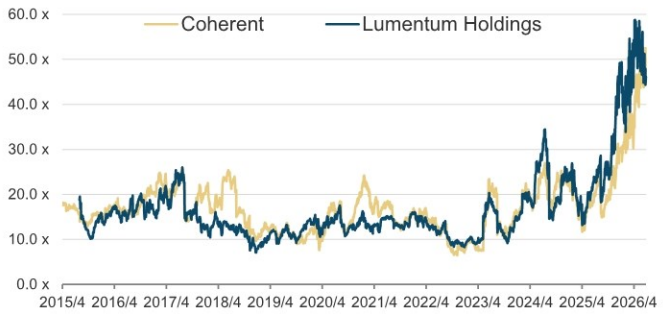
Source: FactSet, Morgan Stanley Research, Estimates based on FactSet

Exhibit 6: P/E of Basic Materials Peer Companies



Source: FactSet, Morgan Stanley Research, Estimates based on FactSet

Exhibit 7: P/E of InP Peer Companies



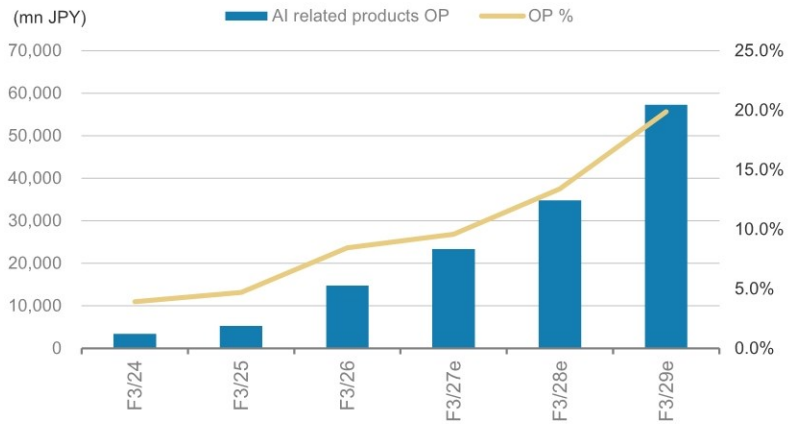
Source: FactSet, Morgan Stanley Research, Estimates based on FactSet

Semiconductor market and AI-related products are JX Advanced Metals growth drivers

AI-related products

The company has a broad lineup of AI-related products and a strong market share in each category. We see these as its future growth drivers. Key AI-related products include (1) semiconductor sputtering targets for advanced logic, HBM, TSV, and RDL; (2) powder for tantalum capacitors; (3) magnetic material targets; (4) InP substrates; (5) titanium copper. We estimate OP contributions from these AI-related products at about ¥15bn in F3/26 (8% of total OP), ¥23bn in F3/27 (10%), ¥34bn in F3/28 (13%), and ¥57bn in F3/28 (20%). We expect firm-wide OP to rise from ¥175bn in F3/26 to ¥288bn in F3/29, with about 40% of this increase driven by the expansion of AI-related product sales.

Exhibit 8: AI-related products OP



Source: Morgan Stanley Research, e=Morgan Stanley Research estimates; F3/24-F3/29e are Morgan Stanley Research estimates,

InP substrates

JX Advanced Metals also manufactures and sells InP (indium phosphide, a compound semiconductor) substrates. InP substrates are compound semiconductor materials used in a wide range of areas including light emitting/receiving elements in optical communications, proximity sensors in wearable devices, and industrial image sensors.

Demand for InP substrates for light transceivers for AI data centers, and co-packaged optics (CPO) applications, looks set for exponential growth in the next few years. Sumitomo Electric, AXT and JX effectively corner world supplies of InP substrates, between them accounting for about 90% of global production capacity by our estimate. All three have been announcing multiple rounds of spending to boost capacity, but with demand relating to AI data centers still growing faster we think structural supply shortages of InP substrates are only likely to intensify.

JX Advanced Metals: JX announced three rounds of InP substrate output capacity increases in F3/26 and has followed up with one more in F3/27. It is strengthening production arrangements in both the Isohara Area where it already produces InP

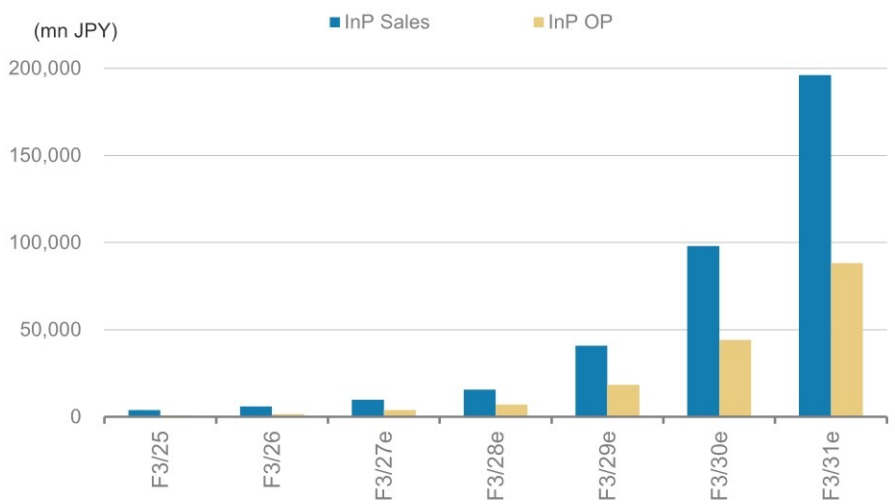
substrates (in Kitaibaraki City, Ibaraki Prefecture), and in the new Hitachinaka Area (Hitachinaka, Ibaraki Pref), and plans to augment capacity by 7-10x compared with F3/26.

Sumitomo Electric: In 2026, SEI has announced additions to InP substrate capacity in February and further increases for optical products in general for data centers in May. For InP substrates, it aims to treble output capacity compared with 2024 by 2028. The company sells some of its InP substrates externally, but will also use them in its own EML (electro-absorption modulated laser) and CW-LD laser products.

AXT, Inc: AXT plans via Chinese subsidiary Beijing Tongmei Xtal Technology to double production capacity during 2026 and double that again in 2027. Production sites located in China raise the issue of Chinese export restrictions (subject to a permit system), and in our view present tailwinds for Japanese makers to increase market share.

Risk of indium supply shortages: China instituted a permit system for exports of indium alongside gallium and germanium in February 2025. A system of approvals at the individual order level remains in place, and there are concerns in the stock market that the effects could extend to procurement of indium raw materials and intermediate products bound for Japan. Approximately 70% of indium is used in ITO (indium tin oxide for LCD and touch panels), while demand for use in InP substrates makes up about 10% of the total, so that this application currently does not make up a large portion of overall demand. In Japan, DOWA HD and Mitsui Kinzoku produce indium from zinc and lead smelting by-products and recycling, with supply volume of new + recycled base metal amounting to just under 600 tons. Of this, we estimate that about 10 tons currently go to InP substrates, but given the possibility that, when all of JX' and SEI's InP business is fully operational (assuming output capacity expansion plans), related demand could use up the majority of new base metal production volume, or even exceed that, we think it will be important to establish recycling networks as well as securing parties for export from countries other than China. Meanwhile we think it likely that demand for use in ITO will decline at a mild pace with the switch to LED displays – thus potentially leaving more supplies for use in InP substrates.

Exhibit 9: InP substrates: Earnings



Source: Company data, Morgan Stanley Research, e=Morgan Stanley Research estimates

InP substrates contributed sales of ¥6bn and OP of ¥1.5bn in F3/26, and we forecast respective contributions of ¥9.7bn/¥3.9bn in F3/27, ¥16bn/¥7.1bn in F3/28, and ¥41bn/¥18.4bn in F3/29. After the full ramp-up of already announced capacity adds, we forecast sales to hit ¥155bn and OP ¥70bn in F3/31, with InP substrates accounting for 48% of OP in the semiconductor materials business at this time.

Assuming supply and demand remains tight from supply capacity failing to keep pace with rising demand for optical transceivers and external light sources for CPO, we forecast unit pricing to more than triple between F3/26 and F3/31 (annual price increases of 20-30%). We also see potential for further upside in earnings contributions from an improved mix resulting from increased volumes of InP substrates for 200G applications, and a shift to high-grade 4-inch and 6-inch products.

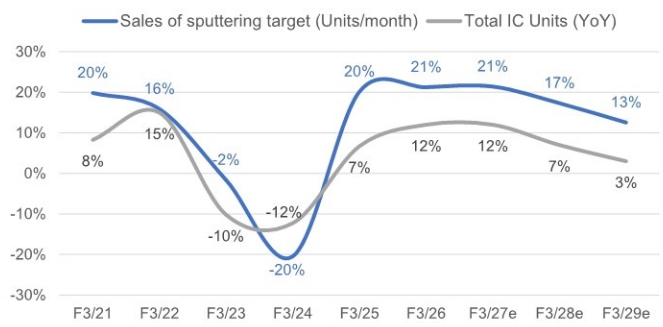
Semiconductor target materials

Semiconductor target materials are JX's main business. In F3/24, semiconductor target materials accounted for about 80% of sales in the thin film materials business. In semiconductor target materials, JX manufactures and sells semiconductor sputtering target materials used in semiconductor thin film formation. JX has the top global market share in all of the following sputtering target materials: copper (Cu), tantalum (Ta), titanium (Ti), cobalt (Co), and tungsten (W). Apart from aluminum, the company has about a 60% global share for target materials overall.

JX's semiconductor target materials sales volume essentially moves together with the semiconductor market, but we expect the company to grow faster than the market itself. In particular, in semiconductor target materials used for advanced and most-advanced logic, in addition to more interconnect layers along with miniaturization and higher layer counts, we also look for chiplet advances to lead to increased interconnect demand for connections between chiplets. We see these factors as the source of potential growth for JX faster than the market. At the same time, we expect the growth rate for the market itself to slow from a F3/27 peak.

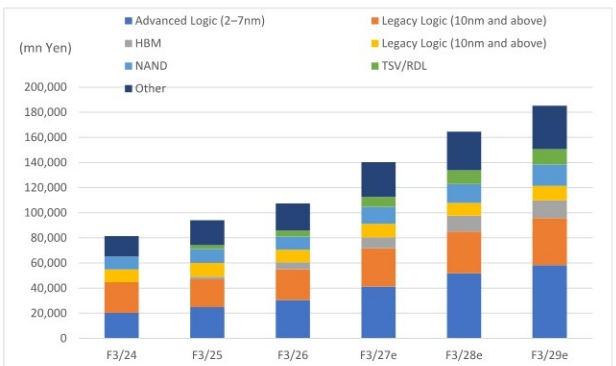
Earnings contributions: Semiconductor target materials contributed ¥108bn in sales and ¥30bn in OP in F3/26, and we project these figures to grow to ¥140bn in sales and ¥41bn in OP in F3/27, ¥165n and ¥51bn in F3/28, and ¥185bn and ¥68bn in F3/29.

Exhibit 10: Revenue from Sputtering Target Materials vs. Silicon Wafer Shipment Area



Source: Morgan Stanley Research, WSTS, e=Morgan Stanley Research estimates

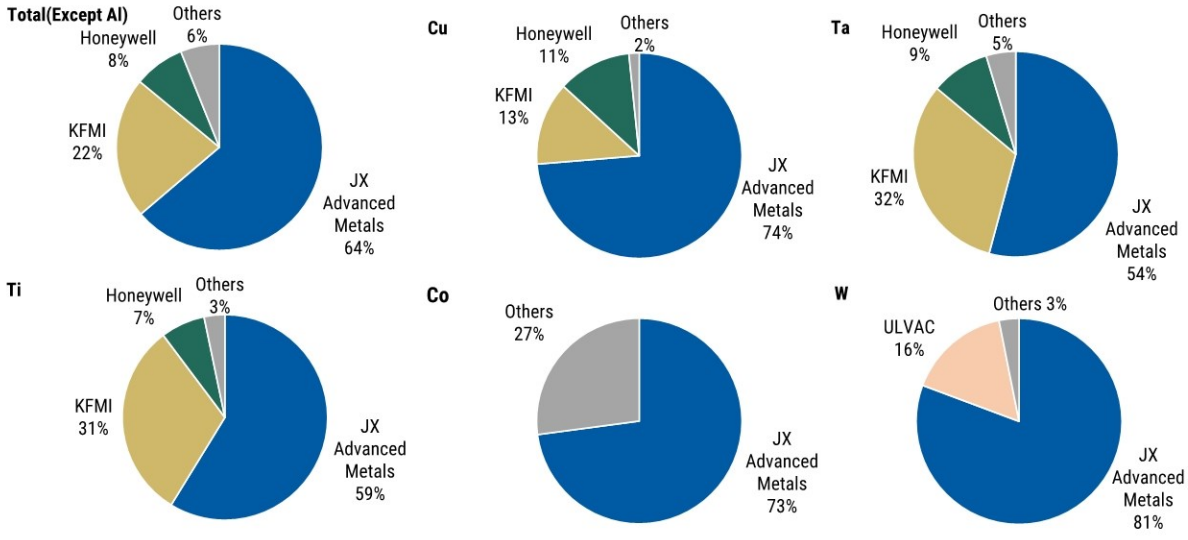
Exhibit 11: Sales Volume of Sputtering Target Materials vs. Silicon Wafer Shipment Area (our estimates)



Source: Morgan Stanley Research, e=Morgan Stanley Research estimates

Exhibit 12:

Sputtering target materials: Market share (2023). Source: Fuji Keizai; Based on actual sales as of 2023



Source: Fuji Keizai, Morgan Stanley Research

Exhibit 13: Our SEMI Market Estimates

	2016 A	2017 A	2018 A	2019 A	2020 A	2021 A	2022 A	2023 A	2024 A	2025 A	2026 E	2027 E
Revenues ($ Millions)												
Discretes / Optos / Sensors	62,233	69,087	75,446	78,953	79,164	92,945	99,591	98,359	91,044	94,502	107,066	114,712
Analog	47,848	53,069	58,380	53,939	55,658	73,816	88,919	81,146	79,588	86,447	99,529	108,504
	6%	11%	10%	-8%	3%	33%	20%	-9%	-2%	9%	15%	
MCU	14,573	16,430	17,027	15,808	15,484	19,622	25,030	27,861	21,758	21,597	25,711	28,489
MPU	43,142	44,370	46,371	47,974	51,812	56,766	51,299	45,480	54,172	61,059	74,614	83,018
Other	2,869	3,286	3,262	2,658	2,382	2,845	3,217	3,172	2,702	3,062	1,434	400
Total Micro	**60,585**	**64,086**	**66,660**	**66,440**	**69,678**	**79,234**	**79,546**	**76,513**	**78,633**	**85,718**	**101,760**	**111,907**
Logic (ex Micro)	91,498	102,196	109,411	106,535	118,408	153,710	176,097	178,493	215,768	301,883	419,062	500,028
Total Logic	**152,083**	**166,281**	**176,071**	**172,975**	**188,086**	**232,944**	**255,643**	**255,006**	**294,401**	**387,601**	**520,822**	**611,935**
DRAM	41,179	72,802	98,604	62,475	64,324	92,960	77,769	51,945	94,860	150,598	581,901	675,059
NAND	32,023	47,227	54,263	40,180	49,390	55,953	47,109	36,104	66,427	67,685	293,508	445,443
Other	3,565	3,946	4,428	3,785	3,769	4,921	4,948	4,261	4,229	4,229	4,229	4,229
Total Memory	**76,767**	**123,976**	**157,295**	**106,440**	**117,482**	**153,834**	**129,825**	**92,309**	**165,516**	**222,512**	**879,638**	**1,124,732**
Total ICs	**276,698**	**343,326**	**391,746**	**333,354**	**361,226**	**460,594**	**474,388**	**428,461**	**539,505**	**696,560**	**1,499,989**	**1,845,171**
Total Semiconductor	**338,931**	**412,414**	**467,192**	**412,307**	**440,389**	**553,540**	**573,978**	**526,820**	**630,549**	**791,061**	**1,607,055**	**1,959,883**
Y/Y % Growth	*1.1%*	*21.7%*	*13.3%*	*-11.7%*	*6.8%*	*25.7%*	*3.7%*	*-8.2%*	*19.7%*	*25.5%*	*103.2%*	*22.0%*

Source: SIA, Morgan Stanley Research, e=Morgan Stanley Research estimates

Tantalum and niobium

JX Advanced Metals has a 50% share in high-purity tantalum. Our understanding is that about 80% of sales in the business are of high-purity tantalum, and about 20% are of other chlorides. Of high-purity tantalum, about 50% are materials used in the company's sputtering target materials, and the other 50% or so is tantalum powder used for tantalum capacitors. We infer that almost half of tantalum powder goes to communications infrastructure for applications like AI servers and 5G base stations.

The business is mainly handled by 100% consolidated subsidiary TANIOBIS GmbH (JX Advanced Metals acquired the firm's shares in 2018; it has a Jan-Dec fiscal year). TANIOBIS GmbH manufactures and sells tantalum and niobium powder for capacitors, semiconductor materials, and SAW (Surface Acoustic Wave) devices at plants in Germany and Thailand. Tantalum capacitors have high capacity (ability to store an electric charge) and low ESR (equivalent series residence; loss to AC flowing through the capacitor), but because of high prices they have been increasingly replaced by MLCCs and aluminum

electrolytic capacitors in consumer electronics applications where high performance is not needed. The company is currently responding by consolidating production facilities.

Meanwhile, demand rose sharply upon entering F3/26. We infer that there is growing use for fast response and low-ESR applications on GPU power supply lines and to smooth output of high-current 54V-to-12V DC/DC converters, including for GB200 and GB300 devices. In June 2026, the company announced that it would expand capacity for functional tantalum powder at its production base in Thailand to 1.5x the F3/22 level, with operations to be phased in starting in 1H 2027.

Earnings contributions: Tantalum and niobium contributed ¥46bn in sales and -¥0.7bn in OP in F3/26, and we forecast this to grow to ¥51.0bn in sales and ¥1.0bn in OP in F3/27, ¥61.0bn and ¥4.0bn in F3/28, and ¥79.0bn and ¥9.5bn in F3/29.

Exhibit 14: Capacitors

Characteristic	Tantalum (Polymer)	MLCC (Multilayer Ceramic)	Aluminum Electrolytic
Capacitance Range	10μF–1000μF	0.1μF–470μF (100μF+ parts exist)	10μF to several thousand μF
Rated Voltage	2.5V–75V	4V–100V (1.8V and 250V grades also exist)	6.3V–500V
ESR (low frequency)	Very low (10–30 mΩ)	Ultra low (1–10 mΩ)	Higher (≥50 mΩ; polymer aluminum can be ~10 mΩ)
Ripple Current Capability	High	Medium	High
Frequency Response	Excellent (high-frequency capable)	Excellent	Poorer
Size	Small	Ultra-small	Large
Reliability	High (solid, long life)	High	Risk of electrolyte leakage
Temperature Range	-55°C to 125°C	-55°C to 125°C	-40°C to 105°C (125°C grades exist)
Cost	Medium–High	Low	Low
AI Server Suitability	◎ (low ESR + high C)	△ (may lack capacitance)	△ (size/response)

Source: Morgan Stanley Research

Magnetic material targets

JX Advanced Metals manufactures and sells sputtering targets for magnetic hard disk media. Sales totalled ¥10.5bn in F3/26, and we forecast ~¥12.5bn in F3/27, ~¥14.5bn in F3/28, and ~¥16.5bn in F3/29. We estimate that OPM is a markedly high 35% or so.

Titanium copper

The company manufactures and sells titanium copper used in connectors for camera modules, AI server connectors, and electronic devices such as smartphones and PCs. Until recently, its main product was connectors for smartphones, but demand for AI server connectors has expanded, and sales mix is also changing (AI server connectors now account for around 30-40%). The business contributed ¥17.5bn in sales in F3/26, and we forecast ~¥25bn in F3/27, ~¥30bn in F3/28, and ~¥36bn in F3/29.

Exhibit 15: JX Advanced Metals Main Products: Global Market Share (CY 2023: According to ENEOS HD)

Segment	Item	Share (CY 2023)	Primary applications	End-use applications			
				Smartphones	PCs	Infrastructures & DC	Automobiles
Semiconductor materials	SiC Sputtering Target	60%	Semiconductors (memory, logic, etc.)	○	○	○	○
	InP compound semiconductors	30%	Optical communication devices, ultra fast ICs			○	○
	Sputtering target for magnetic devices	60%	Hard disks etc.		○	○	
	High purity tantalum powders	50%	Capacitors, sputtering targets	○	○	○	○
ICT materials	Treated rolled copper foil for FPCs	80%	Flexible printed circuit boards	○	○		○
	Titanium copper alloys	65%	Connectors, springs for electronic parts	○	○	○	○
	High strength/conductivity Corson alloys	60%	Connectors, lead frames	○	○	○	○
	Phosphor bronze foil	60%	High-end Connectors, springs for electronic parts	○	○		○

Source: ENEOS Holdings materials+, Morgan Stanley Research

Risk Reward – JX Advanced Metals (5016.T)

Expanded sales of semiconductor sputtering targets & InP substrates drive profit

PRICE TARGET ¥4,300

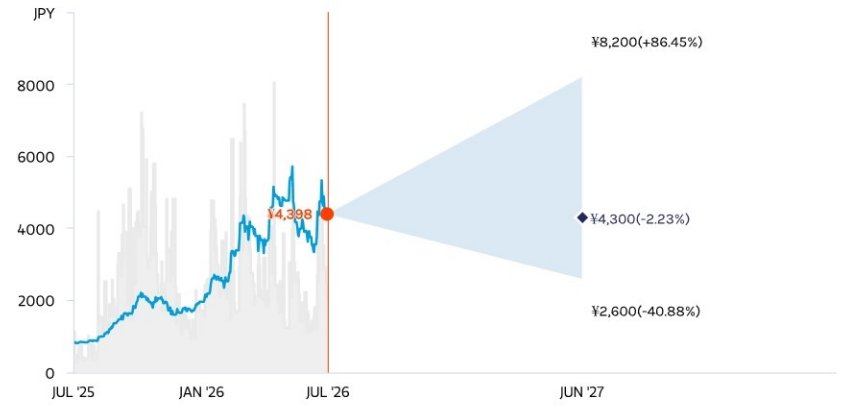
F3/28e EPS ¥197 x 22.0
SOTP-based P/E on F3/28e EPS forecast of ¥197.
P/E multiples for each segment based on those for comparable companies: 41.2x for Semiconductor Materials (InP 48x; Others 35x), 25.7x for ICT Materials, and 13.2x for Basic Materials. We calculate segment EPS based on the company's OP breakdown.

Consensus Price Target Distribution ¥1,630.00 — ¥4,486 (MS PT) — ¥6,200.00

Source: Refinitiv, Morgan Stanley Research

◆ Mean ◆ Morgan Stanley Estimates

RISK REWARD CHART



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

EQUAL-WEIGHT THESIS

・Our rating from an industry-relative perspective is EW
・ As semiconductor devices become smaller and the numbers of layers increase, the company is poised to benefit from the shift toward chiplets, and we think growth of this business (we forecast +22% total OP CAGR between F3/25 and F3/27) will exceed that of the semiconductor market as a whole and drive OP.
・Meanwhile, the OP mix currently features a high weighting for basic materials business (copper mine investments, copper smelting).

Consensus Rating Distribution

69% Overweight
31% Equal-weight
0% Underweight
● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Self-help: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE ¥8,200

P/E 29.5x on F3/28e EPS ¥278

Better-than-expected tone for semiconductor market thanks to demand for generative AI applications, along with a turn to favorable levels for forex rates and copper prices. We assume OP ¥90bn above our base case.

Fair value based on SOTP. A 20% premium applied to the base case.

BASE CASE ¥4,300

P/E 22.0x on F3/28e EPS ¥197

SOTP-based P/E on F3/28e EPS forecast of ¥197.

P/E multiples for each segment based on those for comparable companies: 41.2x for Semiconductor Materials (InP 48x; Others 35x), 25.7x for ICT Materials, and 13.2x for Basic Materials. We calculate segment EPS based on the company's OP breakdown.

BEAR CASE ¥2,600

P/E 17.7x on F3/28e EPS ¥145

Softer-than-expected tone for semiconductor market, along with a turn to negative levels for forex rates and copper prices. We assume OP -¥84bn below our base case.

Fair value based on SOTP. A 20% discount applied to the base case.

Risk Reward – JX Advanced Metals (5016.T)

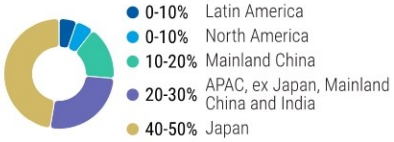
KEY EARNINGS INPUTS

Drivers	Mar 2026	Mar 2027e	Mar 2028e	Mar 2029e
Semiconductor target sales volume	7,189.6	8,730.0	10,241.9	11,527.4
Sales of rolled copper foil (Km/month)	8,941.6	9,209.8	9,854.5	10,544.3

INVESTMENT DRIVERS

- Semiconductor target sales volume
- Sales of rolled copper foil
- Forex rates and copper prices

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

5/5 MOST — 3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Demand for advanced semiconductors increasing more than expected due to generative AI
- Easing of trade tensions between the US and China; and copper prices rising in a risk-on environment

RISKS TO DOWNSIDE

- Downcycle in the semiconductor market is prolonged
- Copper prices fall in a risk-off environment and yen strengthens amid escalating trade tension
- Procurement and price risk for sputtering target materials

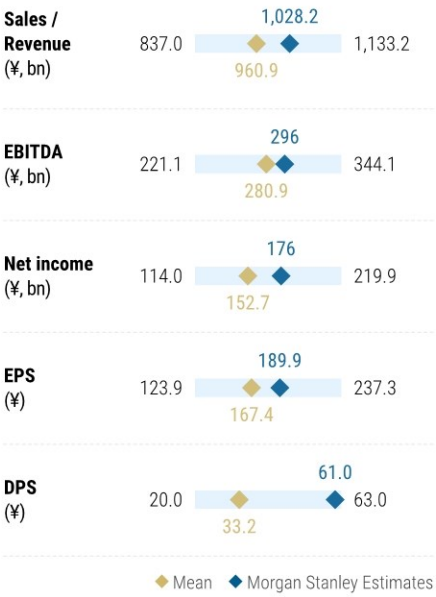
OWNERSHIP POSITIONING

Inst. Owners, % Active 61.9%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Mar 2027e



Source: Refinitiv, Morgan Stanley Research

Financial Statements

Exhibit 16: Financial Statements (1)

Consolidated Income Statement (mn JPY)	FY22 F3/23	FY23 F3/24	FY24 F3/25	FY25 F3/26	FY26e F3/27e	FY27e F3/28e	FY28e F3/29e	Old FY26e Old F3/27e	Old FY27e Old F3/28e
Sales	**1,638,484**	**1,512,345**	**714,940**	**884,638**	**1,028,240**	**1,071,980**	**1,144,580**	**1,051,140**	**1,105,680**
Semiconductor materials	147,850	123,151	148,000	177,200	217,000	258,100	322,700	218,400	270,300
Thin-film materials	119,016	101,861	127,500	147,000	185,800	216,800	263,700	178,328	210,478
Tantalum & niobium	41,755	33,804	34,500	45,800	50,900	61,400	79,250	60,100	80,100
Adjustment	-12,921	-12,514	-14,000	-15,600	-19,600	-20,300	-20,200	-20,100	-20,200
ICT materials	222,821	188,072	265,100	318,700	351,180	359,600	367,600	355,480	363,900
Functional materials business	140,643	110,188	139,300	160,200	185,400	192,600	200,600	189,700	196,900
Toho Titanium	82,178	77,884	88,794	83,000	95,700	97,000	97,000	95,700	97,000
Tatsuta Electric Wire & Cable			34,000	76,500	70,080	70,000	70,000	70,080	70,000
Adjustment			3,006	-1,000	0	0	0	0	0
Basic materials	1,305,688	1,227,002	306,500	407,900	471,300	471,300	471,300	488,500	488,500
Other (Adjustment etc)	-37,875	-25,880	-13,800	-35,500	-11,240	-17,040	-17,040	-11,240	-17,040
Revenue Growth (YoY, %)	**26.7**	**-7.7**	**-52.7**	**23.7**	**16.2**	**4.3**	**6.8**	**20.9**	**5.2**
Semiconductor materials	12.9	-16.7	20.2	19.7	22.5	18.9	25.0	23.4	23.8
Thin-film materials	24.2	-14.4	25.2	15.3	26.4	16.7	21.6	24.8	18.0
Tantalum & niobium	39.3	-19.0	2.1	32.8	11.1	20.6	29.1	20.2	33.3
ICT materials	4.6	-15.6	41.0	20.2	10.2	2.4	2.2	8.9	2.4
Functional materials business	4.2	-21.7	26.4	15.0	15.7	3.9	4.2	13.7	3.8
Toho Titanium	29.1	-5.2	14.0	-6.5	15.3	1.4	0.0	5.6	1.4
Tatsuta Electric Wire & Cable				125.0	-8.4	-0.1	0.0	-6.4	-0.1
Basic materials	31.4	-6.0	-75.0	33.1	15.5	0.0	0.0	30.4	0.0
Operating profit	**72,925**	**86,172**	**112,484**	**174,967**	**243,000**	**260,000**	**288,000**	**235,000**	**253,000**
Semiconductor materials	34,253	26,410	26,700	39,500	57,000	71,000	95,500	65,000	80,000
Thin-film materials	33,729	28,129	34,200	40,900	56,100	67,640	85,890	61,590	70,690
Tantalum & niobium	1,804	-1,037	-6,800	-700	1,000	4,000	9,500	3,400	9,420
Adjustment			-700	-700	-100	-640	110	10	-110
ICT materials	21,412	933	25,100	31,500	32,000	35,000	38,500	31,000	34,000
Functional materials	10,057	-5,889	12,800	21,100	23,000	26,000	29,500	23,890	26,830
Toho Titanium	10,795	6,228	5,880	4,800	5,000	5,000	5,000	5,000	5,000
Tatsuta Electric Wire & Cable				5,500	4,000	4,000	4,000	4,000	4,000
Adjustment			320	100	-20	-20	-20	-1,905	-1,835
Basic materials	29,077	77,240	74,500	139,500	170,000	170,000	170,000	150,000	150,000
Resources			55,600	100,900	140,000	140,000	140,000	126,070	126,070
Metal/Recycle			20,900	37,600	30,000	30,000	30,000	24,097	23,897
Adjustment			-2,000	1,000	0	0	0	-170	30
Other (Adjustment etc)	-11,817	-18,411	-13,800	-35,500	-16,000	-16,000	-16,000	-11,000	-11,000
Operating profit Margin (%)	**4.5**	**5.7**	**15.7**	**19.8**	**23.6**	**24.3**	**25.2**	**22.4**	**22.9**
Semiconductor materials	23.2	21.4	18.0	22.3	26.3	27.5	29.6	29.8	29.6
Thin-film materials	28.3	27.6	26.8	27.8	30.2	31.2	32.6	34.5	33.6
Tantalum & niobium	4.3	-3.1	-19.7	-1.5	2.0	6.5	12.0	5.7	11.8
ICT materials	9.6	0.5	9.5	9.9	9.1	9.7	10.5	8.7	9.3
Functional materials	7.2	-5.3	9.2	13.2	12.4	13.5	14.7	12.6	13.6
Toho Titanium	13.1	8.0	6.6	5.8	5.2	5.2	5.2	5.2	5.2
Tatsuta Electric Wire & Cable			0.0	7.2	5.7	5.7	5.7	5.7	5.7
Basic materials	2.2	6.3	24.3	34.2	36.1	36.1	36.1	30.7	30.7
Financial Income	2,088	3,135	2,407	2,209	2,000	2,000	2,000	2,000	2,000
Profit before income tax	**63,327**	**78,714**	**107,476**	**169,082**	**236,000**	**253,000**	**281,000**	**228,000**	**246,000**
Income tax expense	13,021	-34,141	26,089	40,345	44,500	53,000	67,000	28,700	34,100
Non-controlling interests	13,376	10,231	13,116	24,092	15,200	17,200	19,200	15,200	15,500
Net income attributable to the parent owners	**36,930**	**102,624**	**68,271**	**104,645**	**176,300**	**182,800**	**194,800**	**184,100**	**196,400**

Capex & Depreciation (mn JPY)	F3/23	F3/24	F3/25	F3/26	F3/27e	F3/28e	F3/29e	Old F3/27e	Old F3/28e
Capex (PPE & Intangible assets)	-71,625	-84,423	-63,362	-75,530	-79,000	-60,000	-60,000	-79,000	-60,000
Depreciation	66,635	39,098	44,039	44,679	49,300	50,700	52,300	49,300	50,700

	F3/23	F3/24	F3/25	F3/26	F3/27e	F3/28e	F3/29e	Old F3/27e	Old F3/28e
EPS (JPY)	39.8	110.5	73.5	112.7	189.9	196.9	209.8	198.3	211.5
BPS (JPY)	530.0	675.7	663.6	784.4	916.0	1,051.3	1,196.4	892.7	1,039.6
DPS (JPY)	30.6	-	22.1	31.0	61.0	62.0	65.0	63.0	65.0
ROE (%)	10.2	18.3	11.0	15.6	22.4	20.1	18.7	24.1	21.9
D/E ratio (%)	1.4	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.3
Payout ratio (%)	76.9	-	30.0	27.5	32.1	31.5	31.0	31.8	30.7
Period-end outstanding shares (exc.ts, mn)	928.5	928.5	927.2	926.1	926.1	926.1	926.1	926.1	926.1

Source: Company data, Morgan Stanley Research, e = Morgan Stanley Research estimates

Exhibit 17: Financial Statements (2)

Consolidated Income Statement (mn JPY)	F3/26				F3/27e				F3/28e				F3/29e			
	1Q	2Q	3Q	4Q	1Qe	2Qe	3Qe	4Qe	1Qe	2Qe	3Qe	4Qe	1Qe	2Qe	3Qe	4Qe
Sales	**191,276**	**205,115**	**221,331**	**266,916**	**243,650**	**242,950**	**242,550**	**299,090**	**256,230**	**254,730**	**253,330**	**307,690**	**274,230**	**272,730**	**271,530**	**326,090**
Semiconductor materials	38,831	44,290	47,123	46,956	51,100	53,100	55,200	57,600	62,800	64,000	65,100	66,200	78,700	80,000	81,400	82,600
Thin-film materials	32,500	34,900	39,600	40,000	43,400	45,400	47,400	49,600	52,400	53,600	54,800	56,000	63,900	65,200	66,600	68,000
Tantalum & niobium	10,000	13,000	11,500	11,300	12,725	12,725	12,725	12,725	15,350	15,350	15,350	15,350	19,813	19,813	19,813	19,813
Adjustment	-3,669	-3,610	-3,977	-4,344	-5,000	-5,000	-4,900	-4,700	-5,000	-5,000	-5,100	-5,200	-5,000	-5,000	-5,000	-5,200
ICT materials	78,169	77,504	80,480	82,547	90,250	87,550	85,050	88,330	92,380	89,680	87,180	90,380	94,480	91,680	89,080	92,380
Functional materials business	37,800	40,600	40,900	40,900	48,825	46,125	43,625	46,825	50,625	47,925	45,425	48,625	52,725	49,925	47,325	50,625
Toho Titanium	22,300	18,744	20,279	41,044	23,925	23,925	23,925	23,925	24,250	24,250	24,250	24,250	24,250	24,250	24,250	24,250
Tatsuta Electric Wire & Cable	18,300	17,956	19,321	556	17,500	17,500	17,500	17,580	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
Adjustment	-231	204	-20	47	0	0	0	0	0	0	0	0	0	0	0	0
Basic materials	74,967	86,010	96,728	150,195	105,300	105,300	105,300	155,400	105,300	105,300	105,300	155,400	105,300	105,300	105,300	155,400
Other (Adjustment etc)	-691	-2,689	-3,000	-29,120	-3,000	-3,000	-3,000	-2,240	-4,250	-4,250	-4,250	-4,290	-4,250	-4,250	-4,250	-4,290
Revenue Growth (YoY, %)	**12.1**	**23.3**	**23.0**	**34.8**	**27.4**	**18.4**	**9.6**	**12.1**	**5.2**	**4.8**	**4.4**	**2.9**	**7.0**	**7.1**	**7.2**	**6.0**
Semiconductor materials	1.3	25.4	26.6	26.5	31.6	19.9	17.1	22.7	22.9	20.5	17.9	14.9	25.3	25.0	25.0	24.8
Thin-film materials	0.3	19.2	20.4	21.5	33.5	30.1	19.7	24.0	20.7	18.1	15.6	12.9	21.9	21.6	21.5	21.4
Tantalum & niobium	17.4	32.6	43.8	38.2	27.3	-2.1	10.7	12.6	20.6	20.6	20.6	20.6	29.1	29.1	29.1	29.1
ICT materials	50.2	33.0	5.1	5.5	15.5	13.0	5.7	7.0	2.4	2.4	2.5	2.3	2.3	2.2	2.2	2.2
Functional materials business	22.3	15.6	9.4	14.0	29.2	13.6	6.7	14.5	3.7	3.9	4.1	3.8	4.1	4.2	4.2	4.1
Toho Titanium	5.5	-19.1	-6.5	80.1	7.3	27.6	18.0	-41.7	1.4	1.4	1.4	1.4	0.0	0.0	0.0	0.0
Tatsuta Electric Wire & Cable			9.2	-96.6	-4.4	-2.5	-9.4	3,061.9	0.0	0.0	0.0	-0.5	0.0	0.0	0.0	0.0
Basic materials	-7.3	16.9	42.5	78.5	40.5	22.4	8.9	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	**29,558**	**40,476**	**54,771**	**50,162**	**65,270**	**55,660**	**67,380**	**54,690**	**70,260**	**60,310**	**71,410**	**58,020**	**76,880**	**67,110**	**78,060**	**65,950**
Semiconductor materials	8,535	10,491	10,871	9,603	12,640	14,530	14,950	14,880	16,830	18,380	18,280	17,510	22,610	24,340	24,190	24,360
Thin-film materials	8,400	10,100	11,900	10,500	12,420	14,310	14,680	14,690	15,860	17,410	17,260	17,110	20,300	21,910	21,830	21,850
Tantalum & niobium	300	700	-600	-1,100	220	220	270	290	970	970	1,020	1,040	2,310	2,430	2,360	2,400
Adjustment	-165	-309	-429	203	0	0	0	-100	0	0	0	-640	0	0	0	110
ICT materials	7,654	7,695	8,422	7,729	9,030	7,730	6,930	8,310	9,830	8,530	7,630	9,010	10,670	9,370	8,370	10,090
Functional materials	5,700	5,600	4,800	5,000	6,475	5,375	4,875	6,275	7,275	6,175	5,575	6,975	8,115	7,015	6,315	8,055
Toho Titanium	600	720	3,500	-20	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Tatsuta Electric Wire & Cable	1,300	1,380	200	2,720	1,300	1,100	800	800	1,300	1,100	800	800	1,300	1,100	800	800
Adjustment	54	-5	-78	29	0	0	0	-20	0	0	0	-20	0	0	0	-20
Basic materials	14,622	25,808	39,741	59,329	47,600	37,400	49,500	35,500	47,600	37,400	49,500	35,500	47,600	37,400	49,500	35,500
Resources	11,500	15,100	32,900	41,400	43,500	28,000	44,700	23,800	43,500	28,000	44,700	23,800	43,500	28,000	44,700	23,800
Metal/Recycle	3,500	10,600	5,400	18,100	4,100	9,400	4,800	11,700	4,100	9,400	4,800	11,700	4,100	9,400	4,800	11,700
Adjustment	-378	108	1,441	-171	0	0	0	0	0	0	0	0	0	0	0	0
Other (Adjustment etc)	-1,253	-3,518	-4,263	-26,466	-4,000	-4,000	-4,000	-4,000	-4,000	-4,000	-4,000	-4,000	-4,000	-4,000	-4,000	-4,000
Operating profit Margin (%)	**15**	**20**	**25**	**19**	**27**	**23**	**28**	**18**	**27**	**24**	**28**	**19**	**28**	**25**	**29**	**20**
Semiconductor materials	22	24	23	20	25	27	27	26	27	29	28	26	29	30	30	29
Thin-film materials	26	29	30	26	29	32	31	30	30	32	31	31	32	34	33	32
Tantalum & niobium	3	5	-5	-10	2	2	2	2	6	6	7	7	12	12	12	12
ICT materials	10	10	10	9	10	9	8	9	11	10	9	10	11	10	9	11
Functional materials	15	14	12	12	13	12	11	13	14	13	12	14	15	14	13	16
Toho Titanium	3	4	17	-0	5	5	5	5	5	5	5	5	5	5	5	5
Tatsuta Electric Wire & Cable	7	8	1	489	7	6	5	5	7	6	5	5	7	6	5	5
Basic materials	20	30	41	40	45	36	47	23	45	36	47	23	45	36	47	23
Financial Income	687	862	193	467	500	500	500	500	500	500	500	500	500	500	500	500
Profit before income tax	**28,459**	**39,398**	**52,999**	**48,226**	**63,520**	**53,910**	**65,630**	**52,940**	**68,510**	**58,560**	**69,660**	**56,270**	**75,130**	**65,360**	**76,310**	**64,200**
Income tax expense	5,217	11,164	8,919	15,045	8,900	12,300	9,300	14,000	11,400	14,600	11,400	15,600	14,700	18,000	14,700	19,600
Non-controlling interests	4,377	4,158	7,436	8,121	3,782	3,782	3,818	3,818	4,319	4,319	4,281	4,281	4,800	4,800	4,800	4,800
Net income attributable to the parent owners	**18,865**	**24,076**	**36,644**	**25,060**	**50,838**	**37,828**	**52,512**	**35,122**	**52,791**	**39,641**	**53,979**	**36,389**	**55,630**	**42,560**	**56,810**	**39,800**

Source: Company data, Morgan Stanley Research, e = Morgan Stanley Research estimates



Exhibit 18: Financial Statements (3)

Balance Sheet (mn JPY)	F3/23	F3/24	F3/25	F3/26	F3/27e	F3/28e	F3/29e	Old F3/27e	Old F3/28e
Cash and cash equivalents	54,775	36,779	58,316	66,306	140,431	118,293	78,268	41,682	43,201
Trade receivables etc	197,204	108,967	138,259	164,237	151,451	157,894	168,587	154,824	162,858
Inventories	612,480	254,957	273,187	345,075	227,207	213,185	227,623	232,267	219,887
Other	393,103	100,484	24,473	47,576	47,576	47,576	47,576	24,473	24,473
Current assets - total	**1,257,562**	**501,187**	**494,235**	**623,194**	**566,665**	**536,948**	**522,053**	**453,246**	**450,418**
Property, plant and equipment	291,638	328,245	371,782	406,816	432,682	438,727	444,773	425,343	431,388
goodwill	11,413	12,546	8,198	8,477	8,477	8,477	8,477	8,198	8,198
Intangible assets	21,226	20,906	19,521	18,654	18,654	18,654	18,654	19,521	19,521
Investments and Other assets	196,113	374,805	319,950	372,153	519,153	666,153	813,153	547,359	679,733
Other financial assets	14,130	51,651	41,435	55,739	55,739	55,739	55,739	42,135	42,135
Differed tax assets	38,863	35,494	26,730	16,107	16,107	16,107	16,107	26,730	26,730
Other	612	1,053	1,151	4,197	4,197	4,197	4,197	1,151	1,151
Non-current assets - total	**573,995**	**824,700**	**788,767**	**882,143**	**1,055,009**	**1,208,054**	**1,361,100**	**1,070,437**	**1,208,855**
Total assets	**1,831,557**	**1,325,887**	**1,283,002**	**1,505,337**	**1,621,674**	**1,745,002**	**1,883,153**	**1,523,683**	**1,659,273**
Trade payables	220,150	70,775	92,826	119,703	128,531	133,998	143,073	131,393	138,211
Short-term Debt	480,639	223,031	120,717	145,976	140,976	135,976	130,976	115,717	110,717
Other	218,578	46,920	64,382	85,976	85,976	85,976	85,976	64,382	64,382
Current liabilities - total	**919,367**	**340,726**	**277,925**	**351,655**	**355,483**	**355,950**	**360,025**	**311,492**	**313,310**
Long term debt	212,974	145,119	180,542	178,274	168,274	163,274	158,274	165,542	160,542
Retirement benefit liabilities	25,237	27,367	27,261	26,102	26,102	26,102	26,102	27,261	27,261
Differed tax liabilities	20,594	22,130	23,210	22,905	22,905	22,905	22,905	23,210	23,210
Other	50,893	69,743	62,310	88,143	88,143	88,143	88,143	62,310	62,310
Non-current liabilities - total	**309,698**	**264,359**	**293,323**	**315,424**	**305,424**	**300,424**	**295,424**	**278,323**	**273,323**
Total liabilities	**1,229,065**	**605,085**	**571,248**	**667,079**	**660,907**	**656,374**	**655,449**	**589,815**	**586,633**
Common stock	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Additional paid-in capital	33,765	46,750	48,093	48,093	48,093	48,093	48,093	48,093	48,093
Retained earnings	343,683	446,945	432,121	518,498	638,162	763,397	897,847	642,589	778,638
Treasury stock	0	0	-1,000	-2,219	0	0	0	0	0
Other equity constituents	39,645	58,693	61,083	87,116	87,116	87,116	87,116	61,083	61,083
Equity attributable to parent owners	**492,093**	**627,388**	**615,297**	**726,488**	**848,371**	**973,606**	**1,108,056**	**826,765**	**962,814**
Non-controlling interests	110,399	93,414	96,457	111,770	112,396	115,022	119,648	108,103	110,826
Share warrants rights	0	0	0	0	0	0	0	0	0
Total equity	**602,492**	**720,802**	**711,754**	**838,258**	**960,767**	**1,088,628**	**1,227,704**	**934,868**	**1,073,640**
Total liabilities + Total Equity	**1,831,557**	**1,325,887**	**1,283,002**	**1,505,337**	**1,621,674**	**1,745,002**	**1,883,153**	**1,524,683**	**1,660,273**

Cash Flow Statement (mn JPY)	F3/23	F3/24	F3/25	F3/26	F3/27e	F3/28e	F3/29e	Old F3/27e	Old F3/28e
Profit before income tax	63,327	78,714	107,476	169,082	236,000	253,000	281,000	228,000	246,000
Depreciation	66,635	39,098	44,039	49,305	53,134	53,955	53,955	53,134	53,955
Equity in (earnings) losses of affiliates	-42,332	-55,111	-60,959	-114,491	-147,000	-147,000	-147,000	-132,374	-132,374
Changes in trade receivables	-35,514	3,123	-8,321	-25,978	12,786	-6,443	-10,693	-10,767	-8,033
Change in inventories	-78,547	-10,764	-1,671	-71,888	117,868	14,022	-14,438	1,986	12,380
Change in trade payables	51,043	-7,357	24,691	26,877	8,828	5,468	9,075	22,722	6,818
Others	11,639	-9,303	110,176	74,637	-44,500	-53,000	-67,000	-28,700	-34,100
Cash flow from operations	**36,251**	**38,400**	**215,431**	**107,544**	**237,116**	**120,002**	**104,898**	**134,001**	**144,646**
Capex (PPE & Intangible assets)	-71,625	-84,423	-63,362	-75,530	-79,000	-60,000	-60,000	-79,000	-60,000
PPE	0	0	0	0					
intangible assets	0	0	0	0					
Net proceeds from sale of subs etc	-18,733	0	-19,072	-603					
Others	19,075	174,664	60,316	-1,120					
Cash flow from investing	**-71,283**	**90,241**	**-22,118**	**-77,253**	**-79,000**	**-60,000**	**-60,000**	**-79,000**	**-60,000**
Free cash flow	**-35,032**	**128,641**	**193,313**	**30,291**	**158,116**	**60,002**	**44,898**	**55,001**	**84,646**
Change in interest-bearing debt	98,573	-147,449	-73,546	13,513	-15,000	-10,000	-10,000	-15,000	-10,000
Change in short term debts	68,115	-70,437	-124,104	19,600	-5,000	-5,000	-5,000	-5,000	-5,000
Change in long term debts	30,458	-77,012	54,533	-2,356	-10,000	-5,000	-5,000	-10,000	-5,000
Purchase of treasury stock, Finance	0	0	-1,000	-1,500	0	0	0	0	0
Cash dividends paid	-28,400	0	-85,000	-22,283	-56,636	-57,565	-60,350	-58,493	-60,350
Others	-14,407	18,872	-3,901	-3,818	2,219	0	0	0	0
Cash flow from financing	**51,320**	**-154,360**	**-172,249**	**-24,931**	**-83,991**	**-82,139**	**-84,924**	**-86,270**	**-83,127**
Cash (BOP)	**36,978**	**54,775**	**36,779**	**58,316**	**5,360**	**140,431**	**118,293**	**72,951**	**41,682**
Impact of FOREX on cash	0	0	0	0	0	0	0	0	0
Other cash flows	1,509	7,723	473	2,630	60,946	0	0	0	0
Net change in cash and cash equivalents	16,288	-25,719	21,064	5,360	74,125	-22,137	-40,026	-31,269	1,519
Cash (EOP)	**54,775**	**36,779**	**58,316**	**5,360**	**140,431**	**118,293**	**78,268**	**41,682**	**43,201**

Source: Company data, Morgan Stanley Research, e = Morgan Stanley Research estimates

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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(as of June 30, 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	1544	42%	453	49%	29%	757	44%
Equal-weight/Hold	1577	43%	390	42%	25%	769	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	544	15%	89	10%	16%	204	12%
Total	3,668		933			1731	

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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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

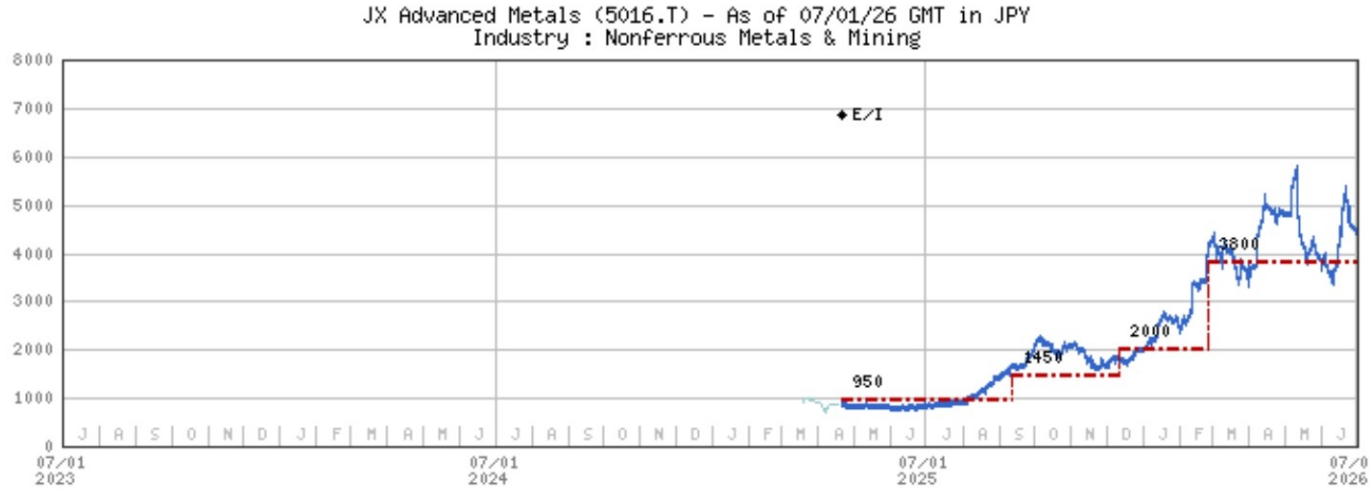
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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.

Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 4/21/25 : E/I

Price Target History: 4/21/25 : 950; 9/12/25 : 1450; 12/12/25 : 2000; 2/26/26 : 3800

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -·- No Price Target Assigned (NA)

Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ▬

Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View

Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)

Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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INDUSTRY COVERAGE: Nonferrous Metals & Mining

COMPANY (TICKER)	RATING (AS OF)	PRICE* (06/30/2026)
Yu Shirakawa		
DOWA Holdings (5714.T)	E (02/11/2026)	¥8,666
JX Advanced Metals (5016.T)	E (04/21/2025)	¥4,398
Mitsubishi Materials (5711.T)	++	¥4,315

Mitsui Kinzoku (5706.T)	O (04/13/2018)	¥42,550
Nippon Light Metal Holdings (5703.T)	E (06/13/2023)	¥2,721
Sumitomo Metal Mining (5713.T)	E (04/16/2025)	¥7,469
UACJ (5741.T)	E (03/16/2026)	¥2,551

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* Historical prices are not split adjusted.

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