Daiwa Capital Markets Hong Kong Limited

Tong Yang Industry (1319 TT)

Target price: **TWD81.00** (from TWD102.00)

Share price (30 Jun): **TWD77.40** | Up/downside: **+4.7%**

5 4 3 2 1

Hold
(from Outperform)

Downgrading: waiting for better order visibility

- QTD unaudited pre-tax income came in below expectations
- EPS likely to see downward revisions
- Downgrading to Hold (3) from Outperform (2); new 12M TP of TWD81

Helen Chien
(886) 2 8758 6254
helen.chien@daiwacm-cathay.com.tw

Neil Teng
(886) 2 8758 6256
neil.teng@daiwacm-cathay.com.tw

What's new: Tong Yang released its unaudited profit data for May 2026 after market hours on 15 June 2026. We downgrade Tong Yang to Hold (3) from Outperform (2), as we believe weaker-than-expected earnings for 5M26 are partially factored into its share price, but we do not see any near-term share price catalysts and see some pressure to cut its 2026 EPS due to the likely weaker-than-expected YTD revenue outlook. We suggest investors to revisit after better earnings visibility. Its dividend yield of 5.9-6.9% over 2026-28E, on Daiwa forecasts, should support its share price.

What's the impact: QTD unaudited operating profit below our and market estimates. Tong Yang posted operating profit of TWD273m (-27.0% MoM; -0.5% YoY) for May 2026, with its QTD operating profit accounting for 64.1% and 60.8% of our previous and consensus 2Q26 operating profit forecasts, respectively. Its operating margin was 14.8% in May, down from 18.6% in April and 15.2% in May 2025. Its pre-tax profit was TWD289m (-18.2% MoM) in May, with QTD pre-tax profit accounting for 56.4% and 56.1% of our and consensus 2Q26 forecasts, respectively, with an FX loss of TWD27m. For 5M26, its aftermarket (AM) revenue was down 17.8% YoY and OEM revenue was down 14.2% YoY.

Rising AM penetration expected to continue in the long term despite a lack of share price catalysts and pressure on 2026E earnings in the near term. The US tariff has been lowered to 15% (from 27.5%) since 1 May 2026 (see *news*), which we believe should be positive for its fundamentals. However, due to the off-season effect, we expect its revenue momentum to be subdued in the near term. We cut our 2026-27E EPS by 10-13%, mainly on our more conservative AM revenue and gross margin assumptions. We also introduce our 2028 forecasts.

What we recommend: We downgrade Tong Yang to Hold (3) from Outperform (2), due to the lack of near-term catalysts and the likely downward revisions to earnings. Our new 12-month TP of TWD81 (from TWD102), is based on a PER of 14x (from 15x) and applied to our 1-year-forward EPS. Its share price has corrected by 21.0% since February 2026, mainly due to ETF sell-offs, and we believe this also reflects the lacklustre near-term outlook. We suggest investors to revisit later once order visibility improves. Key upside/downside risks: stronger-/weaker-than-expected gross margin expansion and AM revenue.

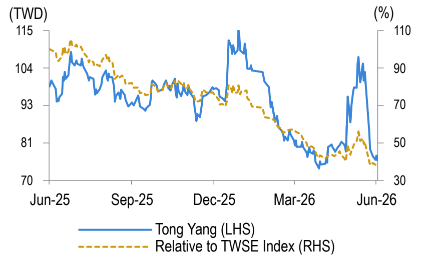
How we differ: Our 2026-27E EPS are 10-15% below Bloomberg consensus, likely on our more conservative revenue estimates and lower operating leverage assumptions.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	(7.5)	(7.5)	n.a.
Net profit change	(9.8)	(13.3)	n.a.
Core EPS (FD) change	(9.8)	(13.3)	n.a.

Source: Daiwa forecasts

Share price performance



12-month range	73.60-115.00
Market cap (USDbn)	1.44
3m avg daily turnover (USDm)	15.21
Shares outstanding (m)	591
Major shareholder	Wu family (50.0%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	23,236	24,323	25,476
Operating profit (m)	3,905	4,351	4,806
Net profit (m)	3,618	3,808	4,195
Core EPS (fully-diluted)	6.116	6.438	7.092
EPS change (%)	(4.9)	5.3	10.2
Daiwa vs Cons. EPS (%)	(10.1)	(14.7)	n.a.
PER (x)	12.7	12.0	10.9
Dividend yield (%)	5.9	6.2	6.9
DPS	4.6	4.8	5.3
PBR (x)	1.6	1.5	1.5
EV/EBITDA (x)	6.3	6.2	5.0
ROE (%)	12.7	12.9	13.7

Source: FactSet, Daiwa forecasts

Flash

Tong Yang: Daiwa revenue and earnings forecast revisions

(TWDm)	2026E			2027E			2028E		
	New	Previous	Change	New	Previous	Change	New	Previous	Change
Sales	**23,236**	**25,111**	-7.5%	**24,323**	**26,286**	-7.5%	**25,476**	**n.a.**	**n.a.**
Gross profit	**7,669**	**8,447**	-9.2%	**8,194**	**9,018**	-9.1%	**8,754**	**n.a.**	**n.a.**
Gross profit margin	*33.0%*	*33.6%*	-0.6pp	*33.7%*	*34.3%*	-0.6pp	*34.4%*	*n.a.*	*n.a.*
Operating profit	**3,905**	**4,529**	-13.8%	**4,351**	**5,023**	-13.4%	**4,806**	**n.a.**	**n.a.**
Operating profit margin	*16.8%*	*18.0%*	-1.2pp	*17.9%*	*19.1%*	-1.2pp	*18.9%*	*n.a.*	*n.a.*
Net profit	**3,618**	**4,009**	-9.8%	**3,808**	**4,391**	-13.3%	**4,195**	**n.a.**	**n.a.**
Net profit margin	*15.6%*	*16.0%*	-0.4pp	*15.7%*	*16.7%*	-1pp	*16.5%*	*n.a.*	*n.a.*
Diluted EPS (TWD)	**6.12**	**6.78**	-9.8%	**6.44**	**7.42**	-13.3%	**7.09**	**n.a.**	**n.a.**

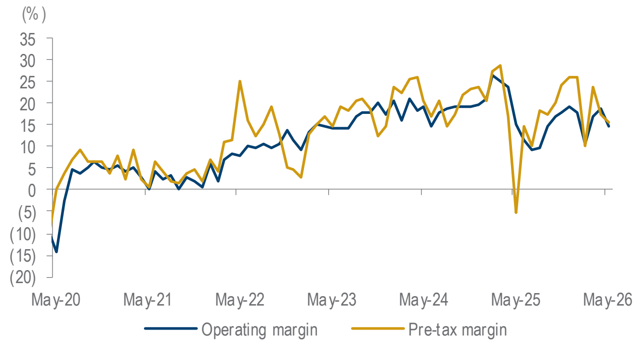
Source: Daiwa forecasts

Tong Yang: quarterly P&L

	2026E				2027E						
(TWDm)	**1Q26**	**2Q26E**	**3Q26E**	**4Q26E**	**1Q27E**	**2Q27E**	**3Q27E**	**4Q27E**	**2026E**	**2027E**	**2028E**
Revenue	5,631	5,627	5,625	6,353	5,850	5,900	5,700	6,873	23,236	24,323	25,476
Gross profit	1,830	1,868	1,856	2,115	1,931	1,947	1,853	2,464	7,669	8,194	8,754
Operating profit	887	968	936	1,113	951	1,007	923	1,471	3,905	4,351	4,806
Pre-tax profit	1,188	1,053	1,021	1,199	1,044	1,100	1,016	1,564	4,461	4,725	5,199
Net profit	956	825	828	1,010	840	886	817	1,264	3,618	3,808	4,195
Basic EPS (TWD)	1.62	1.39	1.40	1.71	1.42	1.50	1.38	2.14	6.12	6.44	7.09
Margin											
Gross margin	32.5%	33.2%	33.0%	33.3%	33.0%	33.0%	32.5%	35.8%	33.0%	33.7%	34.4%
Operating margin	15.8%	17.2%	16.6%	17.5%	16.2%	17.1%	16.2%	21.4%	16.8%	17.9%	18.9%
Pre-tax margin	21.1%	18.7%	18.2%	18.9%	17.8%	18.7%	17.8%	22.8%	19.2%	19.4%	20.4%
Net margin	17.0%	14.7%	14.7%	15.9%	14.4%	15.0%	14.3%	18.4%	15.6%	15.7%	16.5%
YoY											
Revenue	-22.8%	-4.5%	4.1%	-2.4%	3.9%	4.9%	1.3%	8.2%	-7.4%	4.7%	4.7%
Gross profit	-34.1%	-4.0%	22.7%	-3.5%	5.5%	4.2%	-0.2%	16.5%	-9.0%	6.8%	6.8%
Operating profit	-50.0%	-6.4%	51.4%	-5.3%	7.1%	4.0%	-1.5%	32.1%	-15.1%	11.4%	10.4%
Pre-tax profit	-36.7%	90.9%	22.7%	-21.6%	-12.2%	4.5%	-0.5%	30.5%	-6.9%	5.9%	10.0%
Net profit	-34.8%	80.6%	25.9%	-17.5%	-12.1%	7.5%	-1.2%	25.2%	-4.9%	5.3%	10.2%
QoQ											
Revenue	-13.5%	-0.1%	0.0%	12.9%	-7.9%	0.9%	-3.4%	20.6%			
Gross profit	-16.5%	2.1%	-0.6%	13.9%	-8.7%	0.9%	-4.9%	33.0%			
Operating profit	-24.5%	9.1%	-3.3%	18.9%	-14.6%	5.9%	-8.4%	59.5%			
Pre-tax profit	-22.3%	-11.4%	-3.0%	17.3%	-12.9%	5.4%	-7.7%	54.0%			
Net profit	-21.9%	-13.7%	0.3%	22.0%	-16.8%	5.5%	-7.8%	54.6%			

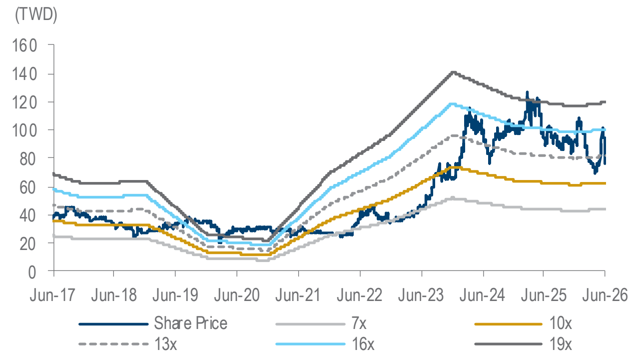
Source: Company, Daiwa forecasts

Tong Yang: pre-tax margin and operating margin



Source: Company

Tong Yang: 1-year forward PER



Source: Company, Daiwa forecasts

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales growth of OEM business (%)	12.0	12.8	3.9	0.9	(6.4)	(6.8)	1.7	1.8
Sales growth of AM business (%)	3.7	17.1	15.6	9.8	(0.4)	(7.6)	5.7	5.7
Consolidated gross margin (%)	19.0	23.6	29.9	33.3	33.6	33.0	33.7	34.4

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
AM	12,716	14,891	17,216	18,895	18,818	17,387	18,375	19,421
OEM-China	3,658	4,408	4,639	4,602	4,264	3,838	3,838	3,838
Other Revenue	2,007	1,983	2,004	2,099	2,012	2,011	2,111	2,217
Total Revenue	**18,380**	**21,283**	**23,859**	**25,596**	**25,094**	**23,236**	**24,323**	**25,476**
Other income	0	0	0	0	0	0	0	0
COGS	(14,893)	(16,255)	(16,725)	(17,065)	(16,667)	(15,566)	(16,129)	(16,721)
SG&A	(2,434)	(2,591)	(2,823)	(3,025)	(2,950)	(2,951)	(3,016)	(3,083)
Other op.expenses	(510)	(503)	(567)	(692)	(875)	(813)	(827)	(866)
Operating profit	**543**	**1,935**	**3,744**	**4,813**	**4,602**	**3,905**	**4,351**	**4,806**
Net-interest inc./(exp.)	(110)	(72)	29	97	78	42	49	49
Assoc/forex/extraord./others	334	738	39	619	111	514	324	344
Pre-tax profit	**767**	**2,600**	**3,812**	**5,530**	**4,791**	**4,461**	**4,725**	**5,199**
Tax	(130)	(564)	(765)	(1,074)	(889)	(828)	(876)	(964)
Min. int./pref. div./others	50	115	(28)	(78)	(99)	(16)	(40)	(40)
Net profit (reported)	**688**	**2,151**	**3,019**	**4,377**	**3,804**	**3,618**	**3,808**	**4,195**
Net profit (adjusted)	**688**	**2,151**	**3,019**	**4,377**	**3,804**	**3,618**	**3,808**	**4,195**
EPS (reported)(TWD)	**1.162**	**3.637**	**5.105**	**7.400**	**6.431**	**6.117**	**6.439**	**7.092**
EPS (adjusted)(TWD)	**1.162**	**3.637**	**5.105**	**7.400**	**6.431**	**6.117**	**6.439**	**7.092**
EPS (adjusted fully-diluted)(TWD)	**1.160**	**3.636**	**5.104**	**7.399**	**6.430**	**6.116**	**6.438**	**7.092**
DPS (TWD)	**0.850**	**2.500**	**4.000**	**5.300**	**5.000**	**4.588**	**4.829**	**5.319**
EBIT	**543**	**1,935**	**3,744**	**4,813**	**4,602**	**3,905**	**4,351**	**4,806**
EBITDA	**3,511**	**4,794**	**6,507**	**7,436**	**7,186**	**6,547**	**7,235**	**7,921**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	767	2,600	3,812	5,530	4,791	4,461	4,725	5,199
Depreciation and amortisation	2,967	2,859	2,762	2,623	2,583	2,642	2,884	3,115
Tax paid	(130)	(564)	(765)	(1,074)	(889)	(828)	(876)	(964)
Change in working capital	(537)	(438)	125	(778)	(2,084)	3,903	(4,822)	4,760
Other operational CF items	819	1,134	1,152	885	15	55	35	15
Cash flow from operations	**3,886**	**5,592**	**7,087**	**7,186**	**4,417**	**10,234**	**1,946**	**12,125**
Capex	(2,373)	(2,216)	(2,824)	(3,479)	(2,949)	(3,300)	(3,000)	(3,000)
Net (acquisitions)/disposals	451	1,522	187	70	114	0	0	0
Other investing CF items	(349)	(100)	(337)	37	(329)	0	0	0
Cash flow from investing	**(2,271)**	**(793)**	**(2,974)**	**(3,372)**	**(3,163)**	**(3,300)**	**(3,000)**	**(3,000)**
Change in debt	0	0	0	0	0	0	0	0
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(473)	(503)	(1,479)	(2,366)	(3,135)	(2,713)	(2,856)	(3,146)
Other financing CF items	(1,209)	(3,449)	(1,177)	(578)	(207)	0	0	0
Cash flow from financing	**(1,682)**	**(3,952)**	**(2,655)**	**(2,943)**	**(3,342)**	**(2,713)**	**(2,856)**	**(3,146)**
Forex effect/others	0	0	0	0	0	0	0	0
Change in cash	**(67)**	**847**	**1,458**	**870**	**(2,088)**	**4,220**	**(3,911)**	**5,979**
Free cash flow	1,513	3,376	4,263	3,706	1,468	6,934	(1,054)	9,125

Source: FactSet, Daiwa forecasts

Financial summary continued …

Balance sheet (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Cash & short-term investment	1,454	2,344	3,817	4,737	2,662	6,886	2,989	8,982
Inventory	3,047	3,057	2,687	3,089	3,179	2,382	3,532	2,521
Accounts receivable	3,769	4,159	5,030	5,099	7,060	3,167	8,078	3,417
Other current assets	374	426	572	332	292	292	292	292
Total current assets	**8,643**	**9,987**	**12,106**	**13,257**	**13,192**	**12,727**	**14,891**	**15,211**
Fixed assets	18,884	18,192	17,605	17,346	18,228	18,887	19,003	18,887
Goodwill & intangibles	1,261	874	590	424	598	598	598	598
Other non-current assets	5,666	4,487	4,745	7,264	6,574	6,574	6,574	6,574
Total assets	**34,453**	**33,540**	**35,046**	**38,292**	**38,592**	**38,786**	**41,066**	**41,271**
Short-term debt	2,202	1,620	916	736	939	939	939	939
Accounts payable	4,411	4,269	5,152	5,417	5,307	4,521	5,760	4,848
Other current liabilities	295	1,000	984	883	711	711	711	711
Total current liabilities	**6,908**	**6,890**	**7,052**	**7,036**	**6,958**	**6,171**	**7,410**	**6,498**
Long-term debt	4,568	1,839	1,452	1,143	801	801	801	801
Other non-current liabilities	710	545	630	1,957	2,149	2,149	2,149	2,149
Total liabilities	**12,186**	**9,275**	**9,134**	**10,136**	**9,907**	**9,121**	**10,360**	**9,448**
Share capital	5,915	5,915	5,915	5,915	5,915	5,915	5,915	5,915
Reserves/R.E./others	15,723	17,834	19,537	21,696	22,151	23,115	24,116	25,193
Shareholders' equity	**21,637**	**23,749**	**25,451**	**27,610**	**28,066**	**29,030**	**30,030**	**31,108**
Minority interests	630	517	461	546	619	635	675	715
Total equity & liabilities	**34,453**	**33,540**	**35,046**	**38,292**	**38,592**	**38,786**	**41,066**	**41,271**
EV	51,727	47,413	44,792	43,468	45,478	41,270	45,207	39,254
Net debt/(cash)	**5,316**	**1,115**	**(1,449)**	**(2,858)**	**(921)**	**(5,146)**	**(1,249)**	**(7,242)**
BVPS (TWD)	**36.582**	**40.151**	**43.030**	**46.681**	**47.450**	**49.080**	**50.772**	**52.593**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	6.1	15.8	12.1	7.3	(2.0)	(7.4)	4.7	4.7
EBITDA (YoY)	(8.4)	36.6	35.7	14.3	(3.4)	(8.9)	10.5	9.5
Operating profit (YoY)	0.6	256.2	93.6	28.6	(4.4)	(15.1)	11.4	10.4
Net profit (YoY)	(16.1)	212.9	40.4	45.0	(13.1)	(4.9)	5.3	10.2
Core EPS (fully-diluted) (YoY)	(16.3)	213.4	40.4	45.0	(13.1)	(4.9)	5.3	10.2
Gross-profit margin	19.0	23.6	29.9	33.3	33.6	33.0	33.7	34.4
EBITDA margin	19.1	22.5	27.3	29.1	28.6	28.2	29.7	31.1
Operating-profit margin	3.0	9.1	15.7	18.8	18.3	16.8	17.9	18.9
Net profit margin	3.7	10.1	12.7	17.1	15.2	15.6	15.7	16.5
ROAE	3.2	9.5	12.3	16.5	13.7	12.7	12.9	13.7
ROAA	2.0	6.3	8.8	11.9	9.9	9.4	9.5	10.2
ROCE	1.8	6.8	13.4	16.5	15.2	12.6	13.6	14.6
ROIC	1.6	5.7	12.0	15.6	14.1	12.2	13.1	14.5
Net debt to equity	24.6	4.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Effective tax rate	16.9	21.7	20.1	19.4	18.5	18.5	18.5	18.5
Accounts receivable (days)	72.9	68.0	70.3	72.2	88.4	80.3	84.4	82.3
Current ratio (x)	1.3	1.4	1.7	1.9	1.9	2.1	2.0	2.3
Net interest cover (x)	5.0	26.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net dividend payout	73.1	68.7	78.4	71.6	77.7	75.0	75.0	75.0
Free cash flow yield	3.3	7.4	9.3	8.1	3.2	15.1	n.a.	19.9

Source: FactSet, Daiwa forecasts

Company profile

Founded in 1967, Tong Yang Industry is the world's leading after-market (AM) collision-parts manufacturer, with 2025 global revenue market shares of 70% for plastic parts and 38% for sheet-metal parts. The company is also a major OEM auto parts supplier to China and international automakers.

Daiwa Capital Markets Hong Kong Limited

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	2	The CEO and Chairperson of Tong Yang are not the same individual. Tong Yang's board has 7 directors, including 3 independent directors. The board is led by the Wu family (three brothers: Chairman, Vice Chairman, and CEO), which we view as a sign of a stable board as the directors have worked together since the company was established.
G	Capital management	2	Tong Yang maintained its dividend payout ratio between 58-78% between 2020-25, which is relatively lower than that of its peers; the company is considered to be a mature player with a limited capacity expansion plan.
G	Related party & transaction	2	Revenue generated from related-party transactions is currently between 1-2%, and the transaction conditions are no different than those of normal transactions. Thus, we see limited risk.
S	Product quality & safety	1	Through advanced product and quality planning (APQP), Tong Yang can better manage the product development process, which allows it to fulfil clients' needs in a timely manner. Tong Yang is focused on developing high-quality, eco-friendly, lightweight, and automated products. This is reflected in its 2022 CSR report and we believe that Tong Yang is putting in considerable effort into this area.
S	Materials sourcing & efficiency	2	Tong Yang has set up an online supply chain management (SCM) platform to communicate effectively with its suppliers. This allows it to conduct evaluations and provide feedback to its suppliers to improve efficiency. Moreover, we see an increasing usage of renewable materials in its Aftermarket division, indicating its continuous efforts in boosting efficiency along its production line.
E	Product design & lifecycle management	2	We note Tong Yang's product design and lifecycle management follows four focal points: high-quality, eco-friendly, lightweight, and automated products. This allows the company to effectively engage in the ESG trend, in our view. As shown in its 2022 CSR report, it also focuses on waste reduction and water management in order to create a more eco-friendly production lifecycle.

Note: Management score represents a company's ability to manage/benefit from certain ESG topics. The scores range from 1 to 3, with 1 being the strongest.

Update Date: 1 Jul 2026
Source: Daiwa, Company

Important Disclosures and Disclaimer

This publication is produced by Daiwa Securities Group Inc. and/or its non-U.S. affiliates, and distributed by Daiwa Securities Group Inc. and/or its non-U.S. affiliates, except to the extent expressly provided herein. This publication and the contents hereof are intended for information purposes only, and may be subject to change without further notice. Any use, disclosure, distribution, dissemination, copying, printing or reliance on this publication for any other purpose without our prior consent or approval is strictly prohibited. Neither Daiwa Securities Group Inc. nor any of its respective parent, holding, subsidiaries or affiliates, nor any of its respective directors, officers, servants and employees, represent nor warrant the accuracy or completeness of the information contained herein or as to the existence of other facts which might be significant, and will not accept any responsibility or liability whatsoever for any use of or reliance upon this publication or any of the contents hereof. Neither this publication, nor any content hereof, constitute, or are to be construed as, an offer or solicitation of an offer to buy or sell any of the securities or investments mentioned herein in any country or jurisdiction nor, unless expressly provided, any recommendation or investment opinion or advice. Any view, recommendation, opinion or advice expressed in this publication may not necessarily reflect those of Daiwa Securities Group Inc., and/or its affiliates nor any of its respective directors, officers, servants and employees except where the publication states otherwise. This research report is not to be relied upon by any person in making any investment decision or otherwise advising with respect to, or dealing in, the securities mentioned, as it does not take into account the specific investment objectives, financial situation and particular needs of any person.

Daiwa Securities Group Inc., its subsidiaries or affiliates, or its or their respective directors, officers and employees from time to time have trades as principals, or have positions in, or have other interests in the securities of the company under research including market making activities, derivatives in respect of such securities or may have also performed investment banking and other services for the issuer of such securities. Daiwa Securities Group Inc., its subsidiaries or affiliates do and seek to do business with the company(s) covered in this research report. Therefore, investors should be aware that a conflict of interest may exist. The following are additional disclosures.

Ownership of Securities

For "Ownership of Securities" information, please visit BlueMatrix disclosure link at *https://daiwa3.bluematrix.com/sellside/Disclosures.action.*

Investment Banking Relationship

For "Investment Banking Relationship", please visit BlueMatrix disclosure link at *https://daiwa3.bluematrix.com/sellside/Disclosures.action.*

Daiwa Securities Co. Ltd. and Daiwa Securities Group Inc.

Daiwa Securities Co. Ltd. is a subsidiary of Daiwa Securities Group Inc.

Investment Banking Relationship

Within the preceding 12 months, Daiwa Capital Markets Hong Kong Limited has lead-managed public offerings and/or secondary offerings of the equities or relevant securities of the following companies: Beijing Geekplus Technology Co Ltd (2590 HK), WeRide Inc (800 HK/ WRD US) and SEYOND (2665 HK).

*Subsidiaries of Daiwa Securities Group Inc. for the purposes of this section shall mean any one or more of: Daiwa Capital Markets Hong Kong Limited (大和資本市場香港有限公司), Daiwa Capital Markets Singapore Limited, Daiwa Capital Markets Australia Limited, Daiwa-Cathay Capital Markets Co., Ltd., Daiwa Securities Capital Markets Korea Co., Ltd.

Within the last 12 months, the subsidiaries and/or affiliates of Daiwa Securities Group Inc. * has received compensation for investment banking services from NH Investment & Securities Co Ltd (005940 KS), E-Mart Inc (139480 KS), Samsung Securities Co Ltd (016360 KS), KT Corporation (030200 KS) and Hyundai Department Store Co Ltd (069960 KS).

Hong Kong

This research is distributed in Hong Kong by Daiwa Capital Markets Hong Kong Limited (大和資本市場香港有限公司) ("DHK") which is regulated by the Hong Kong Securities and Futures Commission. Recipients of this research in Hong Kong may contact DHK in respect of any matter arising from or in connection with this research.

Investment Banking Relationship

Within the preceding 12 months, Daiwa Capital Markets Hong Kong Limited has lead-managed public offerings and/or secondary offerings of the equities or relevant securities of the following companies: Beijing Geekplus Technology Co Ltd (2590 HK), WeRide Inc (800 HK/ WRD US) and SEYOND (2665 HK).

Within the preceding 12 months, Daiwa Capital Markets Hong Kong Limited has received compensation for investment banking services from -.

Relevant Relationship (DHK)

DHK may from time to time have an individual employed by or associated with it serves as an officer of any of the companies under its research coverage.

Singapore

This research is distributed in Singapore by Daiwa Capital Markets Singapore Limited and it may only be distributed in Singapore to accredited investors, expert investors and institutional investors as defined in the Financial Advisers Regulations of Singapore and the Securities and Futures Act 2001 of Singapore, both as amended from time to time. By virtue of distribution to these category of investors, Daiwa Capital Markets Singapore Limited and its representatives are not required to comply with Section 45 of the Financial Advisers Act 2001 of Singapore (Section 45 relates to disclosure of Daiwa Capital Markets Singapore Limited's interest and/or any associated or connected person's interest in securities). Recipients of this research in Singapore may contact Daiwa Capital Markets Singapore Limited in respect of any matter arising from or in connection with this research.

Australia

This research is distributed in Australia by Daiwa Capital Markets Australia Limited and it may only be distributed in Australia to wholesale investors within the meaning of the Corporations Act. Recipients of this research in Australia may contact Daiwa Capital Markets Stockbroking Limited in respect of any matter arising from or in connection with the research.

Taiwan

This research is solely for reference and not intended to provide tailored investment recommendations. This research is distributed in Taiwan by Daiwa-Cathay Capital Markets Co., Ltd. and it may only be distributed in Taiwan to specific customers who have signed recommendation contracts with Daiwa-Cathay Capital Markets Co., Ltd. and non-customers including (i) professional institutional investors, (ii) TWSE or TPEx listed companies, upstream and downstream vendors, and specialists that offer or seek advice, and (iii) potential customers with an actual need for business development in accordance with the Operational Regulations Governing Securities Firms Recommending Trades in Securities to Customers. Recipients of this research including non-customer recipients of this research shall not provide it to others or engage in any activities in connection with this research which may involve conflicts of interests. Neither Daiwa-Cathay Capital Markets Co., Ltd. nor its personnel who writes or reviews the research report has any conflict of interest in this research. Since Daiwa-Cathay Capital Markets Co., Ltd. does not operate brokerage trading business in foreign markets, **this research is prepared on a "without recommendation" to any foreign securities basis** and Daiwa-Cathay Capital Markets Co., Ltd. does not accept orders from customers to trade in such foreign securities. Recipients of this research shall carefully judge their own investment risk and take full responsibility for the results of any resulting investments in the companies and/or sectors featured in this research. Without the prior written permission of Daiwa-Cathay Capital Markets Co., Ltd., recipients of this research are prohibited from disclosing the research to the media, reprinting the research, or quoting from the research to other parties. Recipients of this research in Taiwan may contact Daiwa-Cathay Capital Markets Co., Ltd. in respect of any matter arising from or in connection with the research.

Thailand

This research is distributed to only institutional investors in Thailand. This report is provided to you for informational purposes only. Information contained herein is not intended to be, and shall not be construed as, an offer or an invitation for subscription or purchase of securities in Thailand. This document has not been and will not be registered with, or approved by, the Office of the Securities and Exchange Commission of Thailand. As neither Daiwa Securities Group Inc. nor any of its subsidiaries or affiliates, nor any of the foregoing entities' respective directors, officers, servants and employees are licensed to carry on any securities business in Thailand, this document is intended to be read by the addressee who is an institutional investor only and may not be circulated or distributed, whether directly or indirectly, to the public or any members of the public in Thailand, unless to the extent permitted by applicable laws and regulations.

This report is prepared by analysts who are employed by Daiwa Securities Group Inc. and/or its non-U.S. affiliates. Neither Daiwa Securities Group Inc. nor any of its subsidiaries or affiliates, nor any of the foregoing entities' respective directors, officers, servants and employees accept any liability whatsoever for any direct or consequential loss arising from any use of this research or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed to be reliable. However, neither Daiwa Securities Group Inc. nor any of its subsidiaries or affiliates, nor any of the foregoing entities' respective directors, officers, servants and employees make any representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

Daiwa Securities Group Inc., its subsidiaries and affiliates and their respective directors, officers, servants and employees may have positions and financial interest in securities mentioned in this research. Daiwa Securities Group Inc. and its subsidiaries and affiliates may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this research. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this research.

United Kingdom

These materials constitute independent research for the purposes of the Financial Conduct Authority ("**FCA**") Conduct of Business Rules. These materials have been produced by Daiwa Securities Co. Ltd ("**DSCL**") and/or its affiliates and are distributed by Daiwa Capital Markets Europe Limited ("**DCME**") to persons classified as (i) eligible counterparties; and (ii) professional clients for the purposes of the Conduct of Business Rules of the FCA. These materials should not be disseminated to any retail clients in the United Kingdom. DCME is authorised and regulated by the FCA and is a member of the London Stock Exchange. DCME's FCA registration number is 124490 and the FCA's registered address is 25 The North Colonnade, London, E14 5HS.

DCME makes no representation as to the completeness, accuracy or timeliness of any of the materials produced by DSCL, and does not accept any liability for any losses, costs, liabilities or expenses which may arise directly or indirectly from any use of, or reliance on the materials.

DCME and/or its affiliates may, from time to time, to the extent permitted by law, participate or invest in, or be mandated in respect of transactions with the issuer(s) referred to in the materials prepared by DSCL, perform services for or solicit business from such issuers, and/or have a position or effect transactions in a particular issuer's securities and/or may have acted as an underwriter during the past twelve months in respect of a particular issuer of its securities. DCME does not review DSCL's materials prior to publication on DCME's platforms and has no influence over its content. DCME has in place organisational arrangements for the prevention and avoidance of conflicts of interest, including information barriers to control the flow of information between the private and public sides of the firm. A summary of DCME's conflict management policies are available at *http://www.uk.daiwacm.com/about-us/corporate-governance-regulatory*.

DSCL's materials are distributed by DCME only as permitted by law. The materials are not directed to, or intended for distribution to or use by, any person or entity located in any jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject DCME to any regulation or licensing requirement within such jurisdiction.

Germany

Research reports are produced by Daiwa Securities Co. Ltd. and/or its affiliates and are distributed by Daiwa Capital Markets Deutschland GmbH in the European Union. Daiwa Capital Markets Deutschland GmbH is authorised and regulated by Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") under the reference number 149361. Daiwa Capital Markets Deutschland GmbH and its affiliates may, from time to time, to the extent permitted by law, participate or invest in, or be mandated in respect of, other financing transactions with the issuer(s) of the securities referred to herein (the "Securities"), perform services for or solicit business from such issuers, and/or have a position or effect transactions in the Securities or options thereof.

This publication is intended for investors who are Professional Clients or Eligible Counterparties in the European Union within the meaning of Directive 2014/65/EU ("MiFID II") and should therefore not be distributed to Retail Clients in the European Union.

Daiwa Capital Markets Deutschland GmbH has in place organisational arrangements for the identification, prevention and management of conflicts of interest. Information regarding our conflict management are available at: *https://www.de.daiwacm.com/policies/*

Additional disclosures regarding specific company names and related financial instruments are available at: *https://daiwa3.bluematrix.com/sellside/Disclosures.action*.

Bahrain

This research material is distributed in Bahrain by Daiwa Capital Markets Europe Limited, Bahrain Branch, regulated by The Central Bank of Bahrain and holds Investment Business Firm – Category 2 license and having its official place of business at the Bahrain World Trade Centre, South Tower, 7th floor, P.O. Box 30069, Manama, Kingdom of Bahrain. Tel No. +973 17534452 Fax No. +973 535113

United States

This research is distributed into the United States directly by Daiwa Capital Markets Hong Kong Limited (DCMHK) and in certain cases indirectly by Daiwa Capital Markets America Inc. (DCMA), a U.S. Securities and Exchange Commission registered broker-dealer and FINRA member firm, exclusively to "major U.S. institutional investors", as defined under Rule 15a-6 promulgated under the U.S. Securities Exchange Act of 1934, as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission (SEC). Where this is co-branded research published by Daiwa's partners in collaboration with other parties not affiliated with Daiwa, this research is distributed in the United States by DCMHK only. This report is not an offer to sell or the solicitation of any offer to buy securities. U.S. customers wishing to effect transactions in any designated investment discussed in this report should do so through a qualified salesperson of DCMA. Non-U.S. customers wishing to effect transactions in any designated investment discussed in this report should contact a Daiwa entity in their local jurisdiction. The securities or other investment products discussed in this report may not be eligible for sale in some jurisdictions.

Analysts employed outside the U.S., as specifically indicated elsewhere in this report, are not registered as research analysts with FINRA. These analysts may not be associated persons of DCMA, and therefore may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

ADDITIONAL IMPORTANT DISCLOSURES CAN BE FOUND AT:

https://daiwa3.bluematrix.com/sellside/Disclosures.action

Ownership of Securities
For "Ownership of Securities" information please visit BlueMatrix disclosure link at *https://daiwa3.bluematrix.com/sellside/Disclosures.action*.

Investment Banking Relationships
For "Investment Banking Relationships" please visit BlueMatrix disclosure link at *https://daiwa3.bluematrix.com/sellside/Disclosures.action*.

DCMA Market Making
For "DCMA Market Making" please visit BlueMatrix disclosure link at *https://daiwa3.bluematrix.com/sellside/Disclosures.action*.

Research Analyst Conflicts
For updates on "Research Analyst Conflicts" please visit BlueMatrix disclosure link at *https://daiwa3.bluematrix.com/sellside/Disclosures.action*. The principal research analysts who prepared this report have no financial interest in securities of the issuers covered in the report, are not (nor are any members of their household) an officer, director or advisory board member of the issuer(s) covered in the report, and are not aware of any material relevant conflict of interest involving the analyst or DCMA, and did not receive any compensation from the issuer during the past 12 months except as noted: no exceptions.

Research Analyst Certification
For updates on "Research Analyst Certification" and "Rating System" please visit BlueMatrix disclosure link at *https://daiwa3.bluematrix.com/sellside/Disclosures.action*. The views about any and all of the subject securities and issuers expressed in this Research Report accurately reflect the personal views of the research analyst(s) primarily responsible for this report (or the views of the firm producing the report if no individual analyst is named on the report); and no part of the compensation of such analyst (or no part of the compensation of the firm if no individual analyst is named on the report) was, is, or will be directly or indirectly related to the specific recommendations or views contained in this Research Report.

The following explains the rating system in the report as compared to relevant local indices, unless otherwise stated, based on the beliefs of the author of the report.
"1": the security could outperform the local index by more than 15% over the next 12 months.
"2": the security is expected to outperform the local index by 5-15% over the next 12 months.
"3": the security is expected to perform within 5% of the local index (better or worse) over the next 12 months.
"4": the security is expected to underperform the local index by 5-15% over the next 12 months.
"5": the security could underperform the local index by more than 15% over the next 12 months.

Disclosure of investment ratings

Rating	Percentage of total
Buy*	73.51%
Hold**	19.39%
Sell***	7.10%

Source: Daiwa

Notes: data is for single-branded Daiwa research in Asia (ex Japan) and correct as of 31 March 2026.
** comprised of Daiwa's Buy and Outperform ratings.*
*** comprised of Daiwa's Hold ratings.*
**** comprised of Daiwa's Underperform and Sell ratings.*

Additional information may be available upon request.

Japan - Notification items pursuant to Article 37 of the Financial Instruments and Exchange Law

(This Notification is only applicable to where report is distributed by Daiwa Securities Co. Ltd.)

If you decide to enter into a business arrangement with our company based on the information described in this report, we ask you to pay close attention to the following items.

- In addition to the purchase price of a financial instrument, our company will collect a trading commission* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction. In some cases, our company also may charge a maximum of ¥2 million per year as a standing proxy fee for our deposit of your securities, if you are a non-resident.
- For derivative and margin transactions etc., our company may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements**.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by our company.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

** The ratio of margin requirements etc. to the amount of the transaction cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with our company.

Corporate Name:	Daiwa Securities Co. Ltd.
Registered:	Financial Instruments Business Operator, Chief of Kanto Local Finance Bureau (Kin-sho) No.108
Memberships:	Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association, Japan Security Token Offering Association