

April 18, 2025 06:44 AM GMT

Fuji Electric (6504) | Japan

# Looks Undervalued but Wait Continues

## WHAT'S CHANGED

Fuji Electric (6504.T)	From	To
Price Target	¥8,800	¥6,700

Energy and datacenter-related orders strong but automotive power chips slowdown weighing on market sentiment.

**Stay EW:** We update our estimates through F3/27 after reviewing earnings progress through F3/25 3Q. We forecast OP -2% YoY in F3/25, -6% in F3/26, and -4% F3/27, with decline mainly in Semiconductors. We cut our PT from ¥8,800 to ¥6,700 (applied P/E 11.5x F3/26e EPS ¥579.0). We lower our SOTP-based multiple (previously 14.0x) in light of a fall in market prices and slowing growth, largely for mainstay Semiconductors. The stock is trading at a P/E (FY2) of ~10x, below 12.8x historical average minus 1σ, and looks undervalued given the expected recovery for equipment/FA and growth prospects for datacenter-related sales. Nonetheless, we stay EW as we think a quick multiple rise unlikely given concerns on a potential two straight years of profit decline for power chips.

**Strong orders for energy/datacenter-related products:** YTD, the stock is -23pt vs. TOPIX. This makes it the bottom performer of the conglomerates in our coverage, significantly behind second-worst Hitachi (-6pt). In F3/25, we expect a weak showing for automotive chips, FA, and ED&C components to be offset by food & beverage distribution (one-off reprinting demand), energy, and social solutions (e.g., nuclear energy). Energy and datacenter-related orders are performing well, and we expect this to drive F3/26 earnings. Uninterruptible power supply (UPS) orders are growing at a +50% YoY pace for full-F3/25, while orders are strong in the power receiving/distribution facilities space (incl. ED&C components, datacenter applications) at +11% YoY for 1-3Q, with 3Q-only sales +10% YoY (first growth in seven quarters). FA orders declined in 1Q but were +7% YoY in 2Q and +16% in 3Q, and we expect them to be another F3/26 earnings driver.

**Power chips slowdown contributing to worsening market sentiment:** Power chips, however, are a major drag on the share price. While industry sales should continue to grow (mainly FA), a fall in sales to automakers looks inevitable due to xEV market slowdown and the completion of two large projects in F3/26. With depreciation and other fixed costs also set to grow, we expect a second consecutive OP decline (-6% YoY) for Semiconductors overall. Concerns also continue to emerge over a further chip market slowdown due to US reciprocal tariffs (potential order slowdown from automotive OEMs). (But note that Americas sales are only 3% of total.) Despite seeing overall OP growth potential in F3/26, we think market sentiment is worsening beyond company earnings as investors realize the semis growth story, considered the main growth driver over the past five years or so, is unraveling.

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## Fuji Electric (6504.T, 6504 JP)

### Conglomerates | Japan

Stock Rating	Equal-weight
Industry View	In-Line
Price target	¥6,700
Up/downside to price target (%)	12
Shr price, close (Apr 17, 2025)	¥5,974
Mkt cap, curr, basic (bn)	¥853.3
Div yld (03/25e) (%)	2.6

Fiscal Year Ending	03/24	03/25e	03/26e	03/27e
Revenue, net (¥bn)	1,103.2	1,132.0	1,179.0	1,250.0
Operating profit (¥bn)*	106.1	115.0	121.5	139.5
Recurring profit (¥bn)*	-	-	-	-
Net income (¥bn)*	82.1	96.5	88.7	101.9
EPS, basic (¥)*	527.6	625.9	579.0	668.6
Prior EPS, basic (¥)*	-	627.2	628.5	699.8
EPS (¥)**	535.6	625.9	579.0	668.6
Prior EPS (¥)**	-	627.2	628.5	699.8
P/E, basic*	19.4	10.1	10.3	8.9
P/BV, basic	2.4	1.4	1.2	1.1
Return on avg eqty (%)*	13.5	14.2	12.1	12.8
EV/EBITDA, basic	10.6	6.4	5.6	4.8

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

\*\* = Based on consensus methodology

\* = GAAP or approximated based on GAAP

e = Morgan Stanley Research estimates

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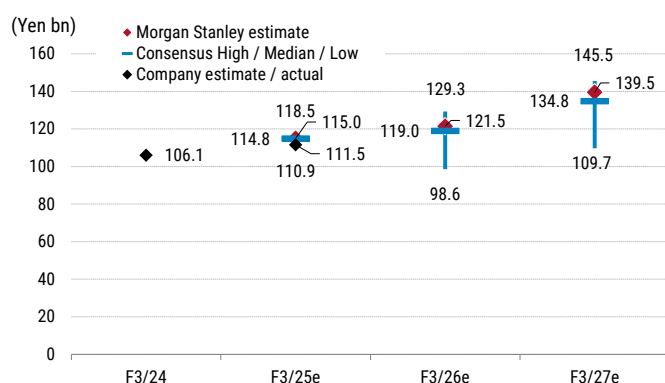
**Updating our earnings forecasts:** We adjust our F3/25 full-year OP estimate slightly from ¥117.1bn to ¥115bn (+8% YoY, guidance ¥111.5bn), we lower our F3/26 estimate from ¥129.3bn to ¥121.5bn (+6% YoY), and we lower our F3/27 estimate from ¥145.5bn to ¥139.5bn (+15% YoY). Our exchange rate assumptions are ¥145/USD (previously ¥150, company assumes ¥140) and ¥155/EUR (¥155, ¥150). For F3/25, we adjust our OP estimate for Food and Beverage Distribution by +¥2bn and for Semiconductors by -¥4.4bn, in line with progress. For F3/26–27, we raise our estimates for the Energy segment slightly, mainly for facility and power supply systems (UPS), while we lower our estimates for Semiconductors by ¥10.2bn for F3/26 and ¥8.9bn for F3/27 in anticipation of auto-related demand weakening further.

**Exhibit 1:** Fuji Electric: Our earnings estimates – old vs. new

	F3/25e		F3/26e		F3/27e	
(JPY bn)	e New	e Old	e New	e Old	e New	e Old
Revenue	1,132.0	1,128.0	1,179.0	1,192.0	1,250.0	1,270.0
Operating Income	115.0	117.1	121.5	129.3	139.5	145.5
Recurring Income	117.0	119.1	123.7	131.6	141.9	148.1
Income Before Income Taxes	133.5	136.6	123.7	135.6	141.9	152.1
Net Profit (Attr. to Parent's Stockholders)	90.8	91.0	85.3	92.6	98.5	103.1
EPS (Yen)	625.9	627.2	579.0	628.5	668.6	699.8

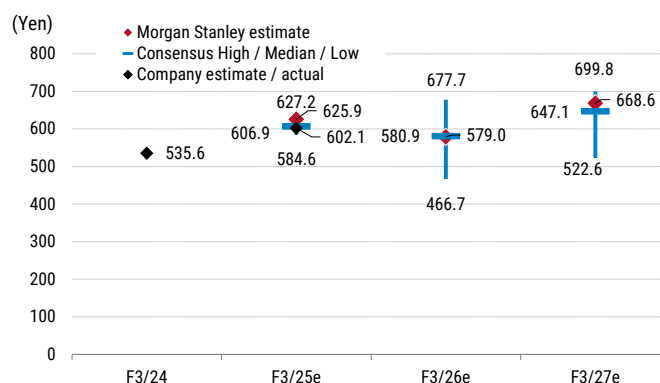
Source: Morgan Stanley Research; e = Morgan Stanley Research estimates

**Exhibit 2:** Our forecasts vs. consensus (operating income)



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

**Exhibit 3:** Our forecasts vs. consensus (EPS)



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

**Valuation:** SOTP, applied P/E (FY2) of 11.5x. In setting multiples for each business, we refer to the main comparable companies both in Japan and overseas, and we apply a 10% discount to either the industry average or median for the Energy, Industry, and Semiconductors segments to account for business structure (mainly looking at how high domestic sales exposure is) and market presence in each industry. We also apply a 10% discount overall given the deterioration in market sentiment over the potential for two consecutive fiscal years of declining profits in power semiconductors. Our applied P/E (FY2) of 11.5x is 10% below the historical average of 12.8x, and the implied P/B (FY2) of 1.3x is slightly above the historical average of 1.2x.

Exhibit 4: Fuji Electric: Valuation (SOTP analysis)

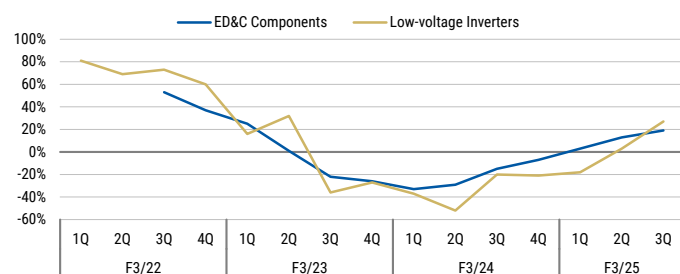
(Yen mn)	P/E	F3/26e Operating Income	Weighted Average P/E
Energy	13.1x	39,300	4.0x
Industry	13.1x	41,200	4.2x
Semiconductors	11.1x	30,100	2.6x
Food and Beverage Distribution	12.9x	13,800	1.4x
Others	14.1x	3,600	0.4x
<b>Total of Weighted Average P/E</b>			<b>12.6x</b>
<b>Premium/Discount</b>			<b>-10%</b>
<b>Applied P/E</b>			<b>11.5x</b>
<b>EPS (Yen, F3/26e)</b>			<b>579.0</b>
<b>Price Target (Yen)</b>			<b>6,700</b>

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

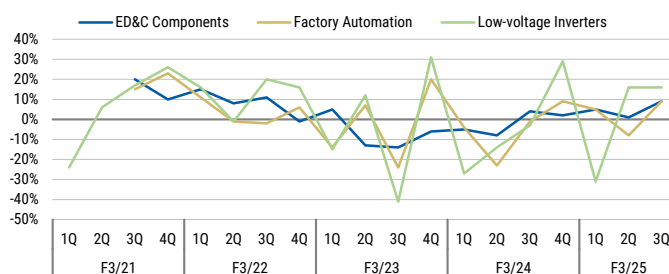
Exhibit 5: Fuji Electric: Peer valuation comparisons (based on FactSet consensus)

	Ticker	EV (USD mn)	P/E			EV/EBITDA			P/B			EPS Growth			ROE			Div. Yield 5yr Avg.
			FY0	FY1	FY2	FY0	FY1	FY2	FY0	FY1	FY2	FY0	FY1	FY2	FY0	FY1	FY2	
<b>Fuji Electric</b>	<b>6504.T</b>	<b>6,495</b>	<b>19.4</b>	<b>9.7</b>	<b>10.2</b>	<b>10.3</b>	<b>5.8</b>	<b>5.2</b>	<b>2.4</b>	<b>1.3</b>	<b>1.2</b>	<b>22.8%</b>	<b>15.0%</b>	<b>-4.3%</b>	<b>13.5%</b>	<b>13.3%</b>	<b>11.6%</b>	<b>2.0%</b>
<b>Energy</b>																		
Mitsubishi Heavy	7011.T	67,395	21.9	32.3	27.4	14.6	17.5	15.9	2.2	3.5	3.2	70.1%	20.2%	17.9%	11.1%	10.9%	11.7%	2.8%
Mitsubishi Electric	6503.T	34,949	18.5	16.2	15.5	9.9	8.7	7.5	1.4	1.3	1.2	34.0%	13.2%	4.9%	8.2%	8.1%	8.1%	2.5%
IHI	7013.T	14,553	-	15.9	14.9	137.9	9.8	9.1	1.7	3.3	2.8	-	-	6.6%	-16.9%	21.0%	19.0%	2.3%
Meidensha	6508.T	1,270	11.9	10.9	9.9	7.3	7.0	5.1	1.1	1.1	1.0	57.2%	27.9%	10.9%	9.6%	10.3%	10.5%	2.4%
IDEC	6652.T	516	18.0	31.1	17.8	7.8	9.9	6.7	1.2	1.0	1.0	-56.9%	-53.7%	74.9%	7.1%	3.2%	5.7%	3.8%
Average			16.1	18.5	14.5	40.7	8.8	7.1	1.3	1.7	1.5	11.4%	-4.2%	24.3%	2.0%	10.6%	10.8%	2.8%
Median			18.0	16.1	15.2	8.8	9.2	7.1	1.3	1.2	1.1	34.0%	13.2%	8.7%	7.6%	9.2%	9.3%	2.5%
<b>Industry</b>																		
Mitsubishi Electric	6503.T	34,949	18.5	16.2	15.5	9.9	8.7	7.5	1.4	1.3	1.2	34.0%	13.2%	4.9%	8.2%	8.1%	8.1%	2.5%
Yaskawa Electric	6506.T	5,252	18.4	15.2	12.9	15.8	9.0	7.8	2.4	1.5	1.4	12.8%	-19.9%	17.7%	13.7%	9.9%	10.8%	1.1%
Omron	6645.T	7,076	131.4	54.8	16.7	18.6	11.8	9.7	1.4	1.0	1.0	-88.9%	82.6%	228.9%	1.1%	1.8%	5.9%	1.4%
Yokogawa Electric	6841.T	4,522	14.9	14.3	14.1	8.1	5.9	6.0	2.1	1.6	1.5	61.1%	-11.9%	1.8%	15.1%	11.3%	10.7%	1.7%
Azbil	6845.T	3,819	18.4	16.5	18.1	11.4	10.9	10.3	2.5	2.5	2.4	35.7%	22.9%	-9.1%	14.2%	15.3%	13.0%	1.6%
Meidensha	6508.T	1,270	11.9	10.9	9.9	7.3	7.0	5.1	1.1	1.1	1.0	57.2%	27.9%	10.9%	9.6%	10.3%	10.5%	2.4%
Average			35.6	21.3	14.5	11.9	8.9	7.7	1.8	1.5	1.4	18.6%	19.1%	42.5%	10.3%	9.4%	9.8%	1.8%
Median			18.4	15.7	14.8	10.6	8.8	7.7	1.7	1.4	1.3	34.9%	18.1%	7.9%	11.6%	10.1%	10.6%	1.7%
<b>Semiconductors</b>																		
Infineon Technologies	IFXGn.DE	44,567	32.2	17.3	12.4	10.3	9.2	6.9	2.6	1.9	1.7	-59.0%	-17.2%	40.1%	11.2%	10.9%	13.9%	1.1%
Mitsubishi Electric	6503.T	34,949	18.5	16.2	15.5	9.9	8.7	7.5	1.4	1.3	1.2	34.0%	13.2%	4.9%	8.2%	8.1%	8.1%	2.5%
ON Semiconductor	ON.O	15,488	17.3	13.8	9.3	10.8	8.7	6.9	3.0	1.6	1.4	-25.7%	-37.6%	48.8%	19.0%	11.4%	15.5%	0.0%
STMicroelectronics	STMPA.PA	16,514	15.7	24.7	11.5	6.5	6.1	4.1	1.3	1.0	0.9	-62.9%	-54.1%	115.7%	9.0%	4.0%	8.0%	0.6%
Rohm	6963.T	4,145	17.5	-	54.8	9.3	10.4	6.2	1.0	0.5	0.5	-32.2%	-	-	5.7%	-1.1%	0.9%	2.0%
Wolfspeed	WOLF.N	5,450	-	-	-	-	-	44.1	3.3	1.5	19.2	-	-	-	-45.8%	-	-	0.0%
Average			20.2	18.0	20.7	9.4	8.6	12.6	2.1	1.3	4.2	-29.1%	-23.9%	52.4%	1.2%	6.7%	9.3%	1.0%
Median			17.5	16.8	12.4	9.9	8.7	6.9	2.0	1.4	1.3	-32.2%	-27.4%	44.4%	8.6%	8.1%	8.1%	0.9%
<b>Food and Beverage Distribution</b>																		
HOSHIZAKI	6465.T	4,904	24.2	21.6	19.3	11.0	10.2	9.1	2.4	2.3	2.2	14.0%	10.7%	12.1%	10.7%	10.7%	11.2%	1.4%
GALILEI	6420.T	398	9.6	9.3	8.9	3.9	-	-	1.3	-	-	42.6%	-6.1%	4.4%	14.3%	-	-	1.5%
Glory	6457.T	1,284	5.3	8.7	10.5	3.1	4.2	4.3	0.7	0.6	0.5	-	-48.5%	-17.0%	14.1%	6.4%	5.0%	3.0%
Average			13.0	13.2	12.9	6.0	7.2	6.7	1.5	1.4	1.3	28.3%	-14.7%	-0.2%	13.0%	8.6%	8.1%	2.0%
Median			9.6	9.3	10.5	3.9	7.2	6.7	1.3	1.4	1.3	28.3%	-6.1%	4.4%	14.1%	8.6%	8.1%	1.5%
<b>Others</b>																		
Average			24.2	19.6	16.7													
Median			17.7	16.1	14.1													
Average (excl. duplicates)			24.2	19.6	16.7	17.3	9.1	9.7	1.8	1.6	2.5	3.9%	-2.9%	35.6%	6.2%	9.0%	10.0%	1.8%
Median (excl. duplicates)			17.7	16.1	14.1	9.9	9.1	6.9	1.5	1.5	1.4	14.0%	-6.1%	11.5%	10.2%	10.3%	10.6%	1.7%

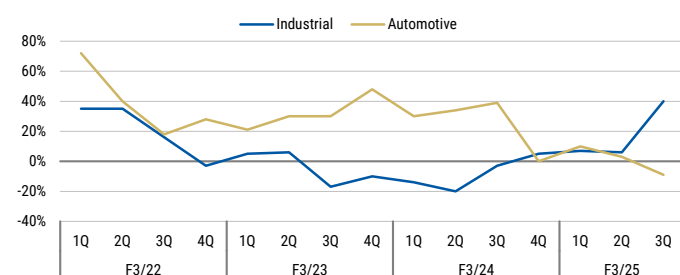
Source: FactSet, Morgan Stanley Research

**Exhibit 6:** Fuji Electric: Orders YoY (ED&C components, low-voltage inverters)

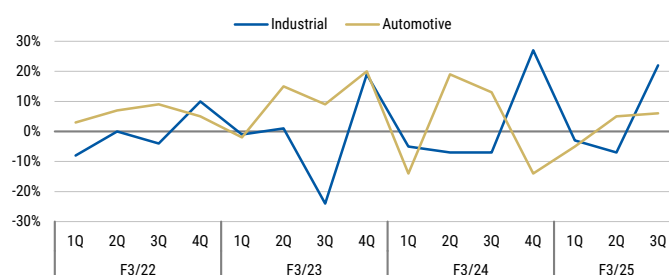
Source: Company data, Morgan Stanley Research

**Exhibit 7:** Fuji Electric: Orders QoQ (ED&C components, factory automation, low-voltage inverters)

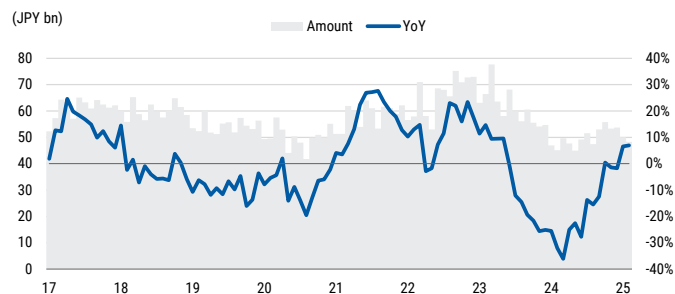
Note: Factory automation includes low-voltage inverters, motors and measuring instruments from F3/25. Source: Company data, Morgan Stanley Research

**Exhibit 8:** Fuji Electric: Orders YoY (semiconductors)

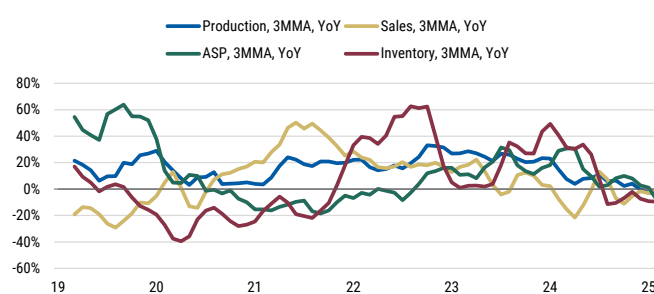
Source: Company data, Morgan Stanley Research

**Exhibit 9:** Fuji Electric: Orders QoQ (semiconductors)

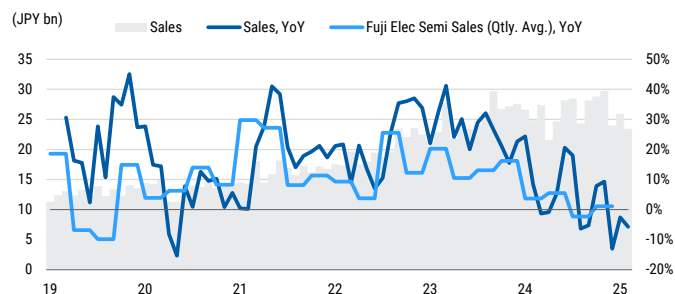
Source: Company data, Morgan Stanley Research

**Exhibit 10:** Statistics: Shipments of electric control equipment

Source: Nippon Electric Control Equipment Industries Association, Morgan Stanley Research

**Exhibit 11:** Current Production Statistics Survey: IGBT

Source: Ministry of Economy, Trade and Industry, Morgan Stanley Research

**Exhibit 12:** Current Production Statistics Survey: IGBT Sales

Source: Ministry of Economy, Trade and Industry, Company data, Morgan Stanley Research

## Relevant Reports

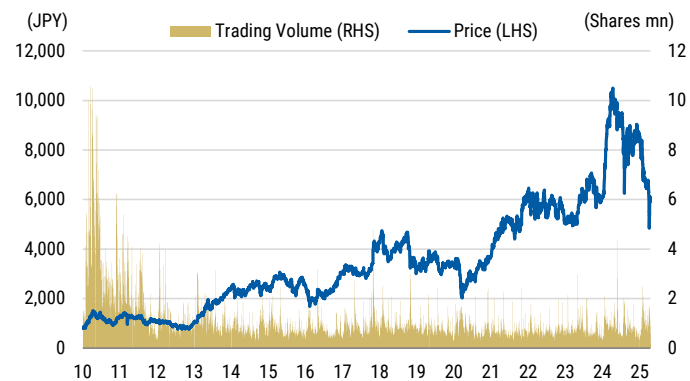
[Energy & Utilities: Powering AI in Japan \(2025\) \(9 Apr 2025\)](#)

[Fuji Electric: F3/25 3Q Results: OPM at 10% for First Time and Signs of Data Center-related Growth \(30 Jan 2025\)](#)

[Fuji Electric: Increasingly Undervalued \(21 Jan 2025\)](#)

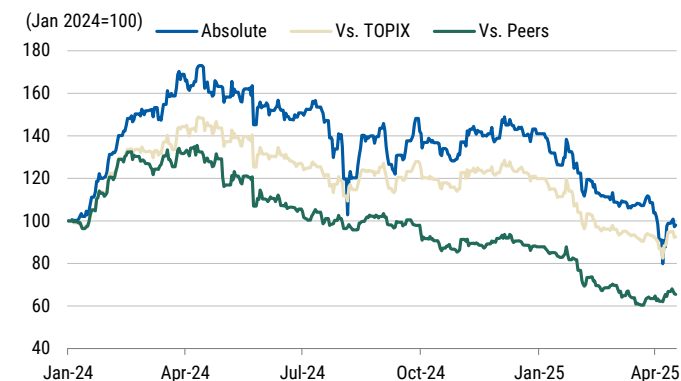
# Fuji Electric: Share Price & Valuation

**Exhibit 13:** Share price & trading volume



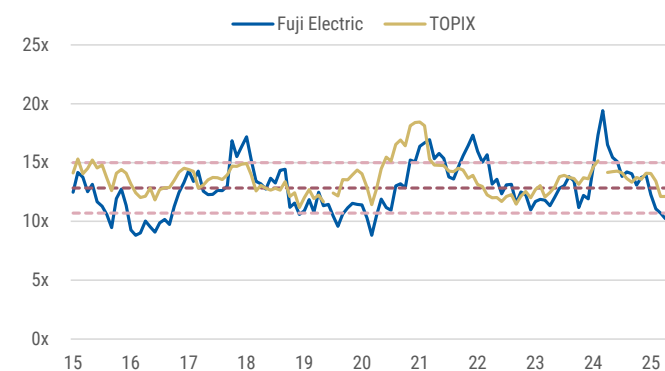
Source: FactSet, Morgan Stanley Research

**Exhibit 14:** Relative performance (Jan. 2024 = 100)



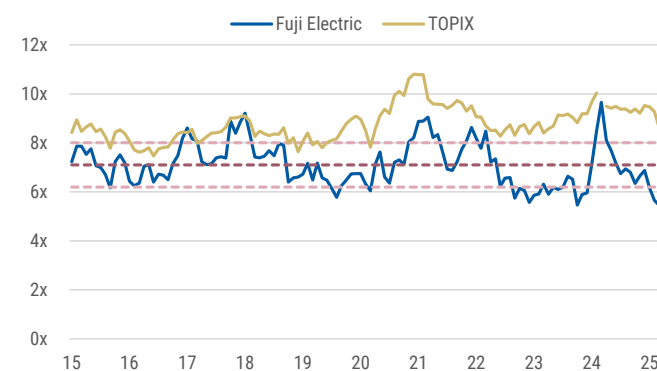
Source: FactSet, Morgan Stanley Research

**Exhibit 15:** P/E (FY2)



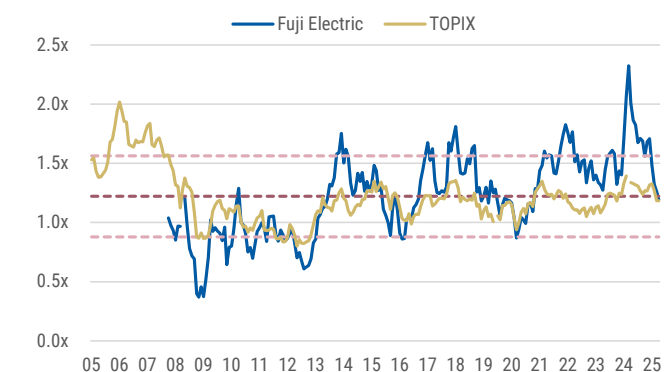
Source: FactSet, Morgan Stanley Research

**Exhibit 16:** EV/EBITDA (FY2)



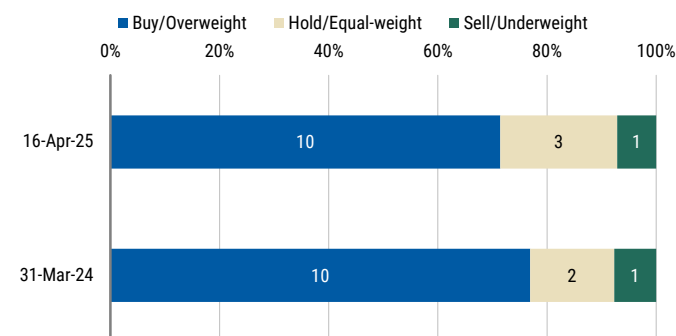
Source: FactSet, Morgan Stanley Research

**Exhibit 17:** P/B (FY2)



Source: FactSet, Morgan Stanley Research

**Exhibit 18:** Sell-side ratings



Source: FactSet, Morgan Stanley Research

# Fuji Electric: Financials

**Exhibit 19:** Fuji Electric: Income statement

(Yen million)	F3/22	F3/23	F3/24e	F3/25e	F3/26e
Revenue	1,009,447	1,103,214	1,132,000	1,179,000	1,250,000
Gross Profit	276,918	303,289	311,000	324,000	344,000
% of Revenue	27.4%	27.5%	27.5%	27.5%	27.5%
SG&A Expenses	188,036	197,222	196,000	202,500	204,500
% of Revenue	18.6%	17.9%	17.3%	17.2%	16.4%
Operating Income	88,882	106,066	115,000	121,500	139,500
% of Revenue	8.8%	9.6%	10.2%	10.3%	11.2%
Non-operating Items	-1,070	1,756	2,000	2,200	2,400
Financial Income, Net	1,749	1,244	1,400	1,600	1,800
Interest Income + Dividend Income	3,742	3,345	3,400	3,600	3,800
Interest expense	1,993	2,101	2,000	2,000	2,000
Equity-method income	878	1,076	1,100	1,100	1,100
Other Income	1,307	3,482	3,500	3,500	3,500
Other Expense	5,004	4,046	4,000	4,000	4,000
Recurring Income	87,811	107,822	117,000	123,700	141,900
% of Revenue	8.7%	9.8%	10.3%	10.5%	11.4%
Extraordinary Gains	11,154	8,554	0	0	0
Extraordinary Losses	3,220	2,344	0	0	0
Income Before Income Taxes	95,746	114,032	133,500	123,700	141,900
Income Taxes	27,112	31,961	37,000	35,000	40,000
Tax Rate	28%	28%	28%	28%	28%
Net Income	68,634	82,070	96,500	88,700	101,900
Net Income (Attr. to Non-controlling Interests)	7,285	6,717	5,700	3,400	3,400
Net Income (Attr. to Parent's Stockholders)	61,348	75,353	90,800	85,300	98,500
EPS (Basic) (Yen)	429.5	535.6	625.9	579.0	668.6
ROIC	9.0%	10.1%	10.0%	9.8%	10.4%
ROE	12.4%	13.5%	14.2%	12.1%	12.8%
Capex	84,100	68,300	95,600	68,900	67,900
Depreciation	41,200	47,200	51,000	54,500	59,500
R&D Expenditure	36,200	36,100	38,400	40,000	42,000
% of Revenue	3.6%	3.3%	3.4%	3.4%	3.4%

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

**Exhibit 20:** Fuji Electric: Balance sheet

(Yen million)	F3/22	F3/23	F3/24e	F3/25e	F3/26e
Current Assets	713,553	763,072	783,074	827,745	899,489
Cash and Cash Equivalents	84,165	65,543	108,396	126,780	158,908
Accounts Receivable	388,498	430,128	419,993	437,431	463,773
Inventories	198,690	226,134	213,685	222,534	235,808
Other Current Assets	42,200	41,267	41,000	41,000	41,000
Fixed Assets	467,946	508,064	552,664	567,064	575,464
Property, Plant and Equipment	283,912	311,456	356,056	370,456	378,856
Intangible Assets	24,032	25,462	25,000	25,000	25,000
Investments and Other Non-current Assets	160,002	171,146	171,608	171,608	171,608
Deferred Assets	51	37	0	0	0
Total Assets	1,181,552	1,271,174	1,335,738	1,394,809	1,474,953
Current Liabilities	446,826	475,342	472,742	473,032	482,669
Accounts Payable	201,593	207,408	209,888	218,580	231,619
Total Short-term Debt	85,136	96,542	96,542	96,542	96,542
Other Current Liabilities	160,097	171,392	166,312	157,910	154,508
Non-current Liabilities	162,657	134,359	134,811	134,811	134,811
Total Long-term Debt	95,495	63,811	63,811	63,811	63,811
Other Non-current Liabilities	6,817	6,745	7,000	7,000	7,000
Total Liabilities	609,483	609,701	607,553	607,843	617,480
Total Shareholders' Equity	517,091	602,515	674,207	732,988	803,496
Shareholders' Equity	451,091	509,278	581,207	639,988	710,496
Accumulated Other Comprehensive Income	66,000	93,237	93,000	93,000	93,000
Non-controlling Interests	54,976	58,956	53,978	53,978	53,978
Total Net Assets	572,068	661,472	728,185	786,966	857,474
Liabilities + Shareholders' Equity	1,181,552	1,271,174	1,335,738	1,394,809	1,474,953

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

**Exhibit 21:** Fuji Electric: Cash flow statement

(Yen million)	F3/22	F3/23	F3/24e	F3/25e	F3/26e
Operating Cash Flow	116,163	84,858	186,664	137,705	151,922
Income Before Income Taxes	95,746	114,032	133,500	123,700	141,900
Depreciation and Amortization	45,938	51,875	55,700	59,200	64,200
Decrease (Increase) in Working Capital	-15,694	-49,186	29,464	-13,195	-22,178
Others	-9,827	-31,863	-32,000	-32,000	-32,000
Investing Cash Flow	-49,498	-62,418	-90,600	-63,900	-62,900
Purchase of PPE	-61,080	-66,960	-95,600	-68,900	-67,900
Others	11,582	4,542	5,000	5,000	5,000
Financing Cash Flow	-77,193	-45,867	-53,211	-55,421	-56,894
Increase (Decrease) in Debt	-59,912	-24,330	-24,500	-24,500	-24,500
Total Dividends Paid	-19,219	-21,509	-28,709	-30,919	-32,392
Net Decrease (Increase) in Treasury Shares	-10	-26	0	0	0
Others	1,948	-2	-2	-2	-2
Effect of Exchange Rate Change	3,210	4,806	0	0	0
Net Increase in Cash and Cash Equivalents	-7,185	-18,622	42,853	18,384	32,128

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



**Exhibit 22:** Fuji Electric: Segment information

(Yen million)	F3/22	F3/23	F3/24e	F3/25e	F3/26e
Revenue	1,009,447	1,103,214	1,132,000	1,179,000	1,250,000
Energy	264,078	342,760	350,000	385,000	424,000
Industry	353,449	419,911	421,000	438,000	458,000
Semiconductors	206,228	228,037	239,000	237,000	250,000
Food and Beverage Distribution	95,257	107,287	113,000	112,000	114,000
Others	59,789	63,154	55,000	55,000	55,000
Eliminations	-56,692	-57,936	-46,000	-48,000	-51,000
Operating Income	88,882	106,066	115,000	121,500	139,500
Energy	26,884	30,146	32,600	39,300	46,100
Industry	24,882	34,264	38,300	41,200	45,000
Semiconductors	32,186	36,164	32,000	30,100	36,500
Food and Beverage Distribution	4,350	8,803	14,300	13,800	14,800
Others	3,749	4,311	3,600	3,600	3,600
Eliminations	-6,722	-7,623	-5,800	-6,500	-6,500
Operating Margin	8.8%	9.6%	10.2%	10.3%	11.2%
Energy	10.2%	8.8%	9.3%	10.2%	10.9%
Industry	7.0%	8.2%	9.1%	9.4%	9.8%
Semiconductors	15.6%	15.9%	13.4%	12.7%	14.6%
Food and Beverage Distribution	4.6%	8.2%	12.7%	12.3%	13.0%
Others	6.3%	6.8%	6.5%	6.5%	6.5%

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

## Risk Reward – Fuji Electric (6504.T)

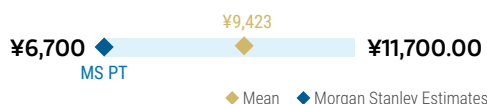
Power chips slowdown to weigh on share price

### PRICE TARGET ¥6,700

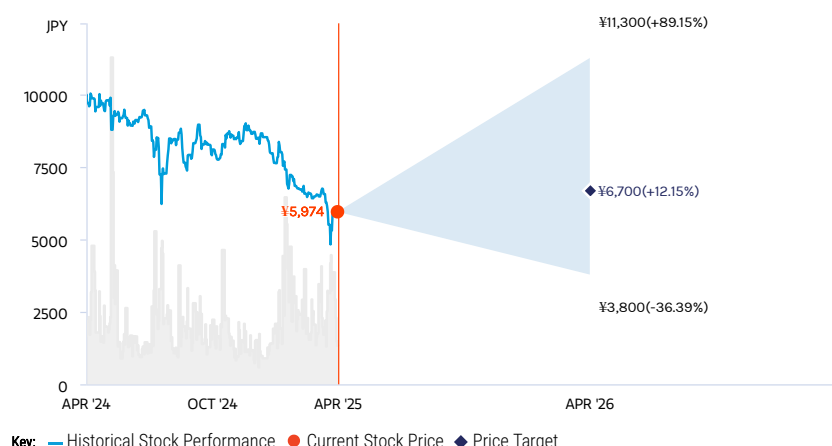
Based on sum-of-the-parts P/E multiple (11.5x) on our ¥579.0 F3/26 EPS estimate). Implied P/B, corresponding to the 11.5x P/E, is 1.3x.

#### Consensus Price Target Distribution

Source: Refinitiv, Morgan Stanley Research



### RISK REWARD CHART

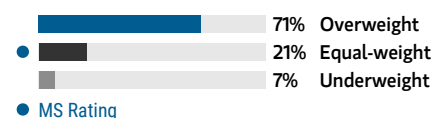


Source: Refinitiv, Morgan Stanley Research

### EQUAL-WEIGHT THESIS

- Offers stable growth with a domestic-oriented business portfolio and relative advantage in ROE, but needs to improve profitability in power electronics.
- xEV power semiconductors are the top growth driver, but falling margins due to xEV market slowdown contributing to worsening market sentiment.
- Expected to benefit from domestic data center-related demand.

#### Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

#### Risk Reward Themes

Electric Vehicles: *Positive*  
New Data Era: *Positive*

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

#### BULL CASE

¥11,300

F3/26e EPS ¥703.9 x P/E 16.0x

xEV power semiconductors and data center-related business expand faster than expected; ED&C and FA markets improve significantly; process automation also solid: F3/26e OP ¥147.2bn. We apply P/E of 16.0x (implied P/B: 2.2x).

#### BASE CASE

¥6,700

F3/26e EPS ¥579.0 x P/E 11.5x

ED&C components & FA recovery, and data center-related demand drive earnings, but profit decline continues for power chips: F3/26e OP ¥121.5bn. We apply 11.5x fair P/E based on sum-of-the-parts approach (implied P/B: 1.3x).

#### BEAR CASE

¥3,800

F3/26e EPS ¥420.2 x P/E 9.0x

Slow recovery for ED&C components and FA markets; market growth for xEV power semiconductors slows more than expected, surge in fixed costs crimps earnings: F3/26e OP ¥91.1bn. We apply P/E of 9.0x, which is the low multiple during the past 10 years (implied P/B: 0.8x).

## Risk Reward – Fuji Electric (6504.T)

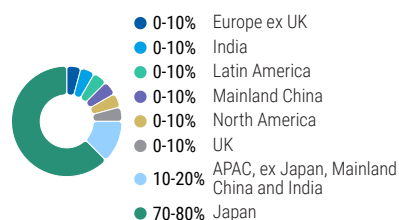
### KEY EARNINGS INPUTS

Drivers	2024	2025e	2026e	2027e
Operating Income in Semiconductor (¥, mn)	36,164	32,000	30,100	36,500
Operating Income in Industry (¥, mn)	34,264	38,300	41,200	45,000
Operating Income in Energy (¥, mn)	30,146	32,600	39,300	46,100
ROE (%)	13.5	14.2	12.1	12.8

### INVESTMENT DRIVERS

- Growth for power semiconductors, ED&C components, and FA.

### GLOBAL REVENUE EXPOSURE



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

### MS ALPHA MODELS

**3/5**  
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

- ED&C components and FA earnings might improve substantially versus our estimates.
- Orders for semiconductors used in xEVs and data center-related sales might expand faster than expected.

#### RISKS TO DOWNSIDE

- Sales and profit recovery in ED&C and FA might be slower than expected.
- Profitability might come under more pressure than expected from further growth slowdown in the xEV power semiconductor market.

### OWNERSHIP POSITIONING

Inst. Owners, % Active **80%**

Source: Refinitiv, Morgan Stanley Research

### MS ESTIMATES VS. CONSENSUS

FY Mar 2025e

**Sales / Revenue** (¥, bn) 1,112.0 **1,132.0** 1,140.0  
1,126.1

**EBITDA** (¥, bn) 167.8 **171** 177.3  
171.7

**Net income** (¥, bn) 83.5 **97** 87.6

**EPS** (¥) 584.6 **625.9** 627.2  
606.9

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

## Risk Reward Reference links

1. View explanation of Options Probabilities methodology - [Options\\_Probabilities\\_Exhibit\\_Link.pdf](#)
2. View descriptions of Risk Rewards Themes - [RR\\_Themes\\_Exhibit\\_Link.pdf](#)
3. View explanation of regional hierarchies - [GEG\\_Exhibit\\_Link.pdf](#)
4. View explanation of Theme/Exposure methodology - [ESG\\_Sustainable\\_Solutions\\_External\\_Link.pdf](#)
5. View explanation of HERS methodology - [ESG\\_HERS\\_External\\_Link.pdf](#)

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(as of March 31, 2025)

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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	1516	40%	387	46%	26%	694	40%
Equal-weight/Hold	1682	44%	380	45%	23%	805	47%
Not-Rated/Hold	3	0%	0	0%	0%	0	0%
Underweight/Sell	598	16%	81	10%	14%	227	13%
Total	3,799		848			1726	

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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Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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

Fuji Electric (6504.T) - As of 04/18/25 GMT in JPY  
Industry : Conglomerates



Stock Rating History: 4/1/20 : E/A; 10/27/20 : U/A; 2/26/21 : NA/A; 12/7/23 : E/A; 1/14/25 : E/I

Price Target History: 1/29/20 : 3400; 10/27/20 : 2800; 2/26/21 : NA; 12/7/23 : 6600; 4/18/24 : 10600; 7/11/24 : 10000;  
10/22/24 : 8700; 1/21/25 : 8800

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: Conglomerates

COMPANY (TICKER)	RATING (AS OF)	PRICE* (04/17/2025)
<b>Masatoshi Terashi</b>		
Ebara (6361.T)	O (12/04/2024)	¥1,985
Fuji Electric (6504.T)	E (12/07/2023)	¥5,974
Hitachi (6501.T)	E (01/30/2023)	¥3,362
IHI (7013.T)	E (02/03/2023)	¥10,695
Kawasaki Heavy Industries (7012.T)	E (04/16/2024)	¥8,104
<b>Yoshinao Ibara</b>		
Mitsubishi Electric (6503.T)	O (03/04/2010)	¥2,564
Mitsubishi Heavy Industries (7011.T)	O (04/26/2022)	¥2,630

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

\* Historical prices are not split adjusted.