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Space | Japan

Space Companies Soaring from the Land of the Rising Sun: Initiating on 4 Stocks

Facing the Pacific Ocean to the southeast, Japan possesses a strong foundation to develop its space industry. Though it is still in its infancy, we believe growth potential is substantial and will continue to follow industry companies with keen interest and strong expectations for the future. We initiate on 4 stocks with an In-Line industry view.

Key Takeaways

- Global demand for rocket launches and satellite applications is expanding rapidly, supporting a favorable outlook for the commercial space ecosystem.
- While Japan still trails the US and China in terms of rocket launch volume, competitive satellite operators are steadily emerging and gaining scale.
- We rate QPS Overweight, supported by its asset light business model. We are EW on Synspecive & Astroscale, as we think they require external capital.
- We rate SKY Perfect JSAT EW, as its growth profile is less compelling than emerging space companies, but we expect institutional investors to continue holding it as a core industry stock.
- While we recognize ispace's growth potential, our UW rating considers that ispace requires external capital more than its peers during its growth phase.


Tech Diffusion

A Morgan Stanley Research
Key Theme of 2026

We launch coverage with an In-Line industry view:

While SKY Perfect JSAT's space business may not offer the same growth potential as emerging space companies, we think the Japanese space industry as a whole still holds favorable growth prospects compared with others in Japan, so from that perspective alone, an Attractive industry view might

seem warranted. However, many companies in this industry will require substantial upfront investments to realize this potential, and the industry as a whole also requires external capital. Taking this into account, we assign an In-Line industry view.

Initiation on 4 space stocks: We initiate coverage of QPS Holdings with an OW rating (¥2,700 PT), Synspecive at EW (¥1,500), SKY Perfect JSAT at EW (¥2,800), and ispace at UW (¥350).

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SPACE

Japan

Industry View

In-Line

WHAT'S CHANGED

QPS Holdings (464A.T)	From	To
Rating	NA	Overweight
Price Target	¥0	¥2,700
SKY Perfect JSAT (9412.T)	From	To
Rating	NA	Equal-weight
Price Target	¥0	¥2,800
ispace (9348.T)	From	To
Rating	NA	Underweight
Price Target	¥0	¥350
Synspecive (290A.T)	From	To
Rating	NA	Equal-weight
Price Target	¥0	¥1,500
Space Industry View	From	To
	No Rating	In-Line

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Japan's space industry at a glance

Exhibit 1: Japan's Space Industry vs. the US

	The U.S. Space Industry (Global Leader)	Japanese Space Industry (Strengths & Challenges)
Rocket	- Launched nearly 200 times in 2025. (~25% CAGR over the past 5 years) - Leads in reusable rocket technology, enabling high-frequency, low-cost launches.	- Launched only 5 times per year in 2024-2025. (It has not increased for more than a decade.) - Possesses globally competitive manufacturing capabilities but trails the U.S. in rocket reusability.
Spaceport	Benefits from both Atlantic and Pacific coastlines, providing favorable launch sites and greater flexibility.	- Benefits from Pacific-facing geography, which is favorable for launch operations. - Remains optimized for low launch cadence.
Satellite	- Has launched 2,000+ satellites per year since 2023. LEO satellites have increased at a ~25% CAGR since 2020. - Leads in a wide range of satellite services, including communications constellations.	- Has launched ~15 satellites annually since 2020, up modestly from the pre-2020 period. Relies on overseas launch service providers. - Possesses globally competitive capabilities in areas such as small SAR satellites in LEO.
Component	Has an established component supply chain supporting large-scale rocket and satellite production.	- Home to many companies capable of supplying high-quality components. - Lacks the manufacturing scale required for mass production and cost competitiveness.
Financial support	- Stimulates launch and satellite demand through government anchor-tenancy contracts. - Has already entered a self-sustaining cycle driven by commercial demand and private investment.	- The Space Strategy Fund supports technology development. - Support mechanisms for commercialization remain insufficient. - Government anchor-tenancy contracts exist, but remain limited in number. - Financial institutions are less willing than those in the U.S. to fund loss-making space startups.

Source: Morgan Stanley Research

Exhibit 2: Japanese Space industry: Investment ratings and price targets

	QPS 464A	Synspective 290A	SKY Perfect JSAT 9412	Astroscale 186A	ispace 9348
Rating	OW	EW	EW	EW	UW
Growth potential	★★★★★	★★★★★	★★	★★★★★	★★★★★
Financial resilience	★★★★★	★★★	★★★★	★★	★
Trading Currency	JPY	JPY	JPY	JPY	JPY
Price Target	¥2,700	¥1,500	¥2,800	¥1,250	¥350
Current Price (Jul 24, 2026)	¥1,509	¥1,130	¥2,213	¥1,026	¥413
Upside/(Downside) (%)	79%	33%	27%	22%	-15%
Market Cap (USD bn)	0.5	1.0	4.0	0.9	0.4
Average Daily Traded Vol (USD mn)	30	18	26	44	7
Street View: Ratings					
Buy/Overweight	80%	83%	67%	50%	50%
Hold/Equal-weight	20%	17%	33%	50%	0%
Sell/Underweight	0%	0%	0%	0%	50%

Source: FactSet, Morgan Stanley Research

Exhibit 3: Overview for Japanese space companies

	Core businesses	Key customers	Major competitors	Advantage	Disadvantage
SKY Perfect JSAT	- GEO satellites for communication or broadcasting - LEO optical satellites for earth observation - Earth stations	- Government agencies - Public organizations - Telecoms carriers - Fee-based multi-channel broadcasters	- SES / Intelsat - Eutelsat - Telesat	- Stable earnings in the Media business - Global footprint - Investing for QPS and Astroscale	- Lower growth than emerging space peers - High capex burden
Synspective	- Small SAR satellites on LEO - Data analytics	- Japanese government	- QPS - ICEYE - Capella Space / IonQ - Umbra Space	- More aggressive global expansion than QPS	- More asset-heavy than QPS (incl. data analytics) - High capex burden
Astroscale	- LEO satellites for debris removal or in-situ monitoring - GEO satellites for life extension	- JAXA - Japanese government - US Space Force - ESA - OneWeb	- SpaceLogistics / Northrop Grumman - Clearspace	- Few established competitors - International demand exposure	- Some concerns over financial resilience
QPS	- Small SAR satellites on LEO	- Japanese government	- Synspective - ICEYE - Capella Space / IonQ - Umbra Space	- More asset-light than Synspective (no data analytics) - Better financial resilience	- Risk of slower global expansion than Synspective - High capex burden
ispace	- Payload service using landers or rovers to the Moon	- Private corporations - Academic organizations - Japanese government	- Intuitive Machines - Firefly Aerospace - Astrobotic Technology	- International demand exposure	- Competitors have a head start - Concerns over financial resilience

Source: Morgan Stanley Research

Japan's space industry is growing

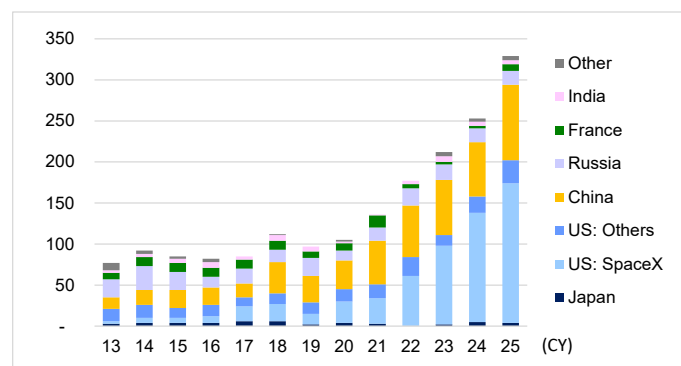
Growth of the global and Japanese space industry

Global Space activity is accelerating

Annual orbital launches have grown at a ~25% CAGR over the past five years; global launches in 2025 were ~3x 2020 levels. This surge in launch cadence has been in part driven by breakthroughs in rocket reusability, pioneered by SpaceX (covered by Adam Jonas), which has dramatically reduced the cost of orbital access. Lower launch costs have in turn contributed to an emergence of compelling new satellite-enabled applications, including satellite communications and Earth observation, driving significant growth of assets in orbit, predominately low Earth orbit (~25% CAGR since 2020). Together, increasing launch cadence, declining deployment costs, and growing investment in next-generation connectivity and other applications point to a favorable outlook for the commercial space ecosystem.

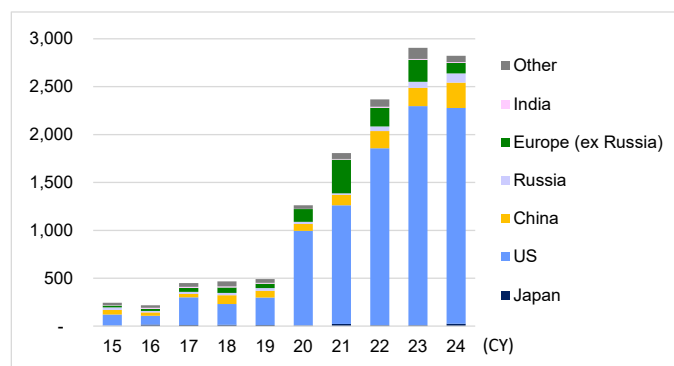
(The views expressed above are those of Morgan Stanley U.S. Space Technology analysts Adam Jonas, Justin Lang, and Kristine Liwag.)

Exhibit 4: Global rocket launches



Source: Morgan Stanley estimates based on MIC's materials

Exhibit 5: Global satellite launches

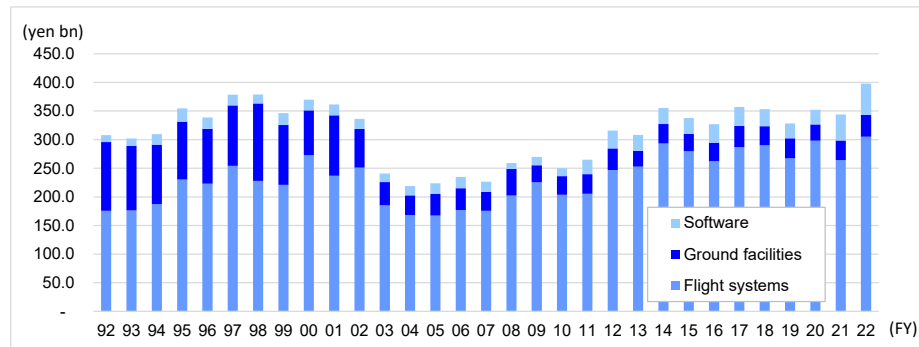


Source: MIC

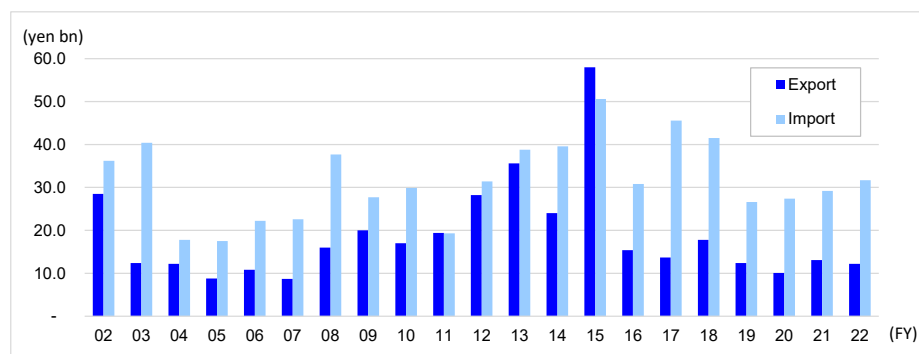
Japan's space industry is also growing

According to the Society of Japanese Aerospace Companies (SJAC), Japan's space industry production value (= revenue) has trended as shown in [Exhibit 6](#) up to 2022 (the association has not published this data point since 2023). As discussed below, the Japanese government's space-related budget began to increase from FY2024 ([Exhibit 9](#)), and we infer that Japan's space industry production value has expanded significantly from 2022 levels. (As of November 2023, the Cabinet Office indicated that the size of Japan's space industry is ¥4trn, but we are not aware of official statistics showing the current size of the industry.)

The number of rocket and satellite launches in Japan has not increased, and it is fair to say that Japan lags behind the US and China ([Exhibit 4](#), [Exhibit 5](#)). However, there are increasing cases of Japanese private satellite operators using overseas launch services to send satellites into space. The business developments of companies such as Synspec and QPS Holdings illustrate the growth of this segment.

Exhibit 6: Japan's space-related equipment production value

Source: SJAC

Exhibit 7: Japan's space-related equipment import/export value

Source: SJAC

SpaceX's growth no threat to Japan's space industry; more likely a tailwind

The space companies in our coverage do not include launch service providers or operators of low Earth orbit (LEO) communication satellite constellations. In other words, they are essentially not in competition with SpaceX or Starlink. In fact, if SpaceX continues to drive down the costs of launch services, a number of Japanese space companies stand to benefit from reduced satellite deployment costs.

Competitive advantages of Japan's space industry

Japan has favorable geography for rocket launch sites

Due to the Earth's rotation, launching rockets eastward improves fuel efficiency, and the closer to the equator, the greater the benefit from rotational speed. Since rockets shed large components such as boosters and fairings after launch, and may fall due to explosions or malfunctions, it is ideal for there to be no densely populated areas in the flight path. Japan's eastern side facing the Pacific Ocean provides favorable geographic conditions for establishing launch sites (for example, the southeast side of the Tanegashima Space Center faces the Pacific Ocean and is closer to the equator than mainland Honshu). Enhancing domestic infrastructure for launching rockets and satellites

could support the long-term growth of Japan's space industry, meaning Japan possesses geographic conditions that contribute to its potential growth.

Japan has a high-quality components supply chain

Components for rockets and satellites must withstand harsh conditions such as vacuum, radiation, and extreme temperature changes. Once launched, repairs are difficult, requiring extremely high reliability. Even minor errors or defects can lead to mission failure, necessitating very high precision. While Japan's precision components supply chain and manufacturing base are sometimes criticized as over-engineered in other industries, in the space industry they can provide a competitive advantage over other countries. ([Our interviews with industry experts](#) also note that many technologies developed under JAXA leadership have achieved globally recognized standards.)

Cost reduction through mass production remains a challenge

In the US and China, where rocket launches are increasing rapidly, costs are declining due in part to mass production effects. In contrast, Japan has not seen a significant increase in launches, nor substantial growth in satellite manufacturing or satellite data utilization, creating a mutually constraining “deadlock” situation. As a result, Japan remains in a high-quality, low-volume production model, and cost reductions have not progressed to the same extent as in the US and China ([October 2025 report](#), [February 2026 report](#)). In addition, Japan's space industry has historically been driven by domestic demand centered on government projects, and the capture of overseas demand (such as providing launch services, satellites, and satellite data to international customers) has not progressed significantly, which is another factor behind the slower pace of cost reduction compared with the US.

Support from the Japanese government

Space Strategy Fund as a catalyst for private investment

The Space Strategy Fund was established to stimulate private investment in Japan's space industry using government funding as a catalyst, with the aim of accelerating industry growth. The fund is managed by JAXA and is financed by contributions from the Cabinet Office, the Ministry of Education, Culture, Sports, Science and Technology, the Ministry of Economy, Trade and Industry, and the Ministry of Internal Affairs and Communications. Various themes outlined in [Exhibit 8](#) are covered across the first, second, and third phases, with companies and research institutions receiving funding through project proposals that are selected. In the space industry, where development periods are long and short-term funding is insufficient to achieve meaningful results, such stable funding sources are essential for growth. The fund also helps lower barriers to entry for startups and companies from other industries, contributing to the development of a diverse ecosystem. However, as the fund primarily supports R&D, there are indications that additional systems are needed to support the commercialization phase of private companies ([February 2026 report](#)).

Exhibit 8: Examples of development themes in Japan's Space Strategy Fund

Space Strategy Fund Phase 1: FY2023 supplementary budget ~¥300bn			
Development targets	Amount	Awarded companies	
Transportation	Development of launch site infrastructure for high-frequency launches	¥10.5bn	SPACE COTAN
	Development of reusable rocket recovery technology	¥3bn	Nippon Yusen
	Thermoplastic composite technology	¥4bn	Manuhachi
	Development of metal 3D additive manufacturing system	¥5bn	Nikon
	3D additive technology for large rocket parts	¥3bn	Shimizu, MHI
	Development of high-precision navigation system	¥3.5bn	Mitsubishi Precision
	Mass production of solid rocket materials	¥4.8bn	IHI Aerospace
Satellites & Earth Observation	Accelerating commercial satellite constellation deployment	¥95bn	ArEdge Space, IQPS, Synspecive, NEC
	High-performance optical satellite constellation	¥28bn	Marble Vision
	Satellite formation flight technology	¥5.5bn	Interstellar Technologies, Nagoya University, The University of Tokyo
	Satellite quantum communication network	¥14.5bn	NICT
	Inter-satellite optical communication network	¥1.6bn	NEC
	Development of satellite parts and components	¥18bn	MELCO, GS Yuasa, Sharp, NEC, WEL Research, Composite Tailors, NU-Rel, ASTEC, INDUSTRIAL-X
	Satellite LiDAR Technology utilizing high power lasers		Kyoto University
Exploration & Lunar	Overseas demonstration of satellite data utilization system		Space Tech Accelerator, Ocean Solution Technology, Solafune, UMITRON, Pacific Consultants, Ocean Eyes, Japan Space Forum
	Lunar positioning system technology	¥5.5bn	ArEdge Space
	Internationally competitive and self-reliant material supply systems	¥12bn	Japan LEO Shachu
	Lunar water resource exploration technology	¥5.4bn	University of Science Tokyo
	Low Earth orbit autonomous flying module technology		Japan LEO Shachu
	Low Earth orbit universal experiment system		Space BD
	Atmospheric entry and aerodynamic deceleration technology		NeSTRA
	Lunar-Earth communication system		KOJI, Fuku University of Technology
	Resupply craft and space station docking system		IHI Aerospace
	Regenerative fuel cell systems		Toyota Motor
Space Strategy Fund Phase 2: FY2024 supplementary budget ~¥300bn	Semi-permanent power supply systems		Japan Atomic Energy Agency
	SX R&D hub		Nagoya University, The University of Tokyo, Ritsumeikan University, NAGJ
Space Strategy Fund Phase 2: FY2024 supplementary budget ~¥300bn			
Development targets	Amount	Awarded companies	
Communication Satellites & Optical Communication	Data relay services utilizing satellite optical communications	¥23.5bn	Space Compass (NTT, SKY Perfect JSAT)
	Satellite optical communications interterminal interconnection technologies	¥3bn	Warpsspace
	Feasibility study for satellite bus and terminal for optical communications	¥0.4bn	NICT, NEC, MELCO
	Internationally competitive communications payloads	¥5.8bn	MELCO
	Integrated operations between satellite communications and terrestrial networks	¥1.1bn	Rakuten Mobile, The University of Tokyo
Space Transportation	Core technologies for ensuring safety in human space transportation systems	¥10bn	MHI, Innovative Space Carrier, Space System Development, Iwaya
	Feasibility study of general-purpose launch site facilities	¥0.5bn	IHI Aerospace
	Development of rocket parts and components	¥19.5bn	Space BD, NEC, Sinfonia, MUJONRI, SUHO, Eagle Industry, Air Water
	Rocket production process innovation	¥24.5bn	IHI, UACJ, Toray, Space One, Hokuto, Fuji Seiko, Aishohei Kogyo, Tokuda Industries, Hikari Mfg
	Addressing challenges in spacecraft environmental testing	¥23bn	IMV, KEK, JAEA, RKEN, QST, SEISE
Space Utilization	Smart spaceport	¥6.5bn	
	Flexible mobility in space	¥32bn	NEC, Pale Blue & The University of Tokyo, MELCO, Astroscale, Yokohama National University
	Flexible utilization of space	¥16.5bn	Toray, MELCO, Power Laser, IHI, Star Signal Solutions
	On-orbit data centers	¥13.5bn	SpaceBlast
Lunar	Elemental technologies for lunar infrastructure development	¥8bn	The University of Tokyo, Tohoku University, Ritsumeikan University & KOMATSU
	Technology for efficient extravehicular utilization	¥6.5bn	Japan LEO Shachu
	High-frequency cargo recovery	¥2.5bn	ElevationSpace
	High-precision landing technologies in lunar polar regions	¥20bn	space
Earth Observation	Technologies to enhance observation capabilities for next-generation earth observation satellites	¥10bn	
	Innovative satellite mission demonstration	¥12bn	
	Advanced Earth observation satellite data utilization technologies	¥4bn	SpaceData, Telus (Sapura Internet), Preferred Networks
	Acceleration of satellite data utilization system deployment	¥17.6bn	Archeia, Wesco, OKI, Green Carbon, Kokusai Kogyo, Space Tech Accelerator, OSTP, X-UI, JSF, Deloitte Tohmatsu, NRI, MRI, Sumitomo Forestry, Tokio Marine Resilience, RESTEC, Location Mind
Space Strategy Fund Phase 3: FY2025 supplementary budget ~¥200bn			
Development targets	Amount		
NEXT	Optical & quantum sensing		
	LEO platform reboot technology		
	Atmospheric re-entry thermal protection technology for spacecraft		
	Lunar exploration and utilization technologies		
	Deep space exploration technologies		
METI	Advanced space science missions		
	Accelerated commercial rocket launch demonstrations (STAND)		
	Efficient high-performance rocket flight operations		
	Secured autonomy towards space traffic management (STM)		
	Satellite development & production process innovation		
MIC	Low-cost, high-frequency on-orbit demonstrations utilizing satellites		
	Next-generation satellite communications		
	Advanced optical communication networks		
	Strengthened anchor tenancies for satellite systems		
		¥31bn	
			Space data utilization platform
			Advanced communications infrastructure

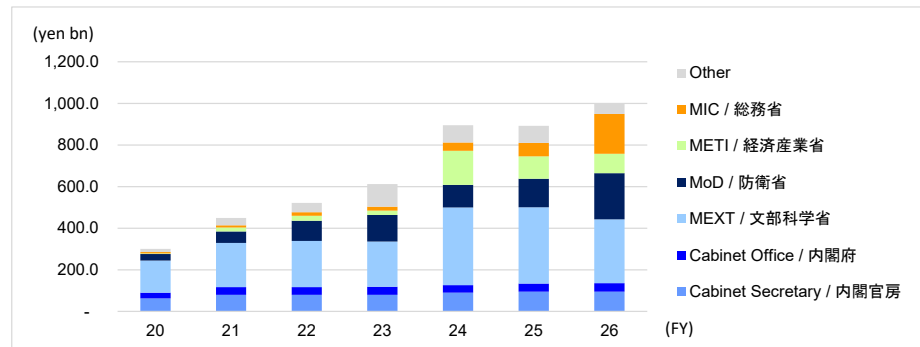
Source: Morgan Stanley Research

Takaichi administration supports growth of the space industry

Japan's 7th Science, Technology and Innovation Basic Plan designates technologies of high economic security importance as “National Strategic Technologies,” with “space” selected as one of the six fields (alongside AI/advanced robotics, quantum, semiconductors/communications, bio/healthcare, and nuclear fusion). This “space” category includes technologies such as satellite positioning systems, satellite communications, remote sensing, on-orbit services, lunar exploration, and transportation services.

In addition, to secure autonomous access to space without reliance on other countries and to promote the growth of its domestic space industry, the Japanese government aims to increase the number of domestic rocket launches. While the number of launches in Japan has remained largely flat to date ([Exhibit 4](#)), the government aims to increase this to 30 launches per year (combined public and private) in the early 2030s (see [February 2026 report](#) for breakdown).

There are also examples of leveraging Japan's strengths in debris removal technology, such as that of Astroscale, for diplomacy ([President Macron and Prime Minister Takaichi visited Astroscale in April 2026](#)).

Exhibit 9: Japanese government space-related budget

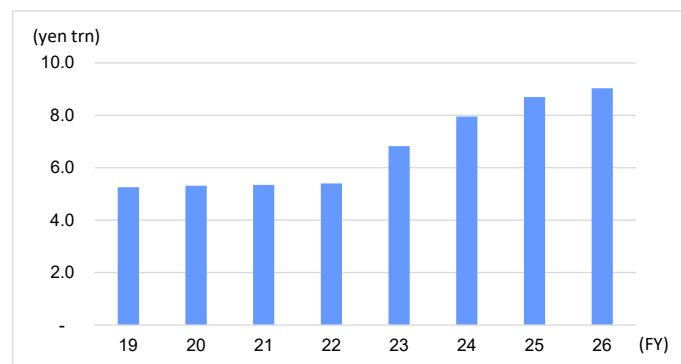
Source: Cabinet Office

METI to support commercialization phases of private companies

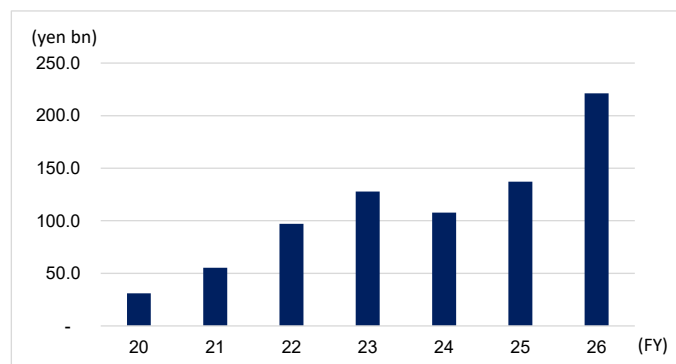
In a [webinar](#) and [interview](#) with Mr. Takahama, Director of the Space Industry Office of the Ministry of Economy, Trade and Industry, one of the main themes was policies to promote the space industry. The ministry outlined a policy to increase the number of rocket launches and satellite production in Japan through economic support measures such as anchor tenancy, thereby helping break out of the aforementioned deadlock situation. It also highlighted the need for policies to support the commercialization phase of private companies, which is not sufficiently covered by the Space Strategy Fund.

Importance of the space domain is also increasing from a defense perspective

Amid rising geopolitical risks, including those surrounding Japan, the Japanese government is expanding its defense budget ([Exhibit 10](#)). At the same time, the importance of the space domain in defense is increasing beyond conventional land, sea, and air domains, leading to a gradual expansion of space-related budgets ([Exhibit 11](#)). There are advantages to having defense-related products, services, and their supply chains be independent of other countries, and we expect expanding defense demand in Japan to significantly contribute to the growth of the domestic space industry.

Exhibit 10: Japan's defense budget

Source: Ministry of Finance

Exhibit 11: Ministry of Defense space budget

Source: Cabinet Office

Ministry of Defense highlights the importance of dual-use technologies

Dual-use refers to technologies or products that can be used for both military and civilian purposes. In the space sector, many technologies, such as communication satellites, Earth observation satellites, and positioning systems, have dual-use characteristics. Rather than

developing purely military-specific technologies, it is important to share development with civilian applications to spread costs, and to expand market and production scale through defense demand, thereby reducing manufacturing costs via mass production effects. The Ministry of Defense’s space domain defense guidelines published in July 2025 also highlight the importance of dual-use.

Expectations for support through anchor tenancy

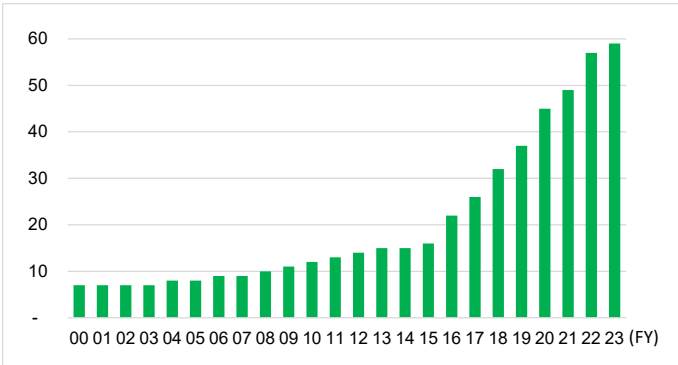
In the space industry, it is common for government agencies to act as anchor customers for private companies’ products & services, such as NASA supporting the growth of companies like SpaceX by utilizing their launch services, thereby stabilizing business foundations and facilitating market creation. In Japan, examples of anchor tenancy have so far been limited to the MoD and METI, but the Japanese government and related ministries have expressed a positive stance toward expanding such initiatives (see [February 2026 report](#)).

Space startups are also emerging in Japan

With the growing use of relatively low-cost small satellites and the diversification of overseas rocket launch services, the number of Japanese startups engaged in satellite manufacturing and related services is increasing. Government support, including the Space Strategy Fund and anchor tenancy contracts, has also contributed to the growth of space startups in Japan. In addition, the pace of startup formation has accelerated since 2016, supported in part by the enactment of the Space Activities Act and the Satellite Remote Sensing Act (which established regulatory frameworks for launch licensing, liability for third-party damages, and handling of satellite data).

Companies such as Synspective, QPS Holdings, and Axelspace (satellites), Astroscale (on-orbit services such as debris removal), and ispace (lunar payload services) have all listed on the Tokyo Stock Exchange. There is also increasing interest in unlisted startups such as Interstellar Technologies and Space One, which aim to establish small launch services. Space-related businesses require significant investment, involve high failure risk, and have long payback periods, making access to risk capital such as venture funding essential. Even for listed space companies, investors need to maintain a high risk tolerance.

Exhibit 12: Number of space startups in Japan



Source: Morgan Stanley Research

Exhibit 13: Differences between optical and SAR satellites

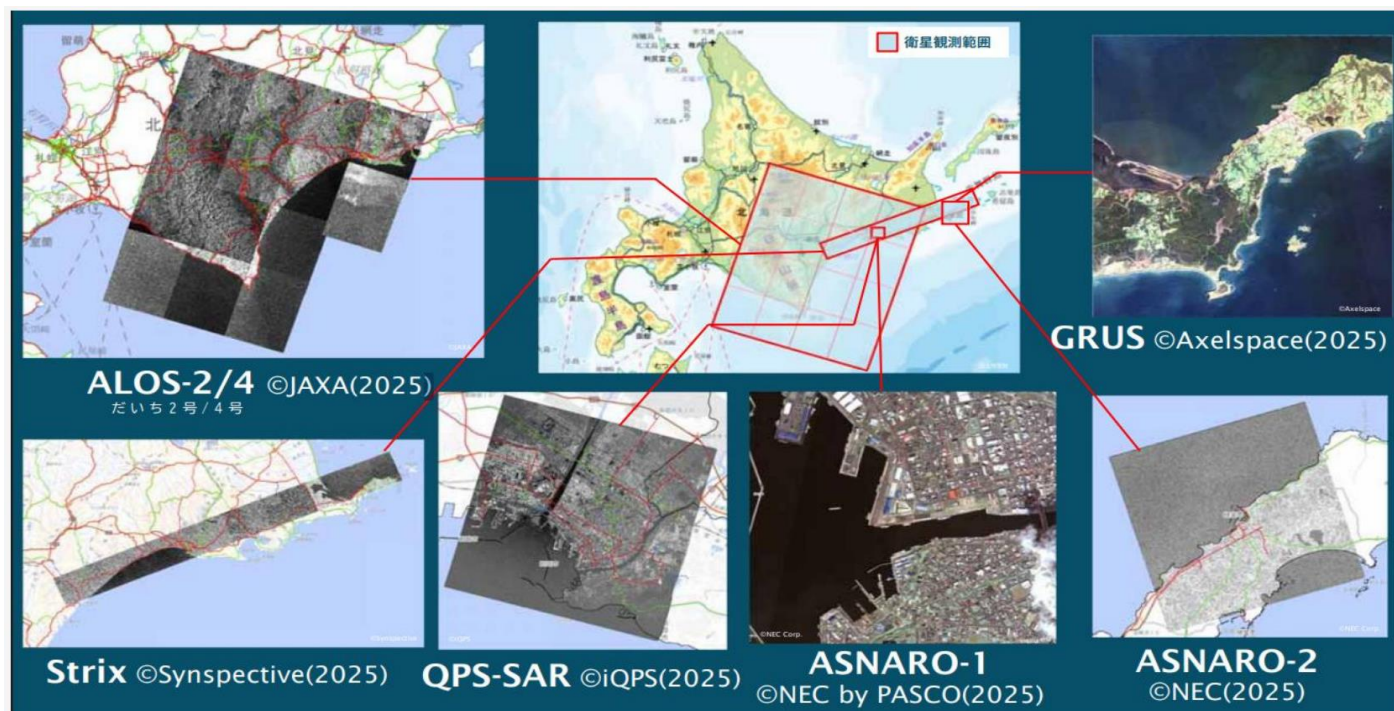
	Optical satellites	SAR satellites
Observation Method	Capture the Earth's surface using reflected sunlight	Emit microwaves and observe the reflected waves
Impact of Weather and Time	Visibility is obstructed in cloudy weather and visibility decreases at night	Capable of capturing images 24 hours a day, 365 days a year
Observable Information	Color of the target object	Physical characteristics of the target object
Analysis of Changes	Low suitability for change analysis	Strong in time-series analysis and change detection, enabling the analysis of continuous changes
Major Japanese companies	Axelspace	Synspective QPS Holdings

Source: Morgan Stanley Research, based on Synspective materials and other sources

Exhibit 14: Leading small SAR satellite companies

Company	Country	Satellites launched	Operational satellites	Satellite mass		Ground resolution	Scene size
Synspective	Japan	10	8	100kg	(Staring Spotlight mode)	0.25m	10km x 3km
					(Sliding Spotlight mode)	0.5m	10km x 10km
					(Stripmap mode)	2.6m	20km x 50-70km
QPS	Japan	14	9	180kg	(Spotlight mode)	0.46m	7km x 7km
					(Stripmap mode)	1.8m	7km x 14km
ICEYE	Finland	70	52	80-120kg		0.25m	5km x 5km
Capella Space / IonQ	USA	20	9	165-187kg		0.25m	5km x 5km
Umbra Space	USA	12	5	70kg		0.25m	5km x 5km

Source: Morgan Stanley Research, based on materials from Synspective and OPS Holdings and other sources

Exhibit 15: Examples of satellite imaging coverage by Japanese companies

Source: Synspective materials; Satellite Earth Observation Consortium (CONSEO), "Report on disaster response drills through public-private collaboration in satellite Earth observation," April 9, 2026.

Investment view

Industry view: In-Line

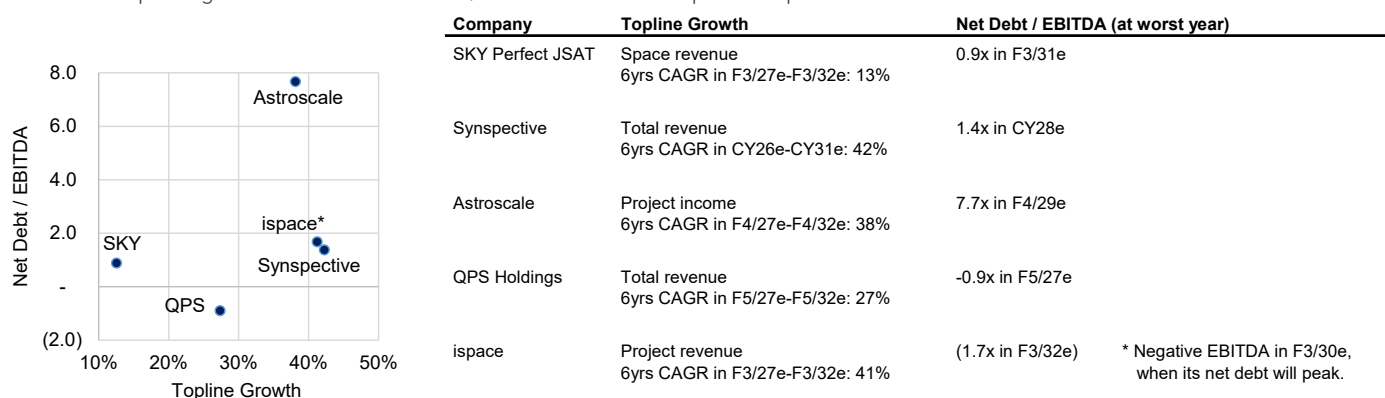
While SKY Perfect JSAT's space business may not offer the same growth potential as emerging space companies, we think the Japanese space industry as a whole still holds brighter growth prospects than others in Japan, so from that perspective alone, an Attractive industry view might seem warranted. However, many industry companies will need substantial upfront investments to realize this potential, and the industry as a whole also requires external capital. As such, we assign an In-Line industry view.

Investment views for individual stocks focus on financial resilience too, not just growth potential

We think a similar approach is important in determining investment opinions for individual stocks as well. The primary evaluation metric should be long-term growth potential. We prepare earnings outlooks through 2031 and quantitatively assess the growth potential of each company on the basis that it is likely to take until at least 2030 for ramp-up of these businesses and attainment of a somewhat steady state. Many Japanese space companies define their effective top-line income as ordinary sales plus government subsidy revenue booked as non-operating revenue, and our assessment of top-line growth potential adheres to this definition.

Our second evaluation metric is whether the probability of being able to continue allocating necessary funds until realization of this long-term growth or the risk of erosion of the balance sheet and dilution of equity value due to fund-raising activities is larger. If there is substantial risk, we factor in a high likelihood of just a limited number of institutional investors having interest as an investment choice and difficulty securing a high valuation multiple (undermining relative share price performance).

Exhibit 16: Top-line growth rates and net debt/EBITDA levels for Japanese space stocks



e = Morgan Stanley Research estimates

Source: Morgan Stanley Research

Initiation with OW rating for QPS Holdings

We see large latent demand for small SAR satellites and expect strong top-line growth proportionally to increase in the number of satellites in operation. QPS Holdings also utilizes an asset-light business model (simple business model that does not extend to data

analysis), compared to rival small SAR satellite firm Synspective, and we think it should be relatively fast in achieving operating profitability and an FCF surplus. We hence believe that the company will not require so much external capital and believe this should make it an easier investment choice for institutional investors. Given this backdrop, we assign an OW rating.

Initiate with EW rating for Synspective

We think Synspective, which is actively pursuing overseas opportunities too, offers more top-line growth potential than QPS (however, we do not separately identify overseas sales in our earnings outlook on the prospect of overseas sales still remaining low compared to domestic sales in the future). Meanwhile, Synspective's business model, which includes data sales and data analysis, is more asset-heavy than QPS's model. We thus expect a longer path to attaining operating profitability and an FCF surplus than at QPS. We think there is a possibility that Synspective might require external capital to increase the number of satellites in operation from the planned level. We assign an EW rating, rather than OW, because of this aspect.

Initiate with EW rating for SKY Perfect JSAT

Among our five space-related companies, SKY Perfect JSAT has the largest market cap. In addition, its Space business is profitable, its Media business generates stable profits, and the need for external capital appears limited. As a result, we believe the stock is potentially the most investable name in this area for institutional investors. On the other hand, the growth potential of its Space business remains lower than the 4 emerging peers under our coverage. As we do not believe the stock is likely to materially outperform the industry ahead, we assign an EW rating.

Remain EW on Astroscale

We continue to see considerable growth potential for Astroscale, given the substantial latent demand for its businesses, including in the national security field. Nevertheless, we expect continued FCF deficits while implementing missions with low profitability recruited with a future-oriented view and the process of ramping up missions for private business operators with cash outlays that precede cash inflow. We hence think there is a possibility of procuring funds externally in a scenario of repaying convertible bonds (¥26.3bn) in F4/30 due to non-conversion. We assign an EW rating, rather than OW, because of this point.

Initiate with UW rating for ispace

We think ispace has real growth potential as indicated by our top-line forecast. However, we expect low profitability for Mission 3 with a scheduled launch in 2028 and Mission 5 with the launch delayed to 2030, and thus think it will take some time until ispace reaches operating profitability and an FCF surplus. Due to lingering concerns about excess liabilities and need for external capital until there are surpluses, we see risk of institutional investors not including this stock in their portfolios or not giving it a strong valuation. We thus assign a UW rating, even though the current share price is fairly valued in our view, from a relative perspective.

Price targets and valuation

Market cap gains for space stocks since start of Takaichi government

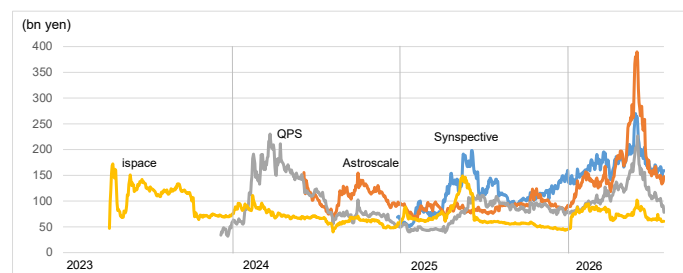
The market cap trends of the four space-related companies that have listed in Japan in recent years are shown in [Exhibit 17](#). There is a pattern for all four in that market caps have increased from the IPO over the next 6-8 months and then settled down thereafter. We attribute this pattern to the common factors of the lock-up period and change in stock liquidity.

While these space stocks subsequently traded at flat levels, their market caps expanded significantly after Sanae Takaichi became LDP President and Prime Minister last October and the LDP won a decisive victory in the House of Representatives election in February (in the seven months from October 2025 to April 2026, combined market cap of these four rose by 1.6x, while SKY Perfect JSAT's market cap rose by 2.5x). We think the more favorable stance toward the space industry than the previous government (including defense-related activity) from the Takaichi government, as explained in the **Japan's growing space industry section**, is evident in this market cap expansion.

Japan space stock prices were highly volatile before and after SpaceX's IPO

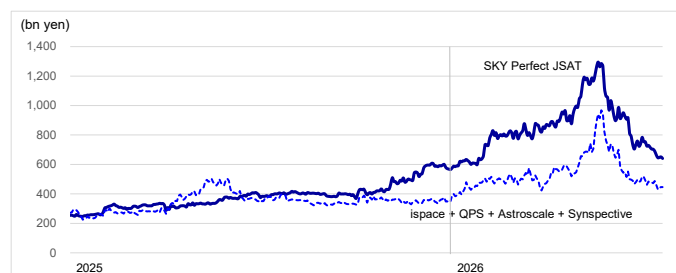
While market caps expanded for many space stocks when SpaceX provided official disclosure of SpaceX's IPO plan in May 2026, we think market caps contracted for many space stocks, besides SpaceX, due to softer market conditions as investors who owned other space stocks sold these to obtain funds to buy newly listed SpaceX shares in June. Following the sharp volatility in May/June, SKY Perfect JSAT's market cap has declined to two-thirds of its level at the end of April 2026, while market caps of the other four space companies have fallen to ~0.8x their April 2026 levels.

Exhibit 17: Market cap trends of 4 space stocks recently listed in Japan



Source: FactSet

Exhibit 18: Market cap trends of SKY Perfect JSAT and 4 space stocks recently listed in Japan



Source: FactSet

Exhibit 19:

Space industry: Valuation comps

Company	Country	MS	Current Price	Market Cap	P/E				EV/EBITDA				EV/Sales				Sales
		Rating	7/24/2026	(\$bn)	F25	F26e	F27e	F28e	F25	F26e	F27e	F28e	F25	F26e	F27e	F28e	CAGR
Space (N.American Space Technology sector rating = Attractive)																	
SpaceX	US	OW	\$115.07	354.3	--	406.4	52.7	18.3	94.8	15.3	6.8	4.0	20.9	6.4	4.0	2.7	103%
Rocket Lab	US	OW	\$63.91	38.2	--	--	--	268.8	--	--	--	143.3	62.6	40.5	27.9	20.4	45%
AST SpaceMobile	US	--	\$56.20	16.8	--	--	--	81.9	--	--	75.3	16.4	232.0	109.0	25.0	10.2	201%
Planet Labs	US	EW	\$20.47	7.3	--	--	--	--	--	--	--	81.9	24.4	16.8	12.4	10.1	32%
Firefly Aerospace	US	EW	\$19.69	3.2	--	--	--	--	--	--	--	91.6	17.1	7.2	4.5	2.9	92%
Redwire	US	--	\$8.69	2.1	--	--	--	--	--	--	--	--	6.2	--	--	--	30%
Intuitive Machines	US	--	\$12.92	2.1	--	--	--	39.6	--	76.7	32.6	31.0	8.8	2.4	2.0	1.7	88%
Voyager Tech.	US	UW	\$25.24	1.5	--	--	--	--	--	--	--	--	8.7	6.9	4.2	1.8	75%
BlackSky	US	--	\$21.57	0.8	--	--	--	86.3	--	54.5	19.1	10.5	8.5	6.7	5.1	3.7	32%
Virgin Galactic	US	UW	\$2.49	0.3	--	--	--	--	--	--	--	--	227.3	40.3	1.0	0.5	572%
MDA Space	Canada	OW	CAD 41.72	4.8	49.9	61.2	48.4	36.6	16.8	14.6	12.5	10.0	3.1	2.6	2.2	1.8	13%
SKY Perfect JSAT	Japan	EW	¥2,213	3.8	26.9	23.3	25.6	27.5	11.5	11.2	11.2	10.4	4.6	4.5	4.6	4.3	7%
Synspective	Japan	EW	¥1,130	0.9	--	53.2	27.6	74.9	79.2	17.1	11.0	10.5	22.0	9.1	6.8	6.3	64%
Astroscale	Japan	EW	¥1,026	0.9	--	--	--	93.0	--	--	--	44.7	12.7	8.9	5.0	3.7	60%
QPS Holdings	Japan	OW	¥1,509	0.4	64.9	44.9	6.6	8.1	18.6	10.8	2.8	2.2	9.2	5.6	2.2	1.8	67%
ispace	Japan	UW	¥413	0.4	--	--	16.9	--	--	--	--	--	10.2	5.9	3.4	3.9	49%
Axelspace	Japan	--	¥475	0.2	--	23.9	31.3	14.2	--	12.0	12.6	6.2	--	3.0	2.8	2.1	68%
Defense (N.American Defense sector rating = Attractive)																	
Northrop Grumman	US	OW	\$542.24	77.0	18.6	18.7	17.5	15.9	14.3	13.5	12.5	11.6	2.0	1.9	1.7	1.6	6%
Moog	US	EW	\$410.13	13.0	56.0	39.6	35.0	31.6	26.2	20.8	18.3	16.6	3.6	3.2	2.9	2.7	9%
Telecom (N.American Telecom & Cable Services sector rating = In-Line , European Telecommunications Services sector rating = Attractive)																	
Viasat	US	EW	\$71.70	9.8	--	--	--	--	8.3	8.0	7.3	--	3.2	3.0	2.8	--	5%
Iridium Comm.	US	EW	\$45.78	4.9	43.2	44.0	38.2	33.6	13.1	13.0	12.0	11.0	7.5	7.0	6.6	6.1	3%
Gogo	US	EW	\$3.81	0.5	40.3	13.5	10.8	6.6	7.0	6.6	5.5	3.7	1.3	1.2	1.1	0.8	6%
Eutelsat	France	EW	€2.01	2.7	--	--	--	50.8	7.1	5.8	5.7	5.3	3.9	3.1	3.1	2.9	0%
SES	Luxembourg	EW	€7.01	2.8	--	7.7	6.3	5.6	6.5	5.1	4.8	4.4	2.9	2.2	2.1	2.0	10%

Note: Rocket Lab, Planet Labs, Firefly, Voyager Tech., Virgin Galactic, Northrop Grumman, and Moog are covered by Kristine Liwag, SpaceX is covered by Adam Jonas, MDA, Viasat, Iridium Comm., and Gogo are covered by Justin Lang, and Eutelsat and SES are covered by Terence Tsui. MS Rating '+' indicates the data for this company have been removed from consideration because under Morgan Stanley policy and/or applicable regulations, Morgan Stanley may be precluded from issuing such information with respect to this company at this time. e = Morgan Stanley Research estimates (FactSet consensus for non-covered companies)

Source: FactSet, Morgan Stanley Research

We use either EV/sales or DCF to calculate PTs for Japan space firms

In setting our price targets, we differentiate our valuation approach between the three firms that make communications satellites and small SAR satellites (SKY Perfect JSAT's space business, Synspective, QPS) and the other two (Astroscale, ispace), applying the appropriate valuation for each.

Price targets for SKT Perfect JSAT, Synspective and QPS

We use EV/Sales multiples

For comms/small SAR satellite operators, we multiply an underlying top-line forecast for a few years ahead by a fixed EV/Sales multiple, and then use WACC to get present value.

One reason for using this method is that these firms launch/start operations for several satellites each year with the resulting build up in revenue boosting the top line, meaning limited fluctuation due to projects being carried over and relatively little top-line volatility on a single-year basis. These firms also set quantitative medium-term targets for the number of satellites in operation several years ahead and disclose project pipelines for several years out, making it relatively easy when talking with institutional investors to share a top-line outlook for a few years ahead.

The EV/Sales multiple we apply is 8x. This is based on the weighted-average EV/Sales valuation of approximately 8x for the four Japanese space companies under our coverage

excluding SKY Perfect JSAT (which also operates a media business), using each company's current-year top-line guidance (Exhibit 20).

We also considered P/E and EV/EBITDA valuations, as these three satellite operators are likely to be profitable in a few years. Please also refer to the valuation comparison table for the major space-related stocks (Exhibit 19).

Exhibit 20: EV/Sales multiples based on current-fiscal-year guidance for 4 Japanese space companies (excluding SKY Perfect JSAT)

(yen bn)	Topline guidance		Market cap	Net Debt	EV/Sales
Total		51.8	441.1	(34.1)	7.9
Synspective	CY26Ce Total revenue:	16.1	158.5	(15.2)	8.9
Astroscale	F4/27Ce Project income:	14.8	143.8	(3.8)	9.5
QPS Holdings	F5/27Ce Total revenue:	12.0	78.2	(14.9)	5.3
ispace	F3/27Ce Project revenue:	9.0	60.7	(0.2)	6.7

Source: Company data, FactSet, Morgan Stanley Research; Ce=Company estimate

Price target of ¥2,800 for SKY Perfect JSAT based on sum-of-the-parts

SKY Perfect JSAT also has a Media Business Unit in addition to a Space Business Unit. We thus value the Space Business Unit using the aforementioned method, the Media Business Unit at a multiple in line with media peers, and base our PT using SOTP. Our calculation for the enterprise value of each business segment is shown below and in Exhibit 21.

- **Space business:** As the company has disclosed a F3/31 revenue target in its medium-term plan, we estimate the present value of the business by applying an EV/Sales multiple of 8x to our F3/31 operating revenue forecast and discounting the resulting enterprise value back to the present using an appropriate discount rate.
- **Media business:** We use major listed Japanese media companies as comparables, specifically six holding companies: TBS, Nippon Television, Fuji Media, TV Asahi, TV Tokyo, and U-NEXT. According to FactSet, the median EV/EBITDA multiple for FY27 among these six companies is around 7.5x. As such, we value SKY Perfect JSAT's Media business by applying this 7.5x EV/EBITDA to our F3/28 EBITDA forecast for the segment.
- **Other businesses & adjustments:** We expect earnings here to remain stable and thus view it as more comparable to the Media business than the Space business. We apply an EV/EBITDA of 7.5x to our F3/28 EBITDA forecast for this segment.

Exhibit 21: SKY Perfect JSAT: Price target based on SOTP valuation

	(yen bn)	EV/Sales	Discount rate	EV/EBITDA	Enterprise value (yen bn)
Space	F30e Revenue:	120.2	8.0	12.3%	604.6
Media	F27e EBITDA:	18.2		7.5	136.6
Other	F27e EBITDA:	(0.6)		7.5	(4.2)
				EV total:	737.0
				Net debt:	(45.4)
				Market cap:	782.4
				Shares (mn):	283
e = Morgan Stanley Research estimates					
Price target (yen):					2,800

Source: Company data, Morgan Stanley Research

Synspective: Price target based on CY29 total revenue forecast and 6.1x EV/Sales

Synspective plans to increase its number of operational satellites to more than 30 by CY28. Accordingly, we view CY29 total revenue (sales plus subsidy income) as representing the company's normalized top line. We derive our PT by applying an EV/Sales multiple of 8x to our CY29 total revenue forecast and discounting the resulting valuation back to present value using an appropriate discount rate.

QPS: Price target based on F5/32 total revenue forecast and 4.4x EV/Sales

QPS plans to increase its number of operational satellites to 36 by F5/31. Accordingly, we view F5/32 total revenue (sales plus subsidy income) as representing the company's normalized top line. We derive our PT by applying an EV/Sales multiple of 8x to our F5/32 total revenue forecast and discounting the resulting valuation back to present value using an appropriate discount rate.

Price targets for Astroscale and ispace**We use a DCF method**

We have set our price target for Astroscale shares using the DCF method since **starting our coverage in July 2024**, and we also use this method to calculate our ¥350 price target for ispace.

We believe valuing these two firms based on single-year forecasts as tricky given their significant earnings fluctuations (i.e., highly volatile single-FY results) due to projects being carried over and the booking of expenses being concentrated in certain periods. There is also a relatively large gap between profits/losses and actual cash flow. We also believe it is not possible to measure the value of these companies correctly unless we forecast/evaluate earnings beyond their disclosed project pipelines. Given these factors, we judge DCF is relatively appropriate for valuation.

We set the discount rate individually based on each company's data but adopt 2.5% as the uniform terminal growth to avoid arbitrariness in setting the price targets, including for **the calculation of Astroscale's price target**. Despite our understanding that it is typical to set the terminal growth rate for Japanese companies, which have less growth potential than overseas companies, in the 0-2% range, we adopt a 2.5% terminal growth rate for Japan's space companies considering large growth potential driven by external demand at Astroscale and ispace.

Exhibit 22: ispace: DCF-based valuation and implied share price

(yen bn)	F25	F26e	F27e	F28e	F29e	F30e	F31e
Free cash flow	(15.4)	(5.3)	(8.4)	(3.4)	(2.4)	4.9	2.7
Financial expenses	1.8	2.3	1.6	2.0	3.2	3.6	3.1
Effective tax rate	0%	0%	16%	0%	0%	0%	16%
Financial expenses after tax	1.8	2.3	1.3	2.0	3.2	3.6	2.6
Unlevered free cash flow	(13.6)	(2.9)	(7.0)	(1.4)	0.8	8.5	5.3
e = Morgan Stanley Research estimates							
Major assumptions							
Discount rate	8.2%						
Perpetual growth rate of cash flow	2.5%						
WACC8.2%							
Cost of liability after tax	5.5%						
Cost of liability before tax	8.0%						
Tax rate	31%						
Cost of capital	13.5%						
Risk free rate	2.5%						
Market risk premium	5.5%						
Equity beta	2.0						
Liability / (Liability + Capital) Ratio	66%						
DCF valuation (yen bn)							
NPV of FCF in F26e-F30e (1)	(3.5)						
F31e terminal value	95.2						
NPV of F31e terminal value (2)	59.3						
Net cash (3)	0.2						
Fair market cap (1)+(2)+(3)	56.0						
Shares outstanding (mn, diluted)	159						
Value per share (yen)	352						

Source: Morgan Stanley Research. Note: Our price target is ¥350

Supplement: DCF-based implied share prices for SKY Perfect JSAT, Synspecive, QPS

Models used to derive theoretical share price levels for these 3 companies using the DCF method are shown in [Exhibit 23](#), [Exhibit 24](#), and [Exhibit 25](#). SKY Perfect JSAT plans to launch additional geostationary satellites while also deploying Earth observation satellites in low Earth orbit. Synspecive and QPS Holdings, meanwhile, require continued launches of small SAR satellites into low Earth orbit to achieve their growth objectives. While these satellite operators are able to generate returns once satellites become operational, capex tend to be significant prior to the start of operations. In particular, during phases in which operators are expanding their satellite constellations to support future growth, free cash flow is typically negative (indeed the timing gap between cash inflows and cash outflows is larger for these 3 satellite operators than for Astroscale or ispace). As a result, we recognize that applying the DCF method to these 3 satellite operators produces relatively low implied share price levels.

Exhibit 23: SKY Perfect JSAT: DCF-based valuation and implied share price

(yen bn)	F25	F26e	F27e	F28e	F29e	F30e	F31e
Free cash flow	(22.8)	(17.1)	(36.8)	(0.8)	3.2	(1.2)	15.7
Financial expenses	0.9	0.6	1.3	2.2	2.5	2.6	2.9
Effective tax rate	32%	31%	31%	31%	31%	31%	31%
Financial expenses after tax	0.6	0.4	0.9	1.5	1.7	1.8	2.0
Unlevered free cash flow	(22.2)	(16.7)	(35.9)	0.7	4.9	0.6	17.7
e = Morgan Stanley Research estimates							
Major assumptions							
Discount rate	12.3%						
Perpetual growth rate of cash flow	2.5%						
WACC12.3%							
Cost of liability after tax	1.4%						
Cost of liability before tax	2.0%						
Tax rate	31%						
Cost of capital	13.5%						
Risk free rate	2.5%						
Market risk premium	5.5%						
Equity beta	2.0						
Liability / (Liability + Capital) Ratio	10%						
DCF valuation (yen bn)							
NPV of FCF in F26e-F30e (1)	(39.4)						
F31e terminal value	185.0						
NPV of F31e terminal value (2)	92.0						
Net cash (3)	45.4						
Fair market cap (1)+(2)+(3)	98.1						
Shares outstanding (mn)	283						
Value per share (yen)	346						

Source: Morgan Stanley Research. Note: Our price target is ¥2,800

Exhibit 24: Synspetive: DCF-based valuation and implied share price

(yen bn)	CY25	CY26e	CY27e	CY28e	CY29e	CY30e	CY31e
Free cash flow	(10.0)	(11.4)	(13.6)	(12.7)	(5.4)	(0.3)	4.4
Financial expenses	0.4	0.5	0.8	1.5	2.1	2.4	2.4
Effective tax rate		13%	16%	16%	32%	32%	32%
Financial expenses after tax	0.4	0.4	0.7	1.3	1.5	1.6	1.6
Unlevered free cash flow	(9.6)	(11.0)	(13.0)	(11.4)	(3.9)	1.3	6.0

e = Morgan Stanley Research estimates

Major assumptions

Discount rate	9.1%
Perpetual growth rate of cash flow	2.5%

WACC	9.1%
Cost of liability after tax	3.4%
Cost of liability before tax	5.0%
Tax rate	32%
Cost of capital	10.5%
Risk free rate	1.5%
Market risk premium	4.5%
Equity beta	2.0
Liability / (Liability + Capital) Ratio	20%

DCF valuation (yen bn)

NPV of FCF in CY26e-CY30e (1)	(31.7)
CY31e terminal value	93.7
NPV of CY31e terminal value (2)	55.6
Net cash (3)	15.2
Fair market cap (1)+(2)+(3)	39.1
Shares outstanding (mn, diluted)	141
Value per share (yen)	278

Source: Morgan Stanley Research. Note: Our price target is ¥1,500

Exhibit 25: QPS: DCF-based valuation and implied share price

(yen bn)	F5/26	F5/27e	F5/28e	F5/29e	F5/30e	F5/31e	F5/32e
Free cash flow	(20.0)	(9.4)	5.3	8.6	3.3	3.8	5.0
Financial expenses	0.3	0.3	0.3	0.3	0.1	0.1	0.1
Effective tax rate	1%	16%	16%	31%	31%	31%	31%
Financial expenses after tax	0.3	0.3	0.3	0.2	0.0	0.0	0.0
Unlevered free cash flow	(19.7)	(9.1)	5.6	8.8	3.4	3.9	5.0

e = Morgan Stanley Research estimates

Major assumptions

Discount rate	9.4%
Perpetual growth rate of cash flow	2.5%

WACC	9.4%
Cost of liability after tax	3.6%
Cost of liability before tax	5.3%
Tax rate	31%
Cost of capital	10.5%
Risk free rate	1.5%
Market risk premium	4.5%
Equity beta	2.0
Liability / (Liability + Capital) Ratio	17%

DCF valuation (yen bn)

NPV of FCF in F5/26e-F5/31e (1)	7.9
F5/32e terminal value	74.7
NPV of F5/32e terminal value (2)	43.7
Net cash (3)	14.9
Fair market cap (1)+(2)+(3)	66.5
Shares outstanding (mn, diluted)	57
Value per share (yen)	1,158

Source: Morgan Stanley Research. Note: Our price target is ¥2,700

SKY Perfect JSAT (EW rating, ¥2,800 price target)

Company overview

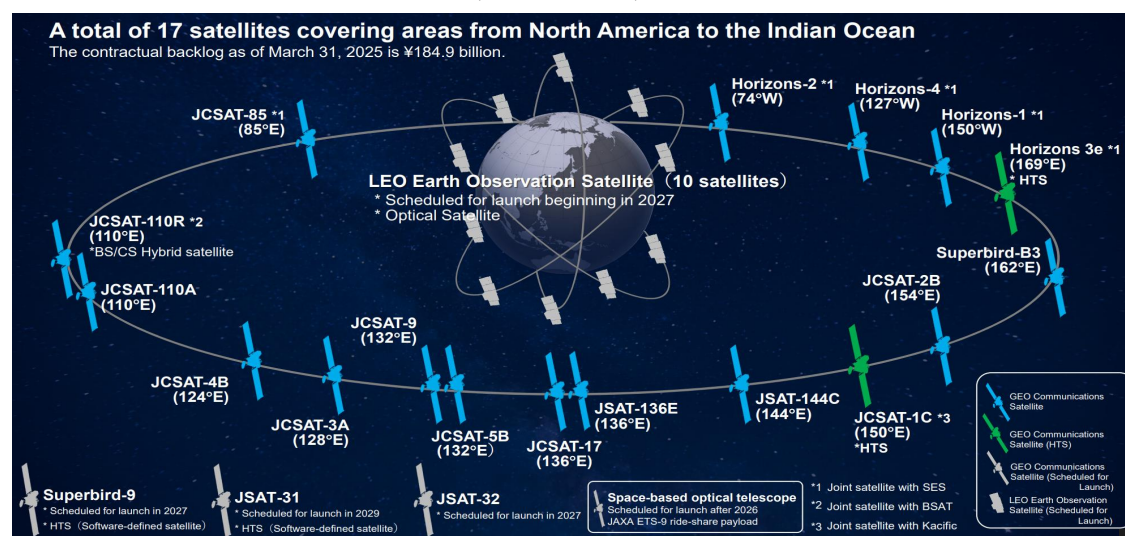
Space Business Unit: Operates communications/broadcasting satellites, uses data from Earth observation satellites

SKY Perfect JSAT currently operates 17 satellites in geostationary orbit, the majority for communications and some for broadcasting. Of these, it jointly operates five comms satellites with SES and one with Kacific, plus one broadcasting satellite with BSAT. It also plans to launch two further satellites into geostationary orbit in 2027 and one in 2029. The firm is also due to launch an optical telescope into geostationary orbit in 2026 or later and 10 Earth observation satellites (optical satellites) into low orbit in 2027 or later. The firm's comms satellites provide services to government agencies, public organizations, and domestic/overseas telecom carriers. Its broadcasting satellites provide satellite links to broadcasters operating channels for fee-based multi-channel broadcasting. Its Space Intelligence business analyses data, such as imagery & positional info from Earth observation satellites in low Earth orbit, to provide info and solutions that contribute to tackling social issues and advancing industry. Though it is yet to put its own Earth observation satellites into orbit, it purchases satellite data from firms like Planet Labs & BlackSky and is already generating operating revenue in the Space Intelligence business.

Space Business Unit competes globally

Major geostationary satellite players worldwide include SES (Luxembourg; acquired US firm Intelsat), Eutelsat (France), and Telesat (Canada), with SKY Perfect JSAT ranked 4th globally after these three. In a broader sense, low-orbit satellite constellation operators like Starlink/SpaceX can also be considered peers. SKY Perfect JSAT's "Global & mobility" operating revenue comes from in-flight Wi-Fi, maritime communications, and services to telecom carriers in Southeast Asia, and it competes in these areas with such global firms.

Exhibit 26: SKY Perfect JSAT: Satellite fleet (as of Apr 2026)

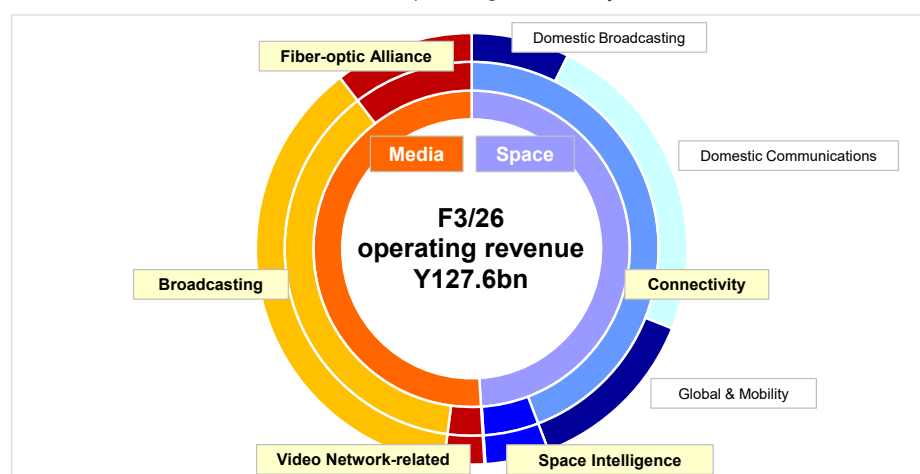


Source: Company data

Media business well known in Japan through SKY PerfecTV! brand

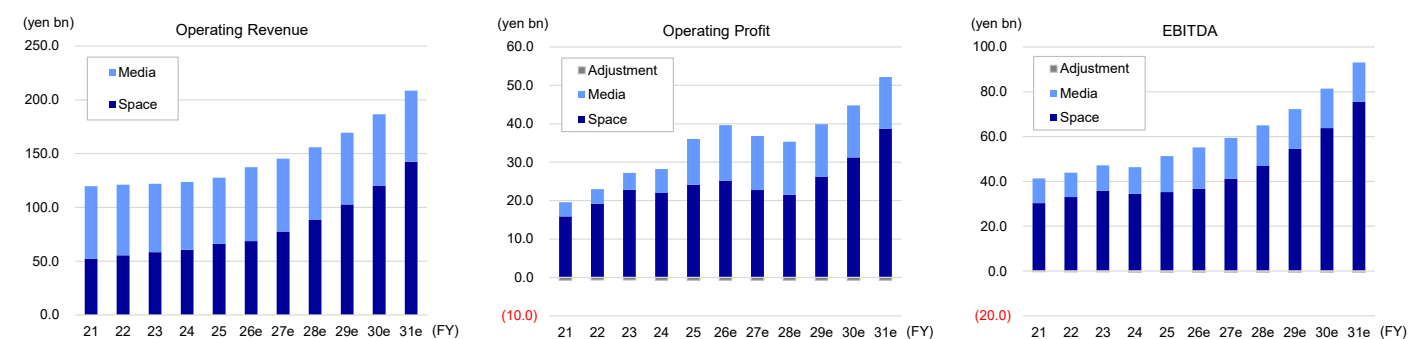
The firm's Broadcast & Streaming business operates SkyPerfecTV!, a multi-channel pay TV service offering a broad range of genres, and SkyPerfecTV! Program Distribution, an online subscription-based on-demand service. Its Fiber-optic Alliance business offers a subscription-based retransmission service providing broadcast channels (e.g., terrestrial, FM, BS, CS, 4K/8K satellite) via NTT Group fiber-optic lines, as well as a multichannel broadcasting service to cable TV subscribers in collaboration with cable TV operators. The firm's Media Solution business makes effective use of the broadcasting/streaming facilities and program production facilities it runs at the SKY PerfecTV! Tokyo Media Center to offer solutions to client companies that allow them to distribute content overseas and stream internal company events.

Exhibit 27: SKY Perfect JSAT: F3/26 operating revenue by business



Source: Morgan Stanley Research estimates based on company data. Note: Reflects the reclassification of the Video Network-related business.

Exhibit 28: SKY Perfect JSAT: Operating revenue, operating profit and EBITDA by segment



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

Earnings forecasts

Our Space business top-line forecast aligns with company guidance

Unlike Japan's emerging space companies, the company does not disclose the top-line contribution from individual projects, so we believe it is difficult to build a top-line forecast using a bottom-up approach. At the same time, the company forecasts F3/31

operating revenue of ¥124bn for the Space business, including intersegment transactions, and has also disclosed a breakdown of ¥80bn from Connectivity services, ¥38bn from Space Intelligence, and ¥6bn from New Business Fields. We align our top-line forecast with this company guidance.

We understand that the company's F3/31 operating revenue plan reflects the following growth drivers.

- **Connectivity services (CAGR +6%):** In Japan, SKY Perfect JSAT faces no competitors in satellite data provision, and its customers continue to use satellite data steadily. The company aims to expand operating revenue from services such as in-flight connectivity while competing with overseas companies.
- **Space Intelligence (CAGR +43%):** We expect defense demand to expand, including demand from Japan's Ministry of Defense satellite constellation plan. The company will continue to receive satellite data from Planet Labs, BlackSky, QPS Holdings, and others, and it is also likely to provide customers with data from its own earth observation satellites, which it plans to launch in F3/28 onward.
- **New Business Fields (+¥5.9bn in revenue over five years):** As Japan's defense-related space demand expands, we believe the company has opportunities in areas such as quantum key distribution, optical data relay, commercial SSA (Space Situational Awareness), and SDA (Space Domain Awareness) satellite operations support. If the company succeeds in demonstrating the value of its services in these fields, revenue from these "New Business Fields" is likely to increase.

Communications and broadcasting satellite capacity to support Space-business top-line growth

The communications and broadcasting satellites that SKY Perfect JSAT currently operates in geostationary orbit have a design life of 15 years, but many continue operating for more than 20 years, as they do not exhaust their fuel supply. As a number of these satellites approach the end of their useful lives, the company plans to launch several new geostationary satellites to replace the retiring capacity. The communications satellites Superbird 9 and JSAT-31, both already under construction, incorporate new technologies that differ from those in previous satellites. As a result, Superbird 9 offers roughly 10x the capacity of existing satellites, while JSAT-31 provides 20x the capacity. Therefore, even if the number of communications satellites in operation declines over time, we believe overall capacity will not decrease.

Capex & depreciation the largest drivers of profit fluctuation in the Space business

SKY Perfect JSAT outsources the manufacture of its geostationary satellites to Boeing, Airbus, Thales, and other providers. Each satellite is custom-built, and launch costs for geostationary satellites exceed those for low-earth-orbit (LEO) satellites. Consequently, each satellite requires several tens of billions of yen in capex, with costs also highly sensitive to foreign exchange fluctuations. Manufacturing typically begins 2-4 years before launch. The company initially records these expenditures as capex and capitalizes them as construction in progress until launch. After launch, the company generally depreciates the

satellites on a straight-line basis over 15 years.

For the Pelican earth-observation satellites scheduled for launch into LEO in F3/28 onward, the company estimates total capex of ¥37bn for the planned constellation of 10 satellites. This implies lower investment per satellite than for geostationary satellites. The depreciation period is also shorter, with a likely period of five years on a straight-line basis.

The company also invests in ground stations, which are typically depreciated on a straight-line basis over 10 years. However, we believe depreciation associated with geostationary communications and broadcasting satellites, together with LEO earth-observation satellite, is substantially larger and represents the single most important factor affecting profitability in the Space business.

Broadcasting-related operating revenue in Media business trending down

Subscribers for broadcasting-related services under the SKY PerfecTV! brand are on the decline. The company's operating revenue comprises 100% of the basic fees paid by subscribers, plus commissions equivalent to several tens of percent of the contract fees that subscribers pay to channel operators. As such, subscriber declines directly lead to lower operating revenue.

However, the company aims to expand Media Solutions, namely the business of allowing external customers to use its SKY PerfecTV! Tokyo Media Center. We expect revenue contributions from expanded external sales going forward.

Fiber-optic Alliance revenue in the Media business is growing

For optical retransmission services, the number of connected households has continued to rise, and we view the company's plan to increase connected households at a CAGR of +3% through F3/31 as reasonable. Similarly, for cable TV pass-through services, given the company's track record of expanding its customer base to 75 stations over the past four years, we view its plan to add another 35 stations over the five years through F3/31 as reasonable. As customer numbers increase, operating revenue in the Fiber-optic Alliance field should grow.

We forecast Media business costs to remain broadly flat

In the Media business, distinctive cost items include broadcast center operating costs and SKY PerfecTV! new subscriber acquisition costs (SAC). However, on the assumption that there will be no growth in the overall business top line, management does not plan to increase headcount or expand facilities, and we forecast most cost items, including personnel expenses and depreciation, to remain flat. SKY Perfect JSAT has also reduced SKY PerfecTV! new subscriber acquisition costs to date. Although we expect the company to continue exploring more effective spending, we see little likelihood that the amount of spending will increase.

Exhibit 29: SKY Perfect JSAT: Consolidated income statement

(yen billion) FY	F22	F23	F24	F25	F26e	F27e	F28e	F29e	F30e	F31e
Operating revenue	121.1	121.9	123.7	127.6	137.4	145.2	155.8	169.4	186.6	208.5
Space	55.4	58.3	60.6	66.0	68.7	77.5	88.7	102.7	120.2	142.3
Media	65.7	63.6	63.1	61.5	68.7	67.8	67.1	66.7	66.4	66.3
Operating costs	69.1	66.7	66.4	64.7	65.0	72.1	79.2	81.8	86.1	90.4
Operating gross profit	52.1	55.2	57.3	62.9	72.4	73.2	76.6	87.5	100.5	118.2
SG&A	29.8	28.6	29.8	27.6	33.5	37.1	42.1	48.4	56.5	66.8
Operating profit	22.3	26.5	27.5	35.3	38.9	36.0	34.5	39.1	44.0	51.4
Space	19.2	22.8	22.0	24.1	25.2	22.7	21.5	26.2	31.3	38.7
Media	3.9	4.4	6.3	11.9	14.5	14.1	13.8	13.6	13.5	13.4
Adjustment	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
EBITDA	43.5	46.8	45.8	50.7	54.6	58.9	64.5	71.7	80.9	92.5
Space	33.0	35.8	34.4	35.3	36.6	41.2	47.1	54.5	63.8	75.5
Media	10.8	11.3	11.9	16.0	18.6	18.2	17.9	17.8	17.6	17.6
Adjustment	(0.4)	(0.4)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Non-operating income & expenses	2.5	0.6	(0.2)	0.1	0.4	(0.3)	(1.2)	(1.5)	(1.6)	(1.9)
Extraordinary gains & losses	0.2	0.9	0.6	1.3	0.0	0.0	0.0	0.0	0.0	0.0
Pretax profit	25.0	28.0	27.9	36.8	39.2	35.8	33.4	37.6	42.4	49.5
Income taxes	7.0	8.1	8.4	11.3	12.0	10.9	10.2	11.5	13.0	15.1
Non-controlling interests	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
NP attributable to owners of the parent	17.7	19.5	19.1	25.2	26.9	24.5	22.8	25.8	29.1	34.0
% of Sales										
Operating gross profit	43%	45%	46%	49%	53%	50%	49%	52%	54%	57%
Operating profit	18%	22%	22%	28%	28%	25%	22%	23%	24%	25%
NP attributable to owners of the parent	15%	16%	15%	20%	20%	17%	15%	15%	16%	16%

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

Exhibit 30: SKY Perfect JSAT: Consolidated balance sheet

(yen billion) FY	F22	F23	F24	F25	F26e	F27e	F28e	F29e	F30e	F31e
Current Assets	228.9	231.3	228.6	186.6	183.0	182.4	189.8	190.9	197.6	211.8
Cash & deposits	74.9	50.3	78.6	72.8	78.4	74.5	77.3	72.7	71.9	76.8
Securities	33.0	64.0	36.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivables	61.5	57.0	52.9	48.8	52.5	55.5	59.6	64.8	71.4	79.7
Inventories	1.8	1.9	2.1	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Advance payments	1.2	4.8	7.0	7.1	7.1	7.1	7.1	7.1	7.1	7.1
Lease receivables	46.2	43.1	39.8	37.2	37.2	37.2	37.2	37.2	37.2	37.2
Other	10.2	10.1	12.2	14.2	6.2	6.6	7.1	7.7	8.5	9.5
Noncurrent Assets	170.2	174.1	174.9	221.2	269.5	330.8	353.3	371.3	396.3	407.2
Property, plant & equipment	115.4	111.3	115.2	151.2	199.6	260.8	283.3	301.4	326.4	337.3
Telecommunications satellites	61.6	52.0	43.2	35.6	28.4	107.7	89.5	118.6	144.5	167.1
Construction in progress	20.5	24.0	37.6	78.9	130.2	95.9	134.3	121.9	120.7	109.6
Other	33.2	35.4	34.4	36.8	40.9	57.2	59.5	60.8	61.2	60.5
Intangible assets	4.3	4.6	5.4	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Investments & other assets	50.5	58.2	54.3	64.3	64.3	64.3	64.3	64.3	64.3	64.3
Investment securities	24.9	38.9	37.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8
Other	25.6	19.3	16.5	10.6	10.6	10.6	10.6	10.6	10.6	10.6
Total assets	399.1	405.4	403.4	407.8	452.5	513.2	543.1	562.3	593.9	619.0
Current liabilities	64.1	60.2	69.8	60.4	96.9	150.2	173.7	184.9	205.9	214.1
Accounts payables	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
S/T debt	0.0	0.0	0.0	0.0	40.0	90.0	110.0	120.0	140.0	150.0
Current portion of L/T debt	10.6	10.8	13.0	8.6	5.0	5.0	5.0	5.0	3.9	0.0
Current portion of bonds payable	0.0	0.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unearned revenue	19.1	21.9	21.1	20.8	20.8	20.8	20.8	20.8	20.8	20.8
Other	34.1	27.3	25.6	31.0	31.1	34.5	37.9	39.2	41.2	43.2
Noncurrent liabilities	78.2	73.2	49.4	40.3	35.4	30.4	25.4	20.5	16.6	16.6
L/T debt	53.0	45.0	32.1	23.7	18.8	13.8	8.9	3.9	0.0	0.0
Bonds payable	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	15.2	18.2	17.3	16.6	16.6	16.6	16.6	16.6	16.6	16.6
Share acquisition rights	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-controlling interests	1.4	1.8	2.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Shareholders' equity	255.4	270.2	281.5	303.6	316.8	329.1	340.5	353.4	367.9	384.9
Capital stock	10.1	10.1	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2
Capital surplus	131.9	132.0	132.0	132.1	132.1	132.1	132.1	132.1	132.1	132.1
Retained earnings	114.3	126.0	138.9	152.3	165.6	177.8	189.2	202.1	216.6	233.6
Other comprehensive income	2.0	10.0	8.3	16.9	16.9	16.9	16.9	16.9	16.9	16.9
Treasury stock	(2.9)	(7.9)	(7.9)	(7.9)	(7.9)	(7.9)	(7.9)	(7.9)	(7.9)	(7.9)
Total liabilities & equity	399.1	405.4	403.4	407.8	452.5	513.2	543.1	562.3	593.9	619.0

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

Synspective (EW rating, ¥1,500 price target)

Company overview

Provider of data and analytics derived from small SAR satellites

Synspective develops, manufactures, and operates its small SAR (Synthetic Aperture Radar) satellite “StriX” ([Exhibit 32](#)) and provides the resulting satellite data to customers (launches are outsourced to rocket launch providers). As SAR image analysis requires a high level of expertise and knowledge, the company operates two businesses: a “SAR Data Sales” business that supplies data to governments with such capabilities, and a “Solutions” business that provides analyzed data to private-sector customers lacking such capabilities.

History

Synspective was co-founded in February 2018 by Motoyuki Arai, a former consultant at BearingPoint (now PwC), and Seiko Shirasaka, who worked on space development at Mitsubishi Electric (Mr. Arai serves as CEO, Professor Shirasaka as advisor). The company’s small SAR satellite technology is based on those developed by Professor Shirasaka and others through their participation as program managers in the Cabinet Office’s ImPACT program. Synspective successfully launched its first demo small SAR satellite in December 2020 and achieved Japan’s first successful image acquisition using a small SAR satellite in February 2021. It listed on the Tokyo Stock Exchange Growth Market in December 2024.

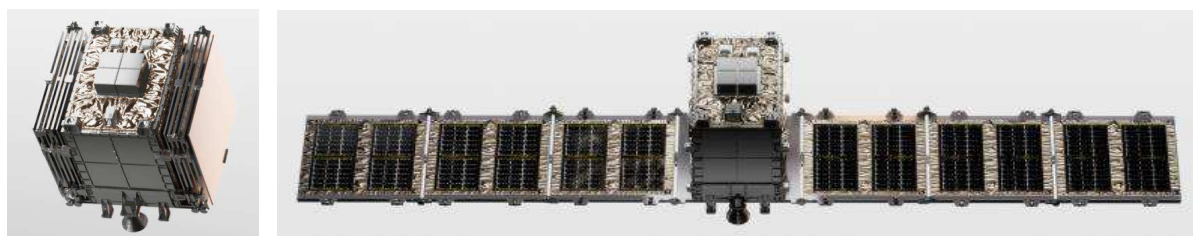
Relatively asset-heavy business model

Key competitors in the small SAR satellite segment include QPS Holdings (Japan), ICEYE (Finland), Capella Space / IonQ (US), and Umbra Space (US). Compared with QPS, which focuses on providing data obtained from small SAR satellites, Synspective employs personnel for data analysis and thus has a more asset-heavy business model. As the company originated from the ImPACT program, from its inception it has focused on disaster prevention and civilian applications, which underpins this business model.

“StriX” enables wide-area coverage and is suitable for mass production

As the name suggests (Strix is the scientific genus for earless owls), the company’s “StriX” satellite has a shape resembling an owl with outstretched wings ([Exhibit 32](#)). Numerous radar units are mounted on these wings, and the complexity of their positioning underpins the company’s technological advantage, while once designed, the company highlights the ease of mass production as a key strength. The ability to capture wide areas in a single pass is also a notable advantage ([Exhibit 14](#)).

Exhibit 32: “StriX”, Synspective’s small SAR satellite



Source: Company data

Shareholder structure and stock options

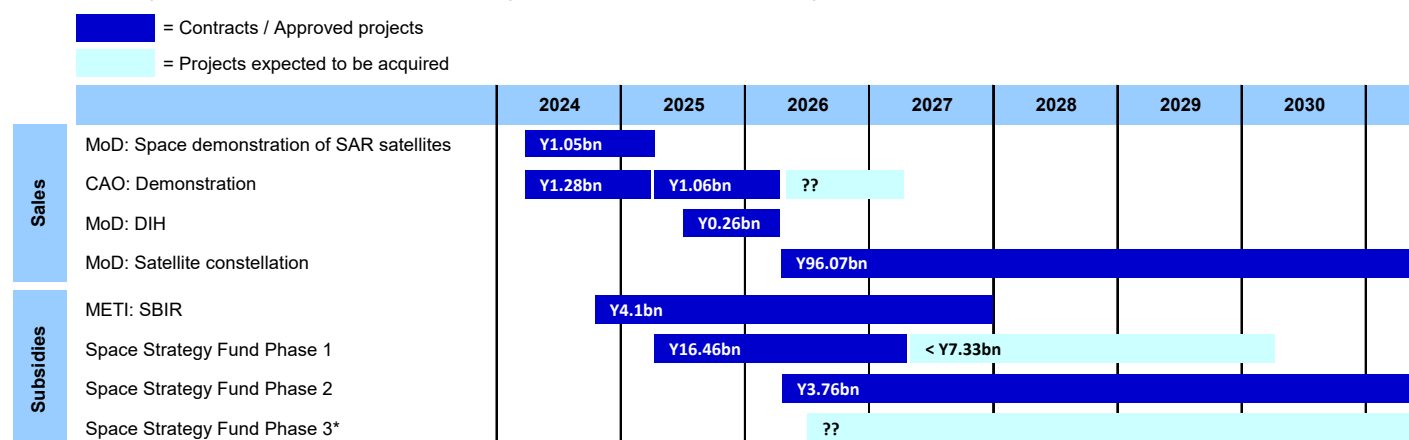
Hulic, which fully subscribed to shares issued through a third-party allotment last December, is the largest shareholder (12% stake). Other major shareholders include Mitsubishi Electric (9.5%) and Shimizu Corporation (5%). CEO Arai holds 7% and advisor Shirasaka holds 3%. The 5th series of stock acquisition rights was fully exercised and eliminated by the end of 2025. Remaining stock acquisition rights consist of the 1st, 3rd, 4th, and 7th series (primarily stock options for executives and employees). We estimate the dilution impact from these at just under 7%.

Earnings forecasts

Our CY26-27 total revenue forecasts are in line with company plans

Synspective defines "total revenue" as the sum of reported revenue and subsidy income included in non-operating income, which we view as its effective top line. The company's disclosed pipeline tables include info on contracted and awarded projects, including timing of revenue and subsidy recognition. Our CY26-27 forecasts are largely based on this info (for multi-year projects without annual breakdowns, we allocate revenue evenly across project duration).

Exhibit 33: Synspective: Total revenue from major domestic government projects



* It remains uncertain whether this will be recognised as subsidy or sales.

Source: Morgan Stanley Research, based on company data

We assume sales from CY28 will grow in proportion to number of operating satellites

As the number of satellites in operation increases, the volume of data available to customers grows, driving revenue expansion. Our forecasts from CY28 onward are based on this assumption. According to company materials as of end-March 2026, the number of operational satellites is planned to reach 10 by end-2026, 21 by end-2027, and over 30 from 2028 onward, and we incorporate this trajectory into our forecasts.

Depreciation and operating costs linked to satellite expansion drive earnings variation

According to company materials as of end-March 2026, the manufacturing cost for satellites from the 8th unit onward (to be launched after 2026) is estimated at ¥1.04bn per satellite. Average launch cost based on existing contracts is estimated at ¥1.08bn per satellite. These costs are recognized as capex, initially recorded as construction in progress and reclassified as tangible fixed assets ("observation satellites") once launched and

operational. With a depreciation period of 5 years using a straight-line method, annual depreciation is ¥0.42bn per satellite.

Synspective assumes operating costs per satellite will temporarily rise to ¥0.19bn in CY26 due to support for specific security-related customers. However, it expects these costs to decline to ¥0.15bn in CY27 and ¥0.13bn in CY29, driven by the absence of temporary cost increases and economies of scale.

Need for additional funding

Including a term loan with financial covenants (¥1.3bn, maturity end-March 2030), a term loan with drawdown period (¥5.0bn, available through end-July 2028), a committed term loan (¥8.1bn, repayment from January 2028), and overdraft facilities, the company has secured borrowing capacity of ¥16.9bn as of end-Dec 2025. Of this, ¥9.4bn has been drawn, leaving ¥7.5bn in unused capacity. However, we believe additional funding will be required to sustain long-term growth in the number of operational satellites.

Exhibit 34: Synspective: Consolidated income statement

(yen billion) CY	CY22	CY23	CY24	CY25	CY26e	CY27e	CY28e	CY29e	CY30e	CY31e
Total revenue	0.5	1.4	2.5	6.1	16.1	23.6	27.2	37.3	44.6	50.9
Net sales	0.5	1.4	2.3	2.4	6.4	13.5	24.0	34.1	43.3	50.7
MoD: Research & study of small SAR		0.4	0.1							
MoD: Space demonstration of SAR satellites			0.8	0.3						
CAO: Demonstration			1.3	1.4	0.6	0.2				
MoD: DIH				0.4	(0.1)					
MoD: Satellite constellation					5.6	13.0	19.8	25.0	26.1	6.6
Other sales	0.5	1.0	0.2	0.4	0.4	0.4	4.2	9.1	17.1	44.1
Subsidies	0.0	0.0	0.2	3.8	9.7	10.1	3.2	3.2	1.4	0.2
METI: SBIR			0.2	1.3	1.0	1.6				
Space Strategy Fund Phase 1				2.5	8.1	7.7	2.4	2.4	0.6	
Space Strategy Fund Phase 2					0.6	0.8	0.8	0.8	0.8	0.2
Other subsidies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net sales	0.5	1.4	2.3	2.4	6.4	13.5	24.0	34.1	43.3	50.7
Sales per satellite			0.8	0.6	0.9	0.9	0.9	0.9	0.9	0.9
# of satellites in operation (annual avg.)			3	4	7	16	28	39	50	58
# of satellites in operation (year end)		2	4	4	10	21	34	44	55	61
Cost of sales	0.1	0.6	2.1	2.4	7.2	11.0	17.8	23.4	29.1	33.4
Gross profit	0.4	0.8	0.2	0.0	(0.7)	2.6	6.3	10.7	14.1	17.3
SG&A	4.6	2.6	3.3	4.1	5.0	5.2	5.3	5.5	5.6	5.8
Operating profit	(4.3)	(1.8)	(3.1)	(4.1)	(5.7)	(2.6)	0.9	5.2	8.5	11.5
Non-operating income (mainly subsidies)	0.0	0.0	0.2	3.8	9.7	10.1	3.2	3.2	1.4	0.2
Non-operating expenses	0.1	0.2	0.7	0.7	0.8	1.1	1.8	2.4	2.7	2.7
Extraordinary gains	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary losses	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax profit	(6.3)	(1.5)	(3.6)	(1.1)	3.2	6.4	2.4	6.0	7.2	9.1
Income taxes	0.0	0.0	0.0	(0.7)	0.4	1.0	0.4	1.9	2.3	2.9
Effective tax rate	-	-	-	-	13%	16%	16%	32%	32%	32%
Net profit	(6.3)	(1.5)	(3.6)	(0.4)	2.8	5.4	2.0	4.1	4.9	6.2
% of sales										
Gross profit	73%	59%	9%	0%	-11%	19%	26%	31%	33%	34%
Operating profit	-871%	-130%	-133%	-174%	-89%	-19%	4%	15%	20%	23%
Net profit	-1274%	-110%	-155%	-16%	43%	40%	8%	12%	11%	12%

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

Exhibit 35: Synspecive: Consolidated balance sheet

(yen billion) CY	CY22	CY23	CY24	CY25	CY26e	CY27e	CY28e	CY29e	CY30e	CY31e
Current Assets	7.5	6.0	16.3	26.5	21.6	22.0	22.3	21.6	21.2	22.6
Cash & deposits	6.6	4.5	14.2	24.5	19.3	19.8	20.0	19.3	19.0	20.4
Accounts receivables, contract assets	0.3	0.8	1.4	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Inventories	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other	0.5	0.5	0.5	0.8	1.0	1.0	1.0	1.0	1.0	1.0
Noncurrent Assets	2.4	5.3	11.9	22.8	37.1	56.1	70.8	80.3	85.5	87.3
Property, plant & equipment	2.4	5.3	11.7	21.2	35.3	54.4	69.1	78.5	83.8	85.6
Observation satellites	0.0	0.0	5.3	7.1	16.5	33.8	47.9	56.5	61.0	62.2
Construction in progress	2.1	4.9	5.7	13.3	17.0	17.8	17.5	17.5	17.5	17.5
Other	0.3	0.4	0.7	0.8	1.8	2.8	3.7	4.5	5.2	5.9
Other noncurrent Assets	0.1	0.1	0.2	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Total assets	9.9	11.3	28.2	49.4	58.6	78.2	93.1	101.9	106.8	110.0
Current liabilities	1.8	1.5	2.2	5.3	14.6	30.8	44.1	48.8	48.7	45.7
Accounts payables, contract liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
S/T debt	0.5	1.0	1.0	2.8	10.3	27.3	42.3	47.3	47.3	44.3
Current portion of L/T debt	0.0	0.1	0.2	1.3	2.9	2.1	0.3	0.1	0.0	0.0
Other	1.3	0.4	1.0	1.2	1.4	1.4	1.4	1.4	1.4	1.4
Noncurrent liabilities (mainly L/T debt)	0.0	1.9	6.1	5.3	2.5	0.4	0.1	0.0	0.0	0.0
Stock acquisition rights	0.0	0.0	0.4	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Shareholders' equity	8.1	7.9	19.4	37.6	40.4	45.8	47.8	51.9	56.8	63.1
Capital stock	0.1	0.1	7.7	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Capital surplus	14.3	9.3	15.3	24.6	24.6	24.6	24.6	24.6	24.6	24.6
Retained earnings	(6.3)	(1.5)	(3.6)	(4.0)	(1.2)	4.3	6.2	10.3	15.3	21.5
Other comprehensive income	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Treasury stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities & equity	9.9	11.3	28.2	49.4	58.6	78.2	93.1	101.9	106.8	110.0
e = Morgan Stanley Research estimates										

Source: Company data, Morgan Stanley Research

Exhibit 36: Synspecive: Consolidated cash flow statement

(yen billion) CY	CY22	CY23	CY24	CY25	CY26e	CY27e	CY28e	CY29e	CY30e	CY31e
Net profit	(6.3)	(1.5)	(3.6)	(0.4)	2.8	5.4	2.0	4.1	4.9	6.2
Depreciation	0.1	0.1	1.1	1.6	4.9	7.4	12.6	17.2	21.4	24.9
Other	2.0	(0.8)	0.7	0.4	(0.0)	0.0	0.0	0.0	0.0	0.0
Net operating cash flow	(4.1)	(2.2)	(1.8)	1.7	7.7	12.8	14.6	21.3	26.4	31.1
Purchase of PPE	(2.5)	(3.6)	(7.3)	(10.9)	(19.1)	(26.4)	(27.2)	(26.7)	(26.7)	(26.7)
Other	(0.0)	(0.0)	(0.1)	(0.7)	0.0	0.0	0.0	0.0	0.0	0.0
Net investing cash flow	(2.5)	(3.6)	(7.5)	(11.6)	(19.1)	(26.4)	(27.2)	(26.7)	(26.7)	(26.7)
Free cash flow	(6.6)	(5.9)	(9.3)	(10.0)	(11.4)	(13.6)	(12.7)	(5.4)	(0.3)	4.4
Increase in debt	0.5	2.5	4.3	2.1	6.2	14.1	12.9	4.7	(0.1)	(3.0)
Proceeds from issuing shares	5.4	1.3	15.1	18.5	0.0	0.0	0.0	0.0	0.0	0.0
Other	(0.0)	(0.1)	(0.3)	(0.3)	(0.1)	0.0	0.0	0.0	0.0	0.0
Net financing cash flow	5.9	3.7	19.0	20.3	6.1	14.1	12.9	4.7	(0.1)	(3.0)
Adjustement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net increase in cash	(0.7)	(2.1)	9.8	10.3	(5.3)	0.5	0.2	(0.7)	(0.4)	1.4

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

QPS Holdings (rating OW, price target ¥2,700)

Company overview

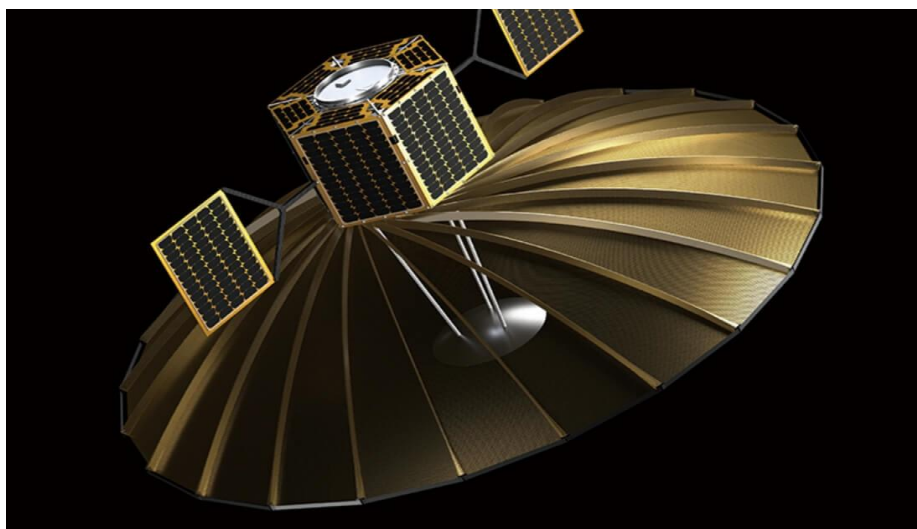
Provider of data obtained from small SAR satellites

QPS Holdings develops and manufactures small SAR satellites and provides data acquired from these satellites to customers (launches are outsourced to rocket launch providers). Its main competitors in this business include Synspective (Japan), ICEYE (Finland), Capella Space / IonQ (US), and Umbra Space (US). Unlike Synspective's "solutions" business, QPS does not employ personnel to analyze data, making its business model more asset-light than Synspective's. This reflects the company's strategic choice, considering that required data analysis capabilities differ by customer industry and that in government and security applications, customers typically possess their own data analysis capabilities, eliminating the need for analysis functions on the satellite operator's side.

QPS's satellites offer high resolution as a key strength

QPS satellites adopt a parabolic design ([Exhibit 37](#)). Their structure concentrates information toward a dish-like surface, enabling high resolution ([Exhibit 14](#)). In addition to being designated by unit numbers (e.g., "QPS-SAR-5", "QPS-SAR-6"...), each satellite is given a nickname derived from Japanese mythology, such as "Tsukuyomi-I" or "Amateru-III." Satellites deployed into the same orbit are typically given names tied to the same deity.

Exhibit 37: QPS's small SAR satellite



Source: Company data

History

QPS was founded in June 2005 as QPS Institute Co., Ltd. by three individuals: Tetsuo Yasaka, a professor at Kyushu University researching spacecraft dynamics; Akira Sakurai, also a professor at Kyushu University specializing in unmanned aerial vehicles; and Kunihiro Funakoshi, a former rocket developer at Mitsubishi Heavy Industries. Small satellite development at Kyushu University began in 1995, and the company was established by inheriting this technological foundation. The company successfully

launched the ultra-small satellite QSAT-EOS “Tsukushi” in November 2014 and the first small SAR satellite “Izanagi” in December 2019. It converted to a joint-stock company in April 2016 and listed on the Tokyo Stock Exchange Growth Market in December 2023. CEO Shunsuke Onishi served as the student leader of the QSAT-EOS project at Kyushu University, joined QPS Institute in October 2013, and has served as CEO since April 2014.

Shareholder structure

In March 2026, QPS conducted a third-party allotment of shares, which were subscribed by SKY Perfect JSAT, Mitsuuroko Group Holdings, and Mitsui Sumitomo Insurance. As a result, SKY Perfect JSAT became the largest shareholder (13%), while Mitsuuroko (2.5%) and Mitsui Sumitomo Insurance (2.5%) became new major shareholders. Consequently, the ownership stakes of CEO Onishi, Toshimitsu Ichiki (former EVP/COO), and founder Tetsuo Yasaka declined slightly (to 7%, 4%, and 4%, respectively).

Earnings forecasts

Our F5/26-29 total revenue forecasts are on par with with company plans

QPS defines “total revenue” as the sum of reported revenue and subsidy income included in non-operating income, which we view as the effective top line. The company provides updates on major government-related projects in its quarterly materials, including information on project values and timing of revenue or subsidy recognition. Our F5/26-29 forecasts are largely based on this information (for multi-year projects without annual breakdowns, we estimate annual contributions by allocating total project value evenly over the project duration).

Exhibit 38: QPS: Revenue from major government projects

		(yen bn)	Total	F5/23	F5/24	F5/25	F5/26	F5/27	F5/28	F5/29	F5/30	F5/31
Sales	SAR data sales	Stardust Program	4.56	0.28	1.53	1.53	0.85	0.37				
		SAR data for a government agency	0.35				0.35					
		Satellite constellation	69.73				1.16		69.73			
	R&D project sales	Satellite for MoD: Development	5.54			0.94	1.30	3.30				
		Satellite for MoD: Launch	1.56					1.56				
		Satellite for MoD: Demonstration on orbit	0.75						0.75			
		NEDO satellite demonstration	0.45					0.45				
		JAXA project (OBC)	0.15		0.01	0.02	0.07	0.05				
Non-operating income		JAXA project (PPP)	0.71				0.71					
		METI's SBIR	4.10					4.10				
		Space Strategy Fund	21.20				1.70	1.20	18.30			

Source: Morgan Stanley Research, based on company data

We assume sales from F5/29 onward will increase in proportion to the number of satellites in operation

As the number of operational satellites increases, the amount of data available to customers rises, driving sales growth. Our forecasts from F5/29 onward are based on this assumption. According to recent quarterly materials, the company increased its satellite fleet to 9 units by end-F5/26, and plans to increase to 24 units by end-F5/28, and 36 units

by end-F5/31, and we incorporate a similar expansion trajectory in our forecasts.

Depreciation and operating cost increases linked to satellite expansion are key drivers of earnings variation

According to company materials as of July 2025, based on actual and planned satellites (units 7-21), manufacturing cost per satellite is estimated at ¥0.5bn and launch cost at ¥1.0bn. These costs are recognized as capex, with satellites under construction recorded as construction in progress and reclassified as tangible fixed assets ("satellites") after launch and commencement of operations. They are then depreciated on a straight-line basis over 5 years and recorded as depreciation expense. In addition, total operating costs per satellite, including personnel and communication costs, are estimated at ¥0.35bn. Accordingly, the company estimates total annual cost per satellite at ¥0.65bn. However, we assume that personnel and R&D expenses do not increase strictly in proportion to the number of satellites, but instead remain relatively fixed or grow only gradually, and we reflect this in our cost projections.

There is capacity for further debt financing, and limited need for external financing

The company entered into a committed syndicated loan with financial covenants in October 2023, and as of end-February 2026, the full ¥5.0bn facility has been drawn. Meanwhile, a new committed term loan with financial covenants was signed in January 2026, with a facility of ¥6.2bn, which remained undrawn as of end-February 2026 (maturity: end-March 2031). In our view, the company has sufficient capacity to continue operations without the need for additional credit facilities or equity financing at this stage.

Exhibit 39: QPS: Consolidated income statement

(yen billion) FY	F5/23	F5/24	F5/25	F5/26	F5/27e	F5/28e	F5/29e	F5/30e	F5/31e	F5/32e
Total revenue	0.4	1.7	2.7	6.3	12.0	27.9	29.3	22.8	25.1	26.9
Net sales	0.4	1.7	2.7	3.8	10.0	15.6	20.2	22.8	25.1	26.9
SAR data sales			1.2	2.2	8.0	11.9	19.6			
Stardust Program	0.3	1.5	1.5	0.9	0.4					
SAR data for a government agency				0.4						
Satellite constellation				1.2	7.7	11.9	16.7	17.4	14.9	
Other				(0.1)	0.0	0.0	2.9			
R&D project sales			1.4	1.6	2.0	3.7	0.6			
Satellite for MoD: Development			0.9	1.3	1.2	2.1				
Satellite for MoD: Launch					0.5	1.0				
Satellite for MoD: Demonstration on orbit						0.4	0.4			
NEDO satellite demonstration				0.1	0.1	0.1	0.1			
JAXA project (OBC)		0.0	0.0	0.1	0.1					
Other			0.5	0.1	0.1	0.1	0.1			
Subsidy	0.0	0.0	0.0	2.5	2.0	12.4	9.2	0.0	0.0	0.0
JAXA project (PPP)				0.7	0.0					
METI's SBIR				0.1	0.8	3.2				
Space Strategy Fund				1.7	1.2	9.2	9.2			
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net sales	0.4	1.7	2.7	3.8	10.0	15.6	20.2	22.8	25.1	26.9
Sales per satellite		0.8	0.8	0.6	0.8	0.8	0.7	0.7	0.7	0.7
# of satellites in operation (annual avg.)		2	4	7	13	21	27	31	34	36
# of satellites in operation (year end)	1	3	4	9	16	25	29	32	35	37
Cost of sales	0.2	0.7	1.8	3.5	6.4	10.2	12.2	13.8	15.0	15.6
Gross profit	0.2	1.0	0.9	0.3	3.7	5.4	8.0	9.0	10.1	11.4
SG&A	0.5	0.6	0.8	1.2	2.9	2.2	1.4	1.5	1.5	1.6
Operating profit	(0.3)	0.3	0.1	(0.8)	0.7	3.2	6.6	7.6	8.5	9.8
Non-operating income (mainly subsidy)	0.0	0.0	0.0	2.5	2.0	12.4	9.2	0.0	0.0	0.0
Non-operating expenses	0.0	0.1	0.3	0.5	0.5	0.5	0.5	0.3	0.3	0.3
Extraordinary gains	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary losses	2.3	0.6	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax profit	(1.1)	(0.4)	(1.8)	1.2	2.2	15.1	15.3	7.3	8.3	9.6
Income taxes	0.0	0.1	0.0	0.0	0.3	2.4	4.8	2.3	2.6	3.0
Effective tax rate	-	-	-	1%	16%	16%	31%	31%	31%	31%
Net profit	(1.1)	(0.4)	(1.8)	1.2	1.9	12.7	10.5	5.0	5.7	6.6
% of Sales										
Gross profit	42%	57%	34%	9%	37%	35%	40%	40%	40%	42%
Operating profit	-85%	21%	3%	-22%	7%	21%	33%	33%	34%	36%
Net profit	-297%	-26%	-69%	30%	19%	82%	52%	22%	23%	24%

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

Exhibit 40: QPS: Consolidated balance sheet

(yen billion) FY	F5/23	F5/24	F5/25	F5/26	F5/27e	F5/28e	F5/29e	F5/30e	F5/31e	F5/32e
Current Assets	3.9	7.8	13.2	23.4	14.1	19.3	22.9	26.3	29.8	34.8
Cash & deposits	3.5	5.9	11.8	21.2	11.9	17.1	20.7	24.1	27.6	32.6
Accounts receivables, contract assets	0.0	1.7	0.0	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Other	0.3	0.2	1.3	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Noncurrent assets	2.0	5.0	10.8	19.0	30.3	37.7	39.6	41.3	43.1	44.7
Property, plant & equipment	1.9	4.9	10.6	18.7	30.0	37.4	39.3	41.0	42.8	44.4
Artificial satellites	0.0	2.6	3.2	9.7	17.6	21.3	22.2	21.9	23.7	25.4
Construction in progress	1.9	2.3	6.6	8.0	11.5	15.2	16.2	18.2	18.2	18.2
Other	0.1	0.1	0.8	1.0	0.9	0.9	0.9	0.9	0.9	0.9
Other noncurrent asstes	0.0	0.1	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total assets	5.8	12.8	23.9	42.5	44.3	57.1	62.5	67.6	73.0	79.5
Current liabilities	0.3	2.3	3.7	4.5	4.5	9.5	4.5	4.8	4.5	4.5
Accounts payables & contract liability	0.2	1.9	1.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Advances received	0.0	0.0	2.2	1.4	1.4	1.4	1.4	1.4	1.4	1.4
S/T debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current portion of L/T debt	0.0	0.0	0.0	0.0	0.0	5.0	0.0	0.3	0.0	0.0
Other	0.1	0.3	0.4	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Noncurrent liabilities (mainly L/T debt)	0.3	2.1	5.3	6.3	6.3	1.3	1.3	1.0	1.0	1.0
Shareholders' equity	5.2	8.4	14.9	31.7	33.6	46.3	56.7	61.8	67.5	74.0
Capital stock	0.1	1.9	6.1	7.8	7.8	7.8	7.8	7.8	7.8	7.8
Capital surplus	6.6	6.9	11.1	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Retained earnings	(1.5)	(0.4)	(2.3)	(1.1)	0.8	13.5	23.9	29.0	34.7	41.2
Other comprehensive income	0.0	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Treasury stock	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Total liabilities & equity	5.8	12.8	23.9	42.5	44.3	57.0	62.5	67.6	73.0	79.5

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

Exhibit 41: QPS: Consolidated cash flow statement

(yen billion) FY	F5/23	F5/24	F5/25	F5/26	F5/27e	F5/28e	F5/29e	F5/30e	F5/31e	F5/32e
Net profit	(1.1)	(0.4)	(1.8)	1.2	1.9	12.7	10.5	5.0	5.7	6.6
Depreciation	0.0	0.2	0.5	1.7	3.7	6.6	8.2	9.4	10.2	10.5
Other	0.9	0.9	2.8	(3.4)	0.0	0.0	0.0	0.0	0.0	0.0
Net operating cash flow	(0.1)	0.7	1.5	(0.5)	5.6	19.3	18.7	14.4	15.9	17.0
Purchase of PPE	(2.4)	(3.7)	(7.7)	(9.5)	(15.0)	(14.0)	(10.1)	(11.1)	(12.1)	(12.1)
Other	1.5	(0.0)	0.7	(10.0)	0.0	0.0	0.0	0.0	0.0	0.0
Net investing cash flow	(0.9)	(3.8)	(7.0)	(19.5)	(15.0)	(14.0)	(10.1)	(11.1)	(12.1)	(12.1)
Free cash flow	(1.0)	(3.0)	(5.6)	(20.0)	(9.4)	5.3	8.6	3.3	3.8	5.0
Increase in debt	0.0	1.8	3.2	1.0	0.0	0.0	(5.0)	0.0	(0.3)	0.0
Proceeds from issuing shares	1.0	3.7	8.3	15.5	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	(0.1)	(0.0)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0
Net financing cash flow	1.0	5.4	11.5	16.4	0.0	0.0	(5.0)	0.0	(0.3)	0.0
Adjustement	(0.0)	(0.0)	(0.0)	13.0	0.0	0.0	0.0	0.0	0.0	0.0
Net increase in cash	(0.1)	2.3	6.0	9.4	(9.4)	5.3	3.6	3.3	3.5	5.0

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

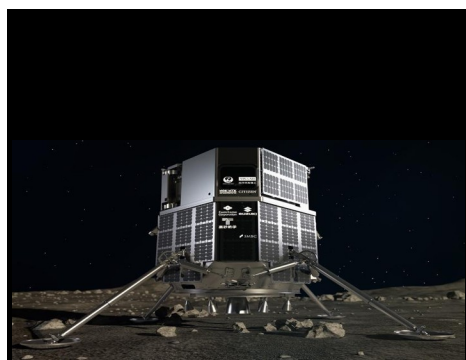
ispace (UW rating, ¥350 price target)

Company overview

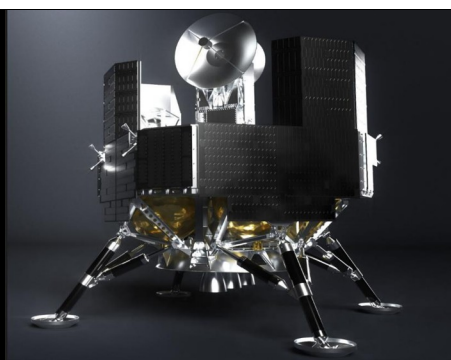
Aiming to establish payload services to the Moon

ispace develops landers (lunar landing vehicles) and rovers (lunar exploration vehicles). It aims to establish a payload service whereby payloads requested by customers are mounted on its landers or rovers and transported to the Moon. Service fees are determined based on payload mass, and the basic pricing model is to receive most of the payment from customers prior to launch. In the future, in addition to customer payloads, the company also aims to establish a data service by providing data obtained from internal payloads developed by the company itself. As a long-term goal, the company has set out the “Moon Valley 2040” concept (envisioning 1,000 people living on the Moon and 10,000 traveling annually between Earth and the Moon from 2040 onward), and seeks to realize the use of the Moon as an energy supply base for human activities in space.

Exhibit 42: ispace lander



RESILIENCE lander for Mission 1 & 2
Height: ~2.3m, Width: ~2.6m (incl. its legs)



ULTRA lander for Mission 3, 4, 5 ...
Height: ~3.6m, Width: ~3.3m (incl. its legs)

Source: Morgan Stanley Research based on Company materials

Exhibit 43: ispace rover



Source: Company materials

History

ispace originated when current CEO Takeshi Hakamada, together with Professor Kazuya Yoshida of Tohoku University, considered participation from Japan in the Google Lunar XPRIZE. White Label Space Japan was established in September 2010 and renamed ispace, Inc. in May 2013. The rover developed by Team HAKUTO, the only Japanese participant, won an intermediate prize in the Google Lunar XPRIZE in January 2015. The company began development of its lander in April 2016. It conducted the launch of Mission 1 in December 2022 and Mission 2 in January 2025; while both missions achieved certain milestones toward lunar landing, both ultimately failed to achieve a successful landing. The Mission 1 landing failure in April 2023 occurred shortly after ispace listed on the Tokyo Stock Exchange Growth Market and had a major impact on the share price.

Shareholder structure and stock options

Following a public offering and third-party allotment in October 2025, the ownership ratios of CEO Hakamada and Kazuya Yoshida declined, though Hakamada remains the largest shareholder (we estimate holdings at 8% for Mr. Hakamada and 0.6% for

Professor Yoshida). Meanwhile, Takasago Thermal Engineering and Kurita Water Industries, which subscribed to the third-party allotment, became new major shareholders (stakes of 5% and 3%).

As of end-March 2026, about 13mn shares were subject to subscription rights. Based on the number of shares outstanding, that would equate to a dilutive impact of about 9%.

US companies are also developing payload services

Similar to ispace, several companies are working to establish payload transport services to the Moon (for cargo rather than humans). We highlight the following 4 companies.

- **Intuitive Machines:** In February 2024, its first mission "IM-1" achieved a lunar landing with the lander "Nova-C (Odysseus)," marking the first successful soft landing on the Moon by a private company. Though the lander tipped over on landing, it maintained solar power and communications and conducted operations on the lunar surface for about one week. In "IM-2," the lander "Nova-C (Athena)" landed in March 2025 but at an unexpected angle, limiting solar power generation and ending operations after about 13 hours. Future missions include "IM-3" in 2H 2026 and "IM-4" and "IM-5" from 2027 onward.
- **Firefly Aerospace:** ispace also developed & launched the small rocket "Alpha." In "Blue Ghost Mission 1," it landed the "Blue Ghost" lander on the Moon in March 2025, the second successful soft landing globally and first vertical landing. It conducted a 14-day mission on the Moon and collected lunar soil (regolith). Future missions include "Blue Ghost Mission 2" in 2H 2026 and "Mission 3" from 2028 onward. (We understand Firefly has inherited some technologies and expertise from the Israeli firm SpacEL, which launched the "Beresheet" mission in Feb 2019 and was the first private entity to reach lunar orbit but failed during.)
- **Astrobotic Technology (acquired by Voyager Technologies):** Its first mission "Peregrine Mission One (PM1)" in January 2024 successfully launched but encountered a fuel leak shortly thereafter, resulting in re-entry into Earth's atmosphere. Its next mission "Griffin Mission One (GM1)" was initially planned for 2H 2025 but has been delayed to after July 2026.
- **Blue Origin:** Plans to launch its unmanned lander "Blue Moon Mark 1 (MK1)" in 2H 2026 using its large rocket "New Glenn." However, this lander is designed to transport up to 3t of payload to the Moon and is significantly larger than those used by ispace and the other competitors above, indicating it may belong to a different market segment despite offering payload services.

Earnings forecasts

Our F3/27 project revenue forecast is broadly based on company's pipeline

ispace defines "project revenue" as the sum of reported revenue and subsidy income included in non-operating income, which we view as the effective top line. In recent quarterly disclosures, ispace has provided pipeline tables detailing acquired and expected contracts/subsidies, including timing & amounts recognized as project revenue. Our F3/27 project revenue forecast, largely driven by Missions 3-5, is broadly based on this info.

Our project revenue forecasts for F3/28 and onward assume two lander launches per year from 2030

The company has indicated the possibility of launching not only Mission 5 but also Mission 6 in 2030. If Mission 6 is launched in 2030, revenue recognition could begin in F3/28.

Accordingly, we assume two lander launches per year from 2030 onward and incorporate this into our project revenue forecasts from F3/28.

Exhibit 44: ispace: Our assumptions for each mission

Mission No.	M1	M2	M3	M4	M5	M6	M7	M8
Launch timing	Dec 2022	Jan 2025	2028	2029	2030	2030	2031	2031
Total contract amount (\$mn)	10	16	139	206	60	150	150	150
Total contract amount (yen bn)		2.1	21.5	31.9	9.1			
Lost revenue (\$mn)	1	2						
Lost revenue (yen bn)		0.2						
Revenue contribution (\$mn)	9	15						
Revenue contribution (yen bn)	1.1	1.9						
Customer payload mass (kg)	12	11			145	100	100	100
Yield	40%	37%			73%	50%	50%	50%
Unit price (\$mn/kg)	0.8	1.5			0.4	1.5	1.5	1.5
Lander	RESILIENCE	RESILIENCE	ULTRA	ULTRA	ULTRA	ULTRA	ULTRA	ULTRA
Manufacturing site	Japan	Japan	Japan	Japan	US			
Payload capacity (kg)	30	30	200	200	200	200	200	200
Gross mass (fully fueled, kg)	1,000	1,000	4,000	4,000	4,000	4,000	4,000	4,000
Launch cost (\$mn)	50	25	74	74	74	74	74	74
Dedicated launch cost of Falcon 9 (\$mn)			74	74	74	74	74	74
Other cost (\$mn)	31	31	31	31	80	31	31	31

= Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

Launch costs a key determinant of total mission costs

Both Mission 1 and Mission 2 used SpaceX's Falcon 9 to launch the RESILIENCE lander. For missions from Mission 3 onward, we assume a launch cost of US\$74mn per launch based on Falcon 9 pricing (Exhibit 44). However, launch costs will vary significantly depending on the chosen launch provider, whether the launch is dedicated or rideshare, and market conditions for launch services. We understand that launch costs account for the bulk of total mission costs, including manufacturing & operations, and thus changes in launch costs will have a material impact on ispace's profitability.

Points to note on subsidy income and R&D expenses

SBIR (Small Business Innovation Research)-related revenue included in Mission 3 and Space Strategy Fund-related revenue included in Mission 4 are recorded as subsidy income rather than revenue. Corresponding costs are recorded as R&D expenses rather than cost of sales. (Costs for Mission 1 and Mission 2 were largely recorded as R&D expenses.) When analyzing and forecasting OP, these factors need to be adjusted for.

Funding for repayment of long-term debt in F3/28-29 is a key focus

As of end-March 2026, the company holds ¥29.7bn in cash and deposits, but has a similar level of interest-bearing debt, resulting in roughly neutral net cash. Unlike other Japanese space companies, it has not entered into arrangements such as term loans or committed credit lines and therefore does not have undrawn borrowing capacity. Meanwhile,

repayments of long-term debt of ¥10.1bn in F3/28 and ¥14.9bn in F3/29 are scheduled, making future funding management a key area of focus.

Exhibit 45: ispace: Consolidated income statement

(yen billion) FY	F18	F19	F20	F21	F22	F23	F24	F25	F26e	F27e	F28e	F29e	F30e	F31e
JPY / USD rate	111	109	106	112	135	145	152	151	155	155	155	155	155	155
Project revenue							4.9	5.9	9.4	17.5	19.6	20.5	32.4	46.7
Mission 3 (SBIR)							0.2	2.6	5.7	11.5	8.4			
Net sales	0.4	0.4	0.5	0.7	1.0	2.4	4.7	3.3	3.7	6.0	11.2	16.8	32.4	46.7
Payload service			0.0	0.2	0.3	1.8	4.0	2.3	3.4	5.8	10.9	16.6	32.2	46.5
Mission 1			0.0	0.2	0.3	0.5								
Mission 2						0.1	1.9							
Mission 3 (ex SBIR)								0.5	2.3	2.3	4.6			
Mission 4									1.1	1.5	1.5	7.8		
Mission 5						1.2	2.1	1.8	0.0	0.0	0.0	0.0	4.1	
Other			0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	4.9	8.7	28.1	46.5
Contract research							0.0	0.4						
Partnership		0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Other		0.2	0.2	0.2	0.4	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
CoGS	0.1	0.0	0.2	0.3	0.4	1.4	2.5	6.2	10.4	2.0	13.1	15.3	27.1	32.8
Gross profit	0.3	0.4	0.3	0.3	0.6	0.9	2.2	(2.9)	(6.8)	4.0	(1.9)	1.5	5.3	13.9
SG&A	1.7	2.0	3.0	4.4	11.6	6.4	12.0	8.7	10.8	9.6	10.5	10.9	7.3	7.3
R&D	1.2	1.3	2.2	3.3	9.2	3.8	7.7	3.9	6.2	5.0	5.9	6.3	2.6	2.6
Other	0.5	0.7	0.8	1.1	2.3	2.6	4.3	4.8	4.6	4.6	4.6	4.6	4.6	4.6
Operating profit	(1.3)	(1.6)	(2.6)	(4.1)	(11.0)	(5.5)	(9.8)	(11.6)	(17.6)	(5.6)	(12.4)	(9.4)	(1.9)	6.7
Non-operating income	0.1	0.0	0.0	0.1	0.1	0.7	0.4	5.5	5.8	11.6	8.5	3.8	0.1	0.1
Non-operating expenses	0.0	0.0	0.0	0.1	0.5	1.3	1.9	2.0	2.6	1.8	2.2	3.4	3.8	3.3
Recurring profit	(1.3)	(1.6)	(2.6)	(4.0)	(11.4)	(6.1)	(11.3)	(8.1)	(14.3)	4.2	(6.1)	(9.0)	(5.6)	3.5
Extraordinary gains	0.0	0.0	0.0	0.0	0.0	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary losses	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax profit	(1.3)	(1.6)	(2.6)	(4.0)	(11.4)	(2.3)	(12.0)	(8.1)	(14.3)	4.2	(6.1)	(9.0)	(5.6)	3.5
Income taxes	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	0.7	0.0	0.0	0.0	0.5
Effective tax rate	-	-	-	-	-	-	-	-	-	-	-	0%	0%	16%
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	(1.3)	(1.6)	(2.6)	(4.1)	(11.4)	(2.4)	(11.9)	(8.2)	(14.3)	3.6	(6.1)	(9.0)	(5.6)	3.0
% of Sales														
Gross profit	87%	90%	66%	50%	56%	39%	47%	-86%	-186%	66%	-17%	9%	16%	30%
Operating profit	-349%	-400%	-518%	-602%	-1114%	-233%	-207%	-350%	-482%	-93%	-111%	-56%	-6%	14%
Net profit	-337%	-395%	-516%	-602%	-1152%	-100%	-252%	-247%	-392%	59%	-54%	-54%	-17%	6%

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

Exhibit 46: ispace: Consolidated balance sheet

(yen billion) FY	F18	F19	F20	F21	F22	F23	F24	F25	F26e	F27e	F28e	F29e	F30e	F31e
Current Assets	5.6	4.5	5.4	11.8	5.7	21.8	19.1	34.4	30.5	43.3	44.7	52.0	51.8	48.1
Cash & deposits	5.3	3.6	4.3	6.3	3.4	16.8	13.1	29.7	24.9	26.5	23.1	25.7	25.6	22.0
Notes & accounts receivables	0.0	0.1	0.0	0.0	0.0	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventories	0.0	0.0	0.0	0.1	0.1	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Advance payment	0.2	0.8	0.9	5.1	1.7	4.2	3.6	4.0	4.9	16.1	20.8	25.6	25.4	25.4
Other	0.1	0.1	0.2	0.3	0.5	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Noncurrent Assets	2.9	2.6	3.1	0.7	1.5	5.2	8.1	13.3	14.5	25.9	31.0	36.0	36.1	36.4
Property, plant & equipment	0.1	0.1	0.1	0.1	0.1	2.5	4.9	7.2	7.5	7.8	8.0	8.3	8.6	8.9
Intangible assets	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Investments & other assets	2.8	2.5	2.9	0.5	1.3	2.7	3.2	6.0	6.9	18.1	22.9	27.7	27.5	27.5
L/T advance payment	2.7	2.4	2.9	0.4	1.1	2.6	3.0	5.5	6.4	17.6	22.4	27.1	27.0	27.0
Other	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total assets	8.4	7.1	8.5	12.5	7.2	27.0	27.2	47.7	45.0	69.2	75.6	88.0	87.9	84.5
Current liabilities	0.2	0.5	1.0	3.0	4.1	10.5	3.9	5.7	27.3	62.9	75.4	96.9	103.7	97.3
Notes & accounts payables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
S/T debt	0.1	0.1	0.1	1.5	1.4	6.0	0.0	3.1	3.6	23.6	38.6	43.6	38.6	33.6
Current portion of L/T debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.1	14.9	0.0	0.0	1.4	0.0
Contract liability	0.0	0.3	0.7	1.2	2.4	3.2	2.7	0.8	11.8	22.5	35.0	51.4	61.9	61.9
Other	0.2	0.1	0.2	0.3	0.4	1.3	1.2	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Noncurrent liabilities (L/T debt)	0.2	0.2	0.2	0.7	5.4	6.8	16.3	26.8	16.8	1.8	1.8	1.8	0.5	0.5
Warrants	0.0	0.0	0.0	0.0	0.2	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Shareholders' equity	8.0	6.4	7.3	8.8	(2.5)	9.7	6.9	15.1	0.8	4.3	(1.7)	(10.8)	(16.3)	(13.4)
Capital stock	0.1	0.1	0.1	0.1	0.1	7.8	11.5	20.7	20.7	20.7	20.7	20.7	20.7	20.7
Capital surplus	10.5	7.9	9.8	12.8	8.6	7.7	11.4	20.6	20.6	20.6	20.6	20.6	20.6	20.6
Retained earnings	(2.3)	(1.6)	(2.6)	(4.0)	(11.2)	(5.0)	(16.9)	(25.1)	(39.4)	(35.8)	(41.9)	(50.9)	(56.5)	(53.5)
Other comprehensive income	(0.3)	0.0	(0.0)	(0.0)	(0.0)	(0.7)	0.8	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Treasury stock	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Total liabilities & equity	8.4	7.1	8.5	12.5	7.2	27.0	27.2	47.7	45.0	69.2	75.6	88.0	87.9	84.5

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

Exhibit 47: ispace: Consolidated cash flow statement

(yen billion) FY	F18	F19	F20	F21	F22	F23	F24	F25	F26e	F27e	F28e	F29e	F30e	F31e
Net profit	(1.3)	(1.6)	(2.6)	(4.1)	(11.4)	(2.4)	(11.9)	(8.2)	(14.3)	3.6	(6.1)	(9.0)	(5.6)	3.0
Depreciation	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Decrease in advance payment	0.0	(0.3)	(0.6)	(1.8)	2.7	(3.9)	0.2	(2.9)	(1.8)	(22.4)	(9.6)	(9.6)	0.3	0.0
Increase in contract liability	0.0	0.3	0.4	0.5	1.2	0.8	(0.5)	(1.9)	11.1	10.7	12.5	16.4	10.4	0.0
Other	(3.2)	(0.1)	0.1	(0.1)	0.2	0.3	0.1	(0.8)	0.0	0.0	0.0	0.0	0.0	0.0
Net operating cash flow	(4.4)	(1.6)	(2.6)	(5.4)	(7.3)	(5.0)	(12.0)	(13.6)	(4.8)	(7.9)	(2.9)	(1.9)	5.4	3.2
Purchase of PPE	(0.1)	(0.1)	(0.1)	(0.0)	(0.1)	(2.0)	(2.4)	(2.1)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Other	(0.1)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.2)	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Net investing cash flow	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(2.1)	(2.7)	(1.8)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Free cash flow	(4.5)	(1.7)	(2.8)	(5.5)	(7.4)	(7.1)	(14.7)	(15.4)	(5.3)	(8.4)	(3.4)	(2.4)	4.9	2.7
Increase in S/T & L/T debt	0.1	0.0	0.0	1.9	4.4	5.7	3.2	13.3	0.5	9.9	0.1	5.0	(5.0)	(6.4)
Proceeds from issuing shares	0.0	0.0	3.5	5.5	0.0	15.1	7.2	18.2	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.5)	(0.0)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0
Net financing cash flow	0.1	(0.0)	3.5	7.5	4.4	20.4	10.4	31.4	0.5	9.9	0.1	5.0	(5.0)	(6.4)
Adjustment	(0.0)	0.0	(0.0)	0.1	0.1	0.2	0.6	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Net increase in cash	(4.4)	(1.7)	0.7	2.1	(3.0)	13.5	(3.7)	16.6	(4.8)	1.6	(3.4)	2.6	(0.1)	(3.7)

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

Risk Reward – SKY Perfect JSAT (9412.T)

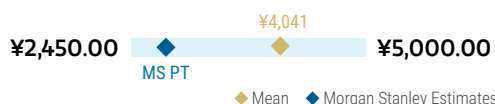
Profitable & low-risk, but with less growth potential than emerging space firms

PRICE TARGET ¥2,800

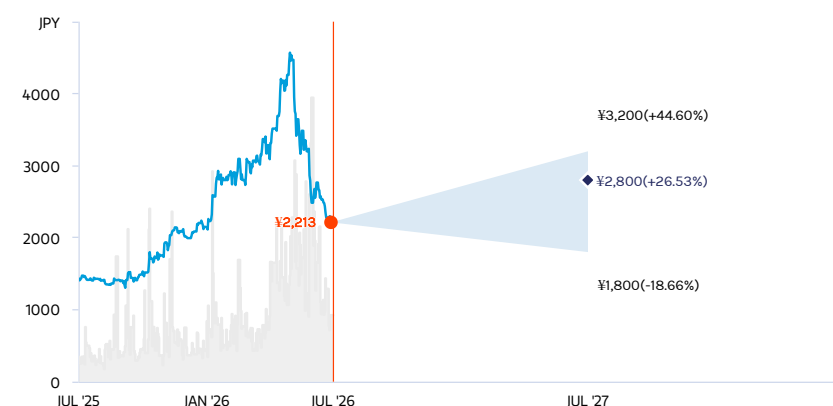
- Space business: We apply a 8x EV/Sales multiple to our F3/31 operating revenue forecast and discount the resulting EV to present value using a discount rate.
- Media business: We apply an 7.5x EV/EBITDA multiple to our F3/28 EBITDA forecast to derive the business value.

Consensus Price Target Distribution

Source: Refinitiv, Morgan Stanley Research



RISK REWARD CHART



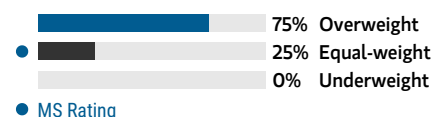
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

EQUAL-WEIGHT THESIS

- Among the 5 space companies under our coverage, SKY Perfect JSAT has the largest market cap. In addition, its Space business is already profitable, its Media business generates stable earnings, and the need for equity financing that could dilute shareholder value appears limited. As a result, we believe it is the most institutionally investable name in the group.
- On the other hand, the growth profile of its Space business is less compelling than that of the 4 emerging space companies. Therefore, we do not believe there is a particularly high likelihood that the company's shares will outperform the broader space sector going forward.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era: Positive

Secular Growth: Positive

Technology Diffusion: Positive

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

¥3,200

F3/28e EV/EBITDA 16x

Space business: F3/31e operating revenue Y169.8bn, EBITDA Y90.3bn

Media business: F3/28e operating revenue Y81.0bn, EBITDA Y23.0bn

BASE CASE

¥2,800

F3/28e EV/EBITDA 14.1x

Space business: F3/31e operating revenue Y120.2bn, EBITDA Y63.8bn

Media business: F3/28e operating revenue Y67.8bn, EBITDA Y18.2bn

BEAR CASE

¥1,800

F3/28e EV/EBITDA 11x

Space business: F3/31e operating revenue Y101.6bn, EBITDA Y53.9bn

Media business: F3/28e operating revenue Y57.2bn, EBITDA Y14.4bn

Risk Reward – SKY Perfect JSAT (9412.T)

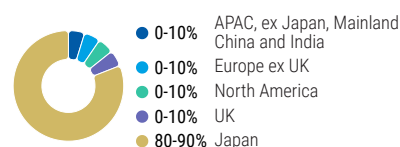
KEY EARNINGS INPUTS

Drivers	2026	2027e	2028e	2029e
Space revenue (¥, bn)	66.0	68.7	77.5	88.7
Media EBITDA (¥, bn)	16.0	18.6	18.2	17.9
Depreciation (¥, bn)	15.5	15.7	22.8	30.0

INVESTMENT DRIVERS

- Changes in the capacity of GEO communications and broadcasting satellites
- Growth in the number of LEO Earth observation satellites in operation
- Changes in capex and depreciation expenses

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

4/5
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

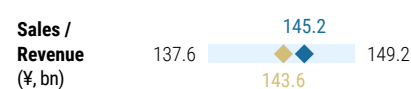
- Subsidy
- Greater-than-expected expansion in the applications and demand for LEO earth observation satellites

RISKS TO DOWNSIDE

- Satellite launch failures
- A sharp increase in satellite launch costs
- Competition from other LEO communications satellite constellations

MS ESTIMATES VS. CONSENSUS

FY 2028e



◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Risk Reward – Synspective (290A.T)

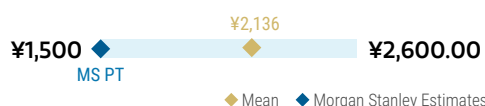
High growth potential but with a slight concern for external financing

PRICE TARGET ¥1,500

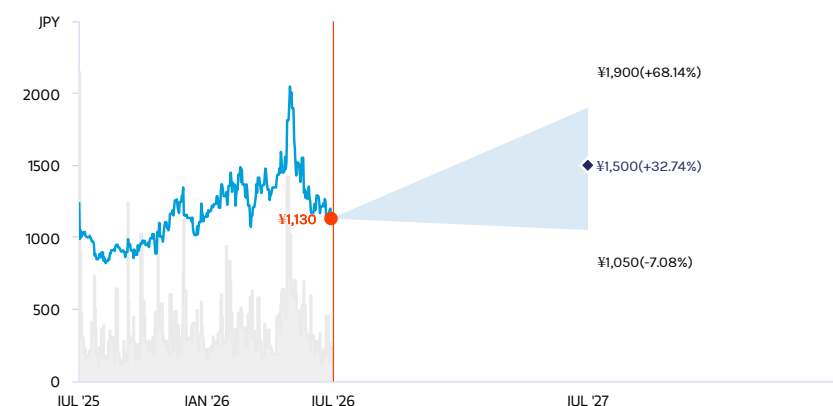
CY29e total revenue x EV/Sales 6.1x. Based on the current FY guidance of the 4 Japanese space companies that have gone public in recent years, these companies are currently trading at an average EV/Sales multiple of 8x. Assuming that Synspective's top line reaches a steady-state level in CY29, we apply an EV/Sales multiple of 8x to CY29e total revenue and discount the resulting EV back to the present to derive our PT.

Consensus Price Target Distribution

Source: Refinitiv, Morgan Stanley Research



RISK REWARD CHART



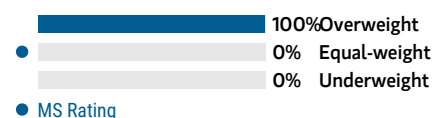
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

EQUAL-WEIGHT THESIS

- We believe the company, which is actively pursuing international expansion, offers greater top-line growth potential than QPS.
- On the other hand, its business model—covering not only data sales but also data analytics—is more asset-heavy than that of QPS. As a result, we expect the path to achieving positive OP and FCF to be longer than for QPS.
- To increase its satellite operation in line with management's plans, the company may need to secure financing beyond the credit facilities already committed by its banking partners.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era: Positive
Secular Growth: Positive
Technology Diffusion: Positive

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

¥1,900

CY29e total revenue x EV/Sales 5.9x

End-CY28e operated satellites 44

CY29e total revenue ¥46.0bn

CY29e depreciation costs ¥21.4bn

CY29e OP ¥8.4bn

BASE CASE

¥1,500

CY29e total revenue x EV/Sales 6.1x

End-CY28e operated satellites 34

CY29e total revenue ¥37.3bn

CY29e depreciation costs ¥17.2bn

CY29e OP ¥5.2bn

BEAR CASE

¥1,050

CY29e total revenue x EV/Sales 6.1x

End-CY28e operated satellites 24

CY29e total revenue ¥28.5bn

CY29e depreciation costs ¥13.0bn

CY29e OP ¥2.0bn

Risk Reward – Synspective (290A.T)

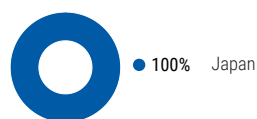
KEY EARNINGS INPUTS

Drivers	2025	2026e	2027e	2028e
Total revenue (¥, bn)	6.1	16.1	23.6	27.2
Number of satellites in operation	4.0	10.0	21.0	34.0

INVESTMENT DRIVERS

- An increase in the number of operational satellites
- Changes in subsidy
- Changes in capex and depreciation expense

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

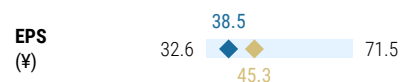
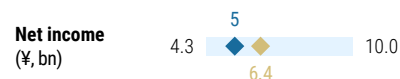
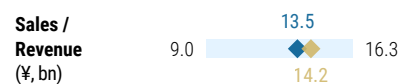
- Higher-than-expected subsidy
- Stronger-than-expected sales from overseas customers

RISKS TO DOWNSIDE

- Satellite launch failures
- A sharp increase in satellite launch costs
- Capital raising that could dilute shareholder value

MS ESTIMATES VS. CONSENSUS

FY 2027e



◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Risk Reward – QPS Holdings (464A.T)

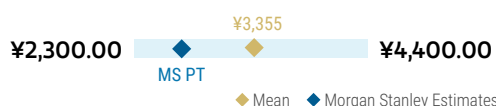
High growth with limited risk for financing due to its asset-light model

PRICE TARGET ¥2,700

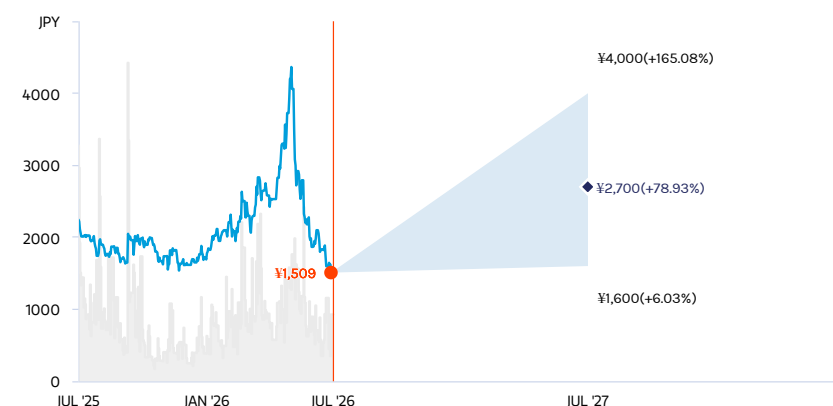
F5/32e total revenue x EV/Sales 4.4x. Based on the current FY guidance of the 4 Japanese space companies that have gone public in recent years, these companies are currently trading at an average EV/Sales multiple of 8x. Assuming that QPS's top line reaches a steady-state level in F5/32, we apply an EV/Sales multiple of 8x to F5/32e total revenue and discount the resulting EV back to the present to derive our PT.

Consensus Price Target Distribution

Source: Refinitiv, Morgan Stanley Research



RISK REWARD CHART



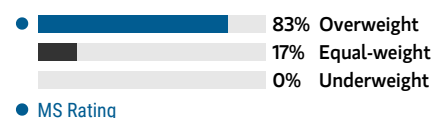
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

- We believe demand for small SAR satellites is substantial, and the company's top line is likely to grow significantly as the company increases satellite operation.
- Compared with Synspec, a competitor in the small SAR satellite market, the company operates a more asset-light business model, which we expect will enable it to achieve operating profitability and positive free cash flow sooner.
- We also believe the company has less need for external capital, making it a more attractive investment candidate for institutional investors.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era: *Positive*
 Secular Growth: *Positive*
 Technology Diffusion: *Positive*

View descriptions of Risk Rewards Themes [here](#)

BULL CASE	¥4,000	BASE CASE	¥2,700	BEAR CASE	¥1,600
F5/32e total revenue x EV/Sales 4.6x		F5/32e total revenue x EV/Sales 4.4x		F5/32e total revenue x EV/Sales 4.5x	
End-F5/31e operated satellites 50		End-F5/31e operated satellites 35		End-F5/31e operated satellites 20	
F5/32e total revenue ¥39.4bn		F5/32e total revenue ¥26.9bn		F5/32e total revenue ¥16.2bn	
F5/32e depreciation costs ¥15.5bn		F5/32e depreciation costs ¥10.5bn		F5/32e depreciation costs ¥6.5bn	
F5/32e OP ¥17.4bn		F5/32e OP ¥9.8bn		F5/32e OP ¥4.6bn	

Risk Reward – QPS Holdings (464A.T)

KEY EARNINGS INPUTS

Drivers	2026	2027e	2028e	2029e
Total revenue (¥, bn)	6.3	12.0	27.9	29.3
Number of satellites in operation	9.0	16.0	25.0	29.0

INVESTMENT DRIVERS

- An increase in the number of operational satellites
- Changes in subsidy
- Changes in capex and depreciation expense

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

RISKS TO PT/RATING

RISKS TO UPSIDE

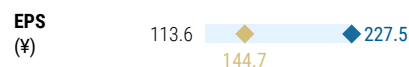
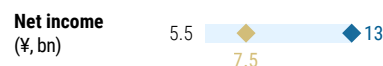
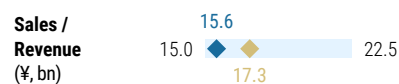
- Higher-than-expected subsidy
- Stronger-than-expected sales from overseas customers

RISKS TO DOWNSIDE

- Satellite launch failures
- A sharp increase in satellite launch costs

MS ESTIMATES VS. CONSENSUS

FY 2028e



◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

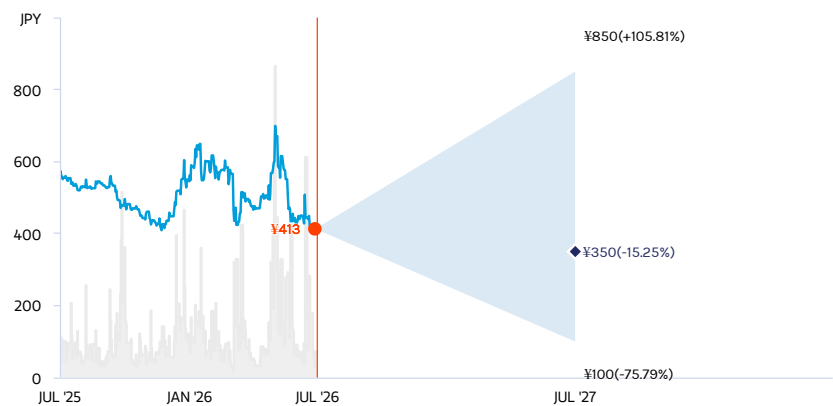
Risk Reward – ispace (9348.T)

Longer path to profitability and high need for external financing

PRICE TARGET ¥350

PT is calculated using DCF based on a WACC of 8.2% and a perpetual growth rate of 2.5%.

RISK REWARD CHART



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

Source: Refinitiv, Morgan Stanley Research

UNDERWEIGHT THESIS

- We see substantial growth potential for the company.
- However, we expect it will take time for OP and FCF to turn positive, as we believe Mission 3, scheduled for launch in 2028, and Mission 5, whose launch has been postponed to 2030, are likely to generate relatively low profitability.
- Until the company achieves profitability, concerns over negative net worth and need for external capital are likely to persist. As a result, there is a risk that institutional investors may refrain from including the stock in their investment universe or assigning it a premium valuation.

Risk Reward Themes

Secular Growth: Positive
Technology Diffusion: Positive

View descriptions of Risk Rewards Themes [here](#)

BULL CASE	¥850	BASE CASE	¥350	BEAR CASE	¥100
DCF (8.2% WACC, 2.5% perpetuity growth rate)		DCF (8.2% WACC, 2.5% perpetuity growth rate)		F3/26 P/B 1x	
F3/32e launch: 3 missions (\$150mn/mission)		F3/32e launch: 2 missions (\$150mn/mission)		F3/32e launch: 1 mission (\$150mn/mission)	
F3/32e project revenue: Y72.3bn		F3/32e project revenue: Y46.7bn		F3/32e project revenue: Y22.8bn	
F3/32e OP Y14.4bn		F3/32e OP Y6.7bn		F3/32e operating loss Y0.6bn	
F3/32e FCF Y9.2bn		F3/32e FCF Y2.7bn			



Risk Reward – ispace (9348.T)

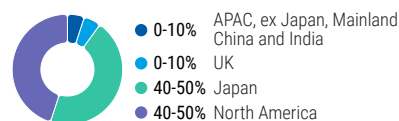
KEY EARNINGS INPUTS

Drivers	2026	2027e	2028e	2029e
Project revenue (¥, bn)	5.9	9.4	17.5	19.6
CoGS (¥, bn)	6.2	10.4	2.0	13.1
SG&A (¥, bn)	8.7	10.8	9.6	10.5

INVESTMENT DRIVERS

- Acceleration or deceleration in the lander launch cadence
- Changes in revenue per mission
- Changes in subsidy

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

RISKS TO PT/RATING

RISKS TO UPSIDE

- Higher-than-expected subsidy
- Stronger-than-expected momentum for lunar development and utilization

RISKS TO DOWNSIDE

- Delay, cancellation or failure of a mission
- Rising launch costs
- Equity financing resulting in shareholder dilution

MS ESTIMATES VS. CONSENSUS

FY 2027e

Sales / Revenue
(¥, bn)

◆ 3.7

Note: There are not sufficient brokers supplying consensus data for this metric

Net income
(¥, bn)

◆ (14)

Note: There are not sufficient brokers supplying consensus data for this metric

EPS
(¥)

◆ (97.9)

Note: There are not sufficient brokers supplying consensus data for this metric

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Valuation Methodology and Risks

Astroscale Holdings (186A.T)

PT is calculated using DCF based on a WACC of 6.4% and a perpetual growth rate of 2.5%.

Risks to Upside

- Astroscale launches satellites for EOL services more quickly than we expect
- Avg. price in ADR/ISSA/LEX services tops our forecast
- Gross margin improvement due to more efficient satellite production

Risks to Downside

- Delay, cancellation or failure of a mission
- Fewer satellite launches than we expect for each service
- Cash shortfall due to deterioration of cash flow

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(as of June 30, 2026)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	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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Stock Price, Price Target and Rating History (See Rating Definitions)

Astroscale Holdings (186A.T) - As of 07/27/26 GMT in JPY
Industry : Space



Stock Rating History: 7/8/24 : E/NR

Price Target History: 7/8/24 : 1200; 6/30/25 : 900; 3/24/26 : 950; 7/16/26 : 1250

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)

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INDUSTRY COVERAGE: Space

COMPANY (TICKER)	RATING (AS OF)	PRICE* (07/24/2026)
Ryotaro Hayashi		
Astroscale Holdings (186A.T)	E (07/08/2024)	¥1,026
ispace (9348.T)	U (07/27/2026)	¥413
QPS Holdings (464A.T)	O (07/27/2026)	¥1,509
SKY Perfect JSAT (9412.T)	E (07/27/2026)	¥2,213
Synspective (290A.T)	E (07/27/2026)	¥1,130

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.