JAPAN TECHNOLOGY: HARDWARE - INDUSTRIAL ELECTRONICS

Revisiting ratings/TPs: Focus on Japan-US valuation gap in optical stocks and Panasonic's competitive BBUs; downgrade Daihen to Neutral

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We revisit our ratings, earnings estimates, and target prices for companies in our industrial electronics sector coverage. We downgrade Daihen to Neutral, from Buy, from a relative valuation standpoint. Since Daihen was added to the Buy list on March 12, 2024, the share price has increased +99% (vs. TOPIX +53%). The largest upward revision to our 12-month target prices is for Panasonic HD, from ¥4,220 to ¥5,000. We lower our operating profit estimates for our sector coverage by 0.3%/0.4%/0.3% on average for FY3/27-FY3/29, and raise our 12-month target prices by an average of 3%.

Our view on the sector

Optical-related companies (Sumitomo Electric Industries, Fujikura, Furukawa Electric, SWCC, Anritsu)

For the three optical stocks which have been in focus among investors, Sumitomo Electric Industries (SEI), Fujikura, and Furukawa Electric, share prices have fluctuated significantly following the weakness in Fujikura's initial guidance and its subsequent major upward revision about a month later. Based on our conversations with investors, we believe this high volatility triggered some investors to exit the sector. However, we highlight the multiple gap between Japan and the US companies in this sector. The FY3/28E-based P/E (LSEG) is 36X for Fujikura, 28X for Furukawa Electric, and 24X for SEI, compared to 53X for Corning, 40X for Lumentum, and 40X for Coherent. We believe this gap will eventually correct, considering that the largest end-customers for all these companies are North American data centers and we believe there are significant differences in their fundamentals.

Our order of preference for the five Buy-rated optical stocks in our coverage heading into 1Q results is SEI, Anritsu, Fujikura, Furukawa Electric, and SWCC. We believe **SEI's** guidance for its infocommunications business has not fully factored in price revisions and other factors, which we see as an upside catalyst. Furthermore, with the easing of tensions in the Middle East, there may be some improvement in the automotive business, which accounts for a large portion of its profits. Its relatively low valuation is also a reassuring factor. For **Anritsu**, we expect strong orders from 3Q-4Q3/26 to translate into sales, its product mix to improve due to an increase in 200 G/Lane products, and some contribution from National Security-related and PCIe-related areas. Some points of concern include its rising valuation level and a slowdown in

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order momentum from 3Q-4Q3/26 (when there was a rebound from the impact of tariffs in 1Q-2Q). We expect **Fujikura**'s 1Q results to show strength, but we see limited potential for a further guidance hike as the company recently revised full-year guidance upward significantly. **Furukawa Electric** often provides strong guidance, so we think it is unlikely there will be a major upside surprise or a full-year upward revision in 1Q at least. Some investors have highlighted concerns about the risk of some form of financing that could lead to equity dilution, given that large-scale capacity expansion investments may be necessary in the future, while the company's financial position is not strong relative to the other two major optical companies. For **SWCC**, we think the key point will be when and to what extent it can reflect the impact of higher material costs, such as naphtha, in its prices. We are mindful of the possibility that price revision effects may not be fully reflected in 1H. On the other hand, progress with price revisions is likely in 2H, and it may also see contributions from semiconductor probe pins and optical ribbons.

Electrical machinery companies (Panasonic HD, Mitsubishi Electric, Hitachi, Daihen, Meidensha, Fuji Electric)

We believe **Panasonic HD** will continue to be recognized for its low valuation despite being an AI-related stock. Within the sector, it is similar to SEI, where its profit contribution from AI-related products is expanding rapidly, and we expect it to exceed 40% around FY3/29. Nevertheless, its FY3/28E-based P/E (LSEG) is 22X, which is lower than SEI's 24X. The undervaluation becomes even more apparent when compared to other AI-related stocks. We believe its battery backup units (BBUs) are highly competitive, highlighted by a high global market share of 80%, vertical integration from battery cells to systems, future utilization of US-produced batteries (from a geopolitical perspective), and the promotion of differentiation through a combination with capacitor backup units (CBUs). We think the risk for 1Q results is to what extent it has been able to absorb higher material costs in its white goods business. However, the company implemented fixed cost reductions in FY3/26, creating a structure more conducive to generating profits than the previous year. **Mitsubishi Electric**'s stock price has been somewhat weak recently, likely with the markets assuming that all the positive catalysts have been priced in following its medium-term plan announcement, the plan's OPM and ROE targets being somewhat weak compared to market expectations, and relatively tempered investor focus in the defense and space-related business. However, we think its FA and air conditioning businesses could show strength in 1Q results. We also note catalysts such as the business portfolio transformation through the restructuring of its automotive business, and the possibility of a share buyback announcement, which has not yet been made this year. **Hitachi** is uniquely positioned in terms of the potential for physical AI deployment in its infrastructure businesses such as railways and power grids, but we believe short-term catalysts are somewhat lacking. Also, while the company has announced that it may consider M&A, we believe the share price could react negatively depending on the acquisition price. We believe the next turning point could be if product developments related to 800 V DC for data centers are confirmed toward the end of the year. For **Daihen**, power-related equipment and high-frequency power supplies for SPE are the key drivers, but we believe the earnings contribution from these have been priced into the stock to some extent. Also, even if SPE is the key driver, its multiple has often lagged that of Tokyo Electron in recent years. Its FY3/28E-based P/E (LSEG) is 22X, which we do not consider to be at an undervalued level, and we accordingly downgrade the stock to Neutral, from Buy. For **Meidensha**, actual delivery volumes of EV motors and inverters could be affected by the production trends of its

major customers, but we think overseas power-related businesses and vacuum capacitors for SPE will be the drivers. For **Fuji Electric**, the energy business, which has driven margin improvement in the recent results, already had a high OPM of 15.1% in FY3/26, so we think future room for improvement is limited. In power semiconductors, we expect business from the European automotive sector to continue to struggle, and competition with Chinese companies to continue in the industrial sector as well.

Exhibit 1: Our old vs. new 12-month target prices and our operating profit estimates

Japan Industrial Electronics (mnJPY)

Company	Tickers	Rating	Target price			FY3/27E			FY3/28E			FY3/29E		
			Old	New	Diff.	Old	New	Diff.	Old	New	Diff.	Old	New	Diff.
Furukawa E.	5801.T	Buy	7,600	7,200	-5%	101,344	98,443	-3%	168,250	156,883	-7%	252,622	234,066	-7%
Fujikura	5803.T	Buy	7,600	7,500	-1%	344,845	342,838	-1%	440,581	438,079	-1%	592,802	589,481	-1%
Sumitomo E.	5802.T	Buy	3,125	3,400	9%	458,700	472,300	3%	565,800	589,000	4%	695,000	731,500	5%
SWCC	5805.T	Buy	17,500	16,200	-7%	30,830	29,640	-4%	39,970	37,950	-5%	45,419	43,117	-5%
Hitachi	6501.T	Buy	6,100	6,300	3%	1,372,532	1,373,532	0%	1,557,385	1,559,285	0%	1,749,032	1,754,732	0%
Anritsu	6754.T	Buy	4,700	5,300	13%	21,200	21,440	1%	28,150	28,460	1%	34,340	34,720	1%
Mitsubishi E.	6503.T	Buy	7,000	7,400	6%	607,000	612,000	1%	701,000	710,000	1%	808,000	822,000	2%
Panasonic HD	6752.T	Buy	4,220	5,000	18%	569,442	576,242	1%	726,729	789,306	9%	916,239	994,457	9%
Daihen	6622.T	Neutral	20,900	19,000	-9%	29,630	29,130	-2%	36,830	34,330	-7%	43,330	40,230	-7%
Meidensha	6508.T	Neutral	10,200	10,200	0%	32,200	32,000	-1%	36,400	36,000	-1%	40,900	40,200	-2%
Fuji E.	6504.T	Sell	11,300	12,000	6%	141,500	141,900	0%	157,900	159,200	1%	172,800	175,100	1%
Average					*3%*			*0%*			*0%*			*0%*

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: Our old vs. new earnings estimate comparison for 11 coverage companies

Sales	OLD			NEW			% Change		
(mn JPY)	3/2027E	3/2028E	3/2029E	3/2027E	3/2028E	3/2029E	3/2027E	3/2028E	3/2029E
Furukawa E.	1,398,200	1,701,200	2,027,600	1,338,600	1,555,700	1,797,400	*-4%*	*-9%*	*-11%*
Fujikura	1,592,800	1,918,800	2,356,700	1,587,600	1,912,100	2,347,800	*0%*	*0%*	*0%*
Sumitomo E.	5,354,420	5,751,680	6,248,920	5,356,920	5,765,180	6,279,820	*0%*	*0%*	*0%*
SWCC	338,050	368,035	405,471	333,350	362,995	400,102	*-1%*	*-1%*	*-1%*
Hitachi	11,356,000	12,341,400	13,439,000	11,359,500	12,349,500	13,465,600	*0%*	*0%*	*0%*
Anritsu	136,440	154,910	171,825	136,640	155,310	172,425	*0%*	*0%*	*0%*
Mitsubishi E.	6,174,000	6,586,000	7,057,000	6,186,000	6,609,000	7,095,000	*0%*	*0%*	*1%*
Panasonic HD	7,741,242	8,209,193	8,905,882	7,741,242	8,296,360	8,888,860	*0%*	*1%*	*0%*
Daihen	288,854	313,389	341,001	288,854	313,308	340,832	*0%*	*0%*	*0%*
Meidensha	350,712	375,400	402,640	350,712	375,400	402,640	*0%*	*0%*	*0%*
Fuji E.	1,269,500	1,347,700	1,429,300	1,272,351	1,356,277	1,445,452	*0%*	*1%*	*1%*
Avg.							*0%*	*-1%*	*-1%*

OP	OLD			NEW			% Change		
(mn JPY)	3/2027E	3/2028E	3/2029E	3/2027E	3/2028E	3/2029E	3/2027E	3/2028E	3/2029E
Furukawa E.	101,344	168,250	252,622	98,443	156,883	234,066	*-3%*	*-7%*	*-7%*
Fujikura	344,845	440,581	592,802	342,838	438,079	589,481	*-1%*	*-1%*	*-1%*
Sumitomo E.	458,700	565,800	695,000	472,300	589,000	731,500	*3%*	*4%*	*5%*
SWCC	30,830	39,970	45,419	29,640	37,950	43,117	*-4%*	*-5%*	*-5%*
Hitachi	1,372,532	1,557,385	1,749,032	1,373,532	1,559,285	1,754,732	*0%*	*0%*	*0%*
Anritsu	21,200	28,150	34,340	21,440	28,460	34,720	*1%*	*1%*	*1%*
Mitsubishi E.	607,000	701,000	808,000	612,000	710,000	822,000	*1%*	*1%*	*2%*
Panasonic HD	569,442	726,729	916,239	576,242	789,306	994,457	*1%*	*9%*	*9%*
Daihen	29,630	36,830	43,330	29,130	34,330	40,230	*-2%*	*-7%*	*-7%*
Meidensha	32,200	36,400	40,900	32,000	36,000	40,200	*-1%*	*-1%*	*-2%*
Fuji E.	141,500	157,900	172,800	141,900	159,200	175,100	*0%*	*1%*	*1%*
Avg.							*0%*	*0%*	*0%*

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: Valuations of industrial electronics companies

	TP	Rating	Upside / Downside	Valuation methodology	Implied EV/EBITDA			Implied P/E			Implied PBR			Historical EV/EBITDA			Historical P/E			Historical PBR		
					FY3/27	FY3/28	FY3/29	FY3/27	FY3/28	FY3/29	FY3/27	FY3/28	FY3/29	3Y	5Y	10Y	3Y	5Y	10Y	3Y	5Y	10Y
Furukawa E.	7,200	Buy	85%	EV/EBITDA 25.0x	37.3	25.0	17.8	61.5	40.5	27.9	10.5	8.6	6.8	10.9	9.6	8.6	18.6	15.5	14.1	1.9	1.3	1.2
Fujikura	7,500	Buy	40%	EV/EBITDA 25.0x	32.5	25.0	18.8	46.6	35.5	25.8	18.2	15.6	12.8	13.5	10.0	8.2	20.1	NA	NA	5.3	3.5	2.2
Sumitomo E.	3,400	Buy	31%	EV/EBITDA 13.0x	15.5	13.0	10.8	28.6	23.0	18.5	4.0	3.6	3.3	7.2	6.6	6.2	14.5	12.7	12.2	1.4	1.1	0.9
SWCC	16,200	Buy	31%	EV/EBITDA 11.5x	14.2	11.5	10.3	25.6	19.5	17.0	4.1	3.6	3.4	9.1	7.8	7.4	13.7	10.8	9.9	2.3	1.7	1.2
Hitachi	6,300	Buy	31%	EV/EBITDA 13.0x	14.4	13.0	11.9	29.3	25.2	21.9	4.1	3.9	3.8	10.9	9.2	7.0	21.5	17.5	13.5	2.7	2.1	1.8
Anritsu	5,300	Buy	25%	EV/EBITDA 17.0x	21.6	17.0	14.3	40.8	30.5	24.8	5.2	4.8	4.0	9.8	8.7	10.6	20.2	17.5	23.5	1.8	1.8	2.1
Mitsubishi E.	7,400	Buy	22%	EV/EBITDA 14.0x	15.7	14.0	12.6	30.6	26.0	22.1	3.2	3.0	2.8	9.8	8.0	7.2	18.3	16.2	15.2	1.8	1.3	1.4
Panasonic HD	5,000	Buy	10%	EV/EBITDA 9.0x	11.4	9.0	7.1	25.6	18.2	14.1	2.1	1.9	1.7	5.6	5.4	5.1	10.5	10.7	12.3	0.9	0.8	1.1
Daihen	19,000	Neutral	11%	EV/EBITDA 12.0x	13.6	12.0	10.3	21.5	18.2	15.5	2.7	2.4	2.2	10.2	8.8	8.2	13.4	11.8	12.1	1.4	1.2	1.2
Meidensha	10,200	Neutral	7%	EV/EBITDA 9.0x	10.2	9.0	8.2	18.8	16.7	14.9	2.4	2.2	2.0	7.1	6.6	6.2	13.9	12.7	11.9	1.5	1.3	1.2
Fuji E.	12,000	Sell	-11%	EV/EBITDA 8.0x	8.6	8.0	7.3	17.3	15.4	14.0	2.1	1.9	1.8	7.8	7.8	7.8	14.9	14.5	13.9	1.8	1.7	1.6
Sector average			**26%**		**17.7**	**14.2**	**11.8**	**31.5**	**24.4**	**19.7**	**5.3**	**4.7**	**4.0**	**9.3**	**8.0**	**7.5**	**16.3**	**14.0**	**13.8**	**2.0**	**1.6**	**1.4**

	Price 7/6/2026	Rating	Upside / Downside	Valuation methodology	Current EV/EBITDA			Current P/E			Current PBR		
					FY3/27	FY3/28	FY3/29	FY3/27	FY3/28	FY3/29	FY3/27	FY3/28	FY3/29
Furukawa E.	3,888	Buy	85%	EV/EBITDA 25.0x	20.9	14.0	10.0	33.2	21.9	15.1	5.7	4.7	3.7
Fujikura	5,354	Buy	40%	EV/EBITDA 25.0x	23.7	18.3	13.7	33.3	25.3	18.4	13.0	11.2	9.2
Sumitomo E.	2,593	Buy	31%	EV/EBITDA 13.0x	12.1	10.1	8.4	21.8	17.5	14.1	3.1	2.8	2.5
SWCC	12,380	Buy	31%	EV/EBITDA 11.5x	10.8	8.7	7.8	19.6	14.9	13.0	3.1	2.7	2.6
Hitachi	4,805	Buy	31%	EV/EBITDA 13.0x	11.6	10.5	9.6	22.4	19.2	16.7	3.1	3.0	2.8
Anritsu	4,225	Buy	25%	EV/EBITDA 17.0x	17.5	13.7	11.5	32.5	24.3	19.8	4.1	3.8	3.2
Mitsubishi E.	6,043	Buy	22%	EV/EBITDA 14.0x	13.5	12.1	10.8	25.0	21.2	18.0	2.6	2.4	2.3
Panasonic HD	4,557	Buy	10%	EV/EBITDA 9.0x	11.6	9.3	7.2	23.4	16.6	12.8	1.9	1.8	1.6
Daihen	17,160	Neutral	11%	EV/EBITDA 12.0x	11.8	10.3	8.9	19.4	16.4	14.0	2.4	2.2	2.0
Meidensha	9,510	Neutral	7%	EV/EBITDA 9.0x	9.4	8.3	7.5	17.6	15.6	13.9	2.2	2.0	1.8
Fuji E.	13,480	Sell	-11%	EV/EBITDA 8.0x	9.4	8.7	8.0	19.5	17.3	15.8	2.4	2.2	2.0
Sector average					**13.8**	**11.3**	**9.4**	**24.3**	**19.1**	**15.6**	**4.0**	**3.5**	**3.0**

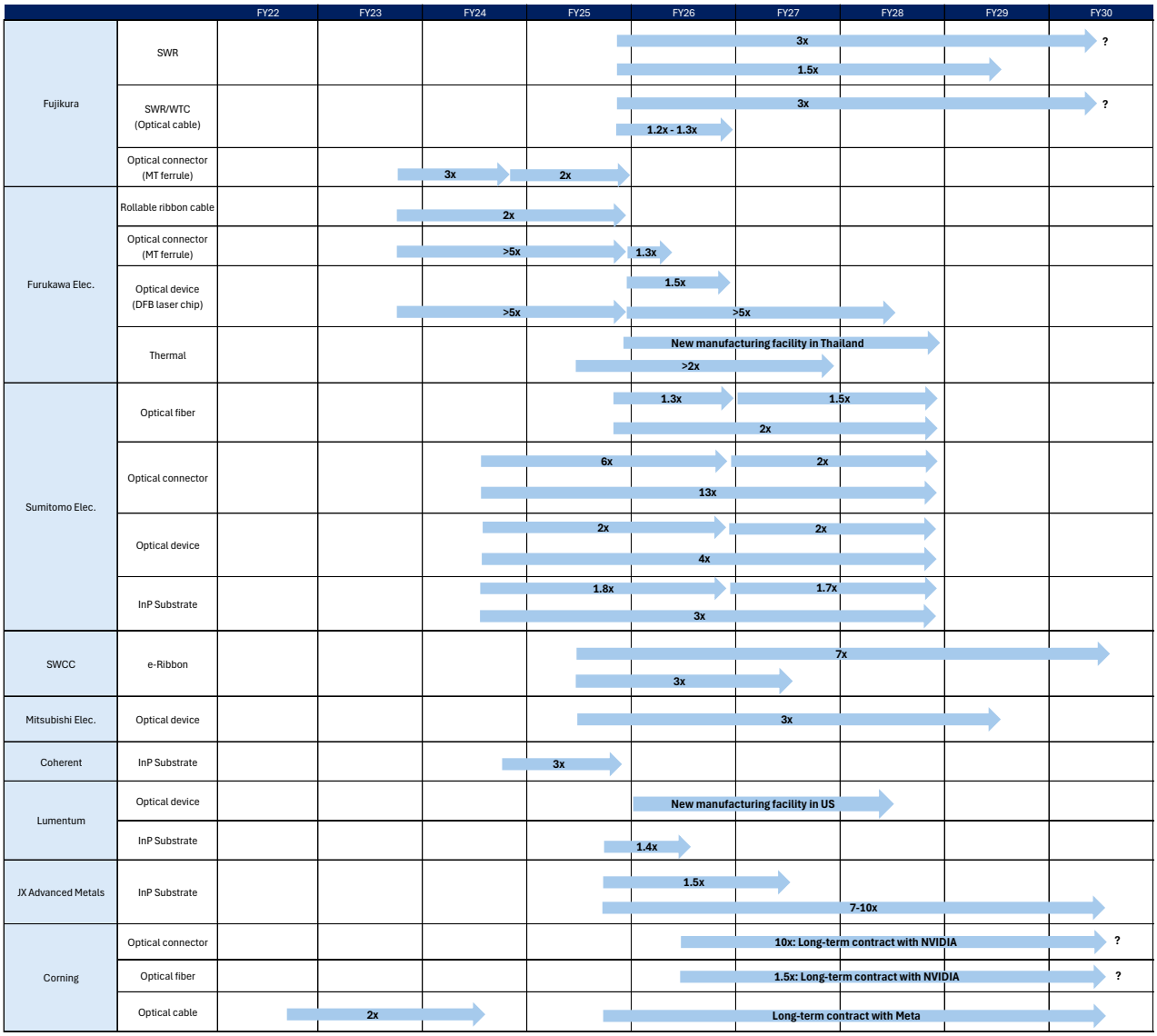
Source: Company data, LSEG Data & Analytics, Goldman Sachs Global Investment Research

Exhibit 4: Breakdown of target price changes

	Rating		TP			B/S update	Earnings revision	Multiple	Others	Price	New
	OLD	NEW	OLD	NEW	% Chg					7/6	Upside
Furukawa E.	Buy	Buy	7,600	7,200	-5%	0%	-5%	0%	0%	3,888	85%
Fujikura	Buy	Buy	7,600	7,500	-1%	0%	-1%	0%	0%	5,354	40%
Sumitomo E.	Buy	Buy	3,125	3,400	9%	2%	3%	3%	0%	2,593	31%
SWCC	Buy	Buy	17,500	16,200	-7%	-2%	-5%	0%	0%	12,380	31%
Hitachi	Buy	Buy	6,100	6,300	3%	5%	0%	0%	-2%	4,805	31%
Anritsu	Buy	Buy	4,700	5,300	13%	0%	0%	13%	0%	4,225	25%
Mitsubishi E.	Buy	Buy	7,000	7,400	6%	-1%	1%	6%	0%	6,043	22%
Panasonic HD	Buy	Buy	4,220	5,000	18%	2%	7%	9%	1%	4,557	10%
Daihen	Buy	Neutral	20,900	19,000	-9%	-8%	-2%	0%	0%	17,160	11%
Meidensha	Neutral	Neutral	10,200	10,200	0%	2%	-1%	0%	-1%	9,510	7%
Fuji E.	Sell	Sell	11,300	12,000	6%	-3%	1%	0%	8%	13,480	-11%

Source: Company data, LSEG Data & Analytics, Goldman Sachs Global Investment Research

Exhibit 5: Optical-related production increase plans



Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Daihen: Downgrade to Neutral from Buy on valuation; power supplies for SPE remain a driver, but multiple lower than an SPE stock

6622.T	12m Price Target: ¥19000	Price: ¥17160	Upside: 10.7%

Neutral

Market cap: ¥405.1bn / $2.5bn
Enterprise value: ¥422.4bn / $2.6bn
3m ADTV :¥3.8bn/ $23.7mn
Japan
Japan Industrial Electronics
M&A Rank: 3

GS Forecast

	3/26	3/27E	3/28E	3/29E
Revenue (¥ bn)	237.7	288.9	313.3	340.8
Op. profit (¥ bn) New	**18.8**	**29.1**	**34.3**	**40.2**
Op. profit (¥ bn) Old	18.8	29.6	36.8	43.3
Op. profit CoE (¥ bn)	18.5	25.0	--	--
EPS (¥) New	**597.6**	**885.2**	**1,046.0**	**1,228.4**
EPS (¥) Old	597.6	900.6	1,123.3	1,324.3
P/E (X)	14.8	19.4	16.4	14.0
P/B (X)	1.7	2.4	2.2	2.0
CROCI (%)	6.5	9.1	10.8	11.7

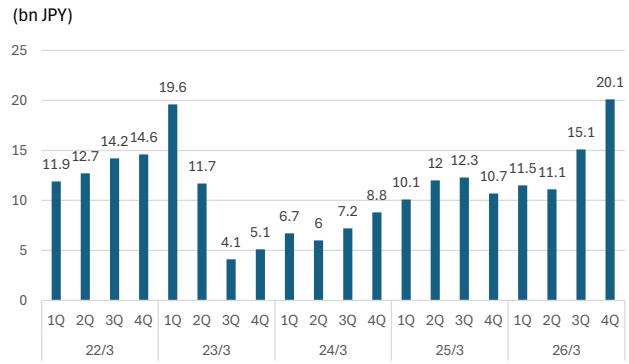
	3/26	6/26E	9/26E	12/26E
EPS (¥)	200.9	145.2	190.0	232.6

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 06 Jul 2026 close.

We downgrade Daihen to Neutral, from Buy. Our rating downgrade is driven by (1) recent share price appreciation limiting upside potential to TP, relative to coverage, and (2) even if the earnings contribution from high-frequency power supplies for SPE increases, the contribution to multiple expansion is likely to be limited, and its customer, Tokyo Electron, may be preferred given its more direct exposure to SPE. We lower our earnings estimates, mainly for energy management, to factor in the impact of higher material costs. Accordingly, we lower our operating profit estimates for FY3/27-FY3/29 by 2%/7%/7%. We also reflect the latest balance sheet results, and lower our 12-month target price to ¥19,000, from ¥20,900. Our revised 12m TP implies +11% upside potential vs.the sector coverage average at +26%.

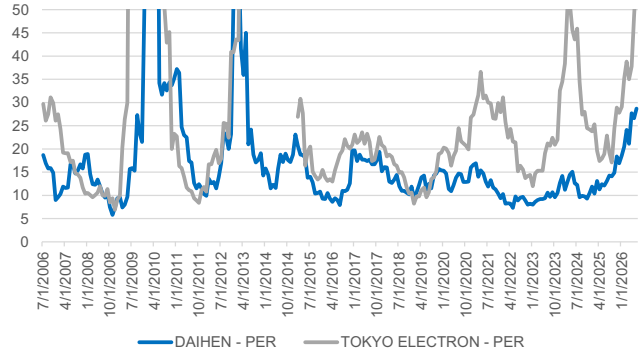
For us to become more positive on the stock, we would need to see: (1) margin improvement in the power equipment business, such as the expansion of Synergy Link, which has the potential for higher margins, and overseas business expansion; (2) an expansion in the margin and earnings contribution of the SPE business (such as high-frequency power supplies for SPE and wafer transfer systems), which has the potential for high multiples; and (3) a turnaround in the FA business, including the acquired European companies.

Exhibit 6: Orders for high-frequency power supplies for SPE have risen to a record high, but...
Orders for high-frequency power supplies for SPE



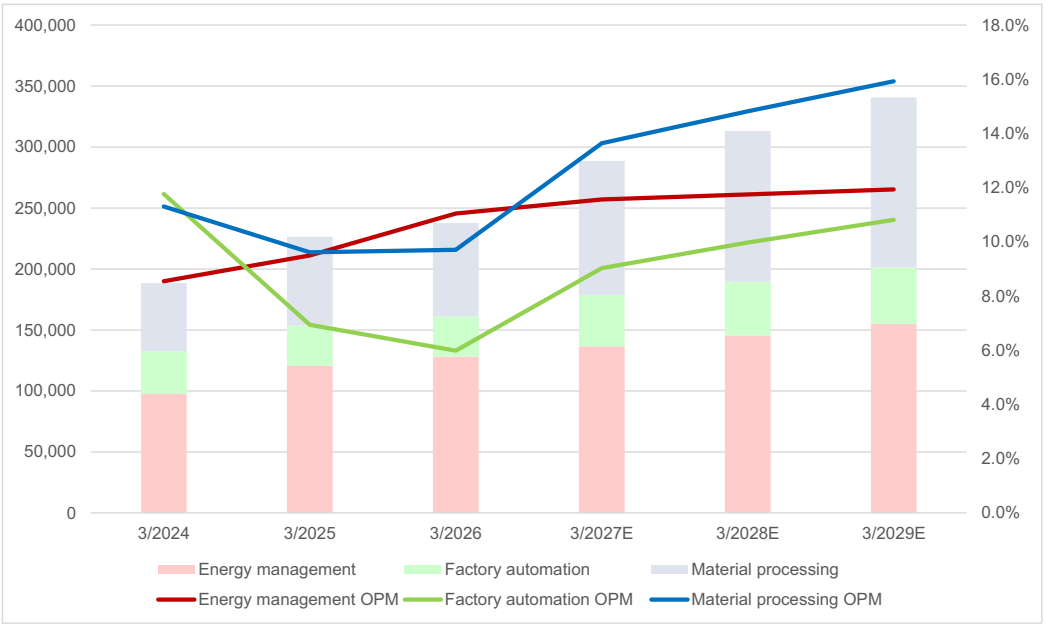
Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Exhibit 7: ...Daihen's recent multiple has lagged that of Tokyo Electron
P/Es for Daihen and Tokyo Electron



Source: LSEG Data & Analytics, Goldman Sachs Global Investment Research

Exhibit 8: An earnings structure driven by material processing, including SPE power supplies
Daihen: Sales and operating margin by business (mn JPY, %)



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 9: Daihen: Financial summary

Profit model (¥bn)	3/25	3/26	3/27E	3/28E	3/29E
Revenue	226.4	237.7	288.9	313.3	340.8
Cost of goods sold	-162.5	-169.2	-202.0	-216.3	-232.4
Gross profit	63.9	68.5	86.9	97.0	108.4
SG&A and other					
Operating profit	16.2	18.8	29.1	34.3	40.2
Net interest income/(expense)	-0.1	-0.7			
Equity in earnings of affiliates					
Net other nonoperating inc/(exp)					
Recurring profit					
Extraordinary income					
Extraordinary expense					
Pretax profit	17.8	21.7	30.7	35.9	41.8
Income tax	-4.9	-6.1	-8.3	-9.7	-11.3
Minority interest	-1.0	-1.5	-1.5	-1.5	-1.5
Net income	12.0	14.1	20.9	24.7	29.0
Capital expenditures (excl. leases)					
Capital expenditures (incl. leases)	-9.7	-9.5	-9.5	-9.5	-10.0
Depreciation & amortization	-6.5	-6.5	-6.3	-6.2	-6.5
EPS (basic) (¥)	500.4	597.6	885.2	1,046.0	1,228.4
EPS (fully diluted) (¥)					
BVPS (¥)	4,917.1	5,264.9	7,159.9	7,905.9	8,784.3
DPS (¥)	165.0	180.0	250.0	300.0	350.0
Dividend payout ratio (%)	33.0	30.1	28.2	28.7	28.5

Year-on-year change (%)	3/25	3/26	3/27E	3/28E	3/29E
Revenue	20.0	5.0	21.5	8.5	8.8
Operating profit	6.8	16.1	55.1	17.9	17.2
Recurring profit	NM	NM	NM	NM	NM
Net income	-27.5	18.0	48.1	18.2	17.4
EPS (basic)	-25.9	19.4	48.1	18.2	17.4
EPS (fully diluted)	NM	NM	NM	NM	NM

Margins (%)	3/25	3/26	3/27E	3/28E	3/29E
Operating profit	7.1	7.9	10.1	11.0	11.8
EBITDA	10.0	10.6	12.3	12.9	13.7
Recurring profit	NM	NM	NM	NM	NM
Net income	5.3	5.9	7.2	7.9	8.5

Cash flow statement (¥bn)	3/25	3/26	3/27E	3/28E	3/29E
Net income	12.0	14.1	20.9	24.7	29.0
D&A add-back	6.5	6.5	6.3	6.2	6.5
Minority interest add-back					
Net (inc)/dec in working capital	1.7	-15.5	21.8	-9.9	-11.1
Other operating cash flow	3.9	-0.2	1.5	1.5	1.5
Cash flow from operations	24.0	4.9	50.5	22.5	25.9
Capital expenditures (incl. leases)	-9.7	-9.5	-9.5	-9.5	-10.0
Purchases of long-term securities	-0.1	-0.2			
Sales of long-term securities					
Other investing cash flow	0.2	-1.1	0.0	0.0	0.0
Cash flow from investments	-9.6	-10.8	-9.5	-9.5	-10.0
Dividends paid (common & preferred)	-4.0	-4.0	-5.9	-7.1	-8.3
Incr./(decr.) in debt	2.3	15.1			
Common stock issuance	-3.9	-3.6			
Other financing cash flow	-1.7	2.1	-1.5	-1.5	-1.5
Cash flow from financing	-7.4	9.7	-7.4	-8.6	-9.8
Total cash flow	7.0	3.8	33.6	4.4	6.1

Balance sheet (¥bn)	3/25	3/26	3/27E	3/28E	3/29E
Cash & equivalents					
Accounts receivable	55.5	58.5	69.8	75.7	82.4
Inventory	101.7	109.2	108.3	117.5	127.8
Other current assets					
Total current assets	193.6	209.8	253.8	273.3	296.4
Net PP&E	53.0	60.2	63.4	66.7	70.2
Net intangibles	5.1	5.3	5.3	5.3	5.3
Total investments	35.9	42.2	42.2	42.2	42.2
Other long-term assets	2.7	2.6	2.6	2.6	2.6
Total assets	290.2	320.2	367.4	390.2	416.8
Accounts payable	36.8	29.2	61.4	66.6	72.4
Short-term debt	30.0	48.1	48.1	48.1	48.1
Other current liabilities	20.0	24.5	24.5	24.5	24.5
Total current liabilities	86.9	101.8	134.0	139.2	145.1
Long-term debt	38.9	36.9	36.9	36.9	36.9
Other long-term liabilities	11.2	10.7	10.7	10.7	10.7
Total long-term liabilities	50.1	47.6	47.6	47.6	47.6
Total liabilities	136.9	149.4	181.6	186.8	192.7
Minority interest	14.9	16.7	16.7	16.7	16.7
Total common equity	138.4	154.0	169.0	186.6	207.4
Total liabilities & equity	290.2	320.2	367.4	390.2	416.8
Net debt	38.6	50.9	17.3	12.9	6.8

Ratios	3/25	3/26	3/27E	3/28E	3/29E
CROCI (%)	7.4	6.5	9.1	10.8	11.7
ROE (%)	9.2	10.3	12.8	12.7	13.6
ROA (%)	4.2	4.6	6.1	6.5	7.2
Net debt/equity (%)	29.1	36.1	9.3	6.3	3.0
Interest coverage ratio (X)	17.9	17.0			

Valuation	3/25	3/26	3/27E	3/28E	3/29E
P/E (X)	15.1	14.8	19.4	16.4	14.0
EV/EBITDA (X)	19.6	18.0	11.9	10.3	8.8
EV/GCI (X)	0.7	0.8	1.4	1.4	1.3
P/B (X)	1.5	1.7	2.4	2.2	2.0
Dividend yield (%)	2.2	2.0	1.5	1.7	2.0
FCF yield (%)	3.5	- 1.1	10.1	3.2	3.9

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Global Investment Research

Upside/downside Risks

- Material processing: Acceleration or deterioration of the semiconductor/semiconductor production equipment market.
- Energy management: An increase/decrease in various replacement demand from power companies and others, or shifts in the timing for booking sales due to progress or delays in construction work. Favorable/unfavorable progress in the PMI of acquired companies Tohoku Electric Manufacturing and Shihen Technical.
- Factory automation: A greater-than-expected increase/decrease in capex, mainly from the automotive sector. A faster-/slower than-expected turnaround of the acquired European welding machine manufacturer.
- Company-wide: Forex fluctuations.

Earnings estimate revisions, target prices, and valuations

Earnings estimate revisions

Furukawa Electric: We lower our earnings estimates for the Optical Solutions and Information Components businesses, and cut our FY3/27-FY3/29 operating profit estimates by 3%/7%/7%. Our estimates factor in the impact of higher raw material prices such as for optical fiber and copper.

Fujikura: We lower our earnings estimates mainly for the Telecommunications business and cut our FY3/27-FY3/29 operating profit estimates by 1%/1%/1%. Our estimates factor in the impact of slightly higher raw material prices, including for optical fiber.

Sumitomo Electric: We lower our estimates for the Automotive business, while raising our estimates for the Infocommunications business. We raise our FY3/27-FY3/29 operating profit estimates by 3%/4%/5%. For the Infocommunications business, we factor in strong data center-related demand for multi-core optical cables, optical connectors, and optical devices. For the Automotive business, we reflect the impact of higher raw material prices stemming from the situation in the Middle East.

SWCC: We lower our earnings estimates for the Energy & Infrastructure and Communication & Components businesses, and cut our FY3/27-FY3/29 operating profit estimates by 4%/5%/5%. Our estimates reflect the impact of higher raw material prices due to the situation in the Middle East.

Hitachi: We raise our earnings estimates for the Energy business, and raise our FY3/27-FY3/29 operating profit estimates by 0.1%/0.1%/0.3%. Our estimates slightly factor in profitability improvement in the Grid Integration business.

Anritsu: We raise our earnings estimates for the Test & Measurement business, and raise our FY3/27-FY3/29 operating profit estimates by 1%/1%/1%. Our estimates factor in strong data center-related demand, including for optical transceiver test equipment.

Mitsubishi Electric: We raise our earnings estimates for the Social Infrastructure Systems, Energy Systems, and Air-Conditioning & Home Appliances businesses, and raise our FY3/27-FY3/29 operating profit estimates by 1%/1%/2%. Our estimates factor in earnings growth for UPS, power equipment, and applied air conditioning, against a backdrop of strong data center-related demand.

Panasonic HD: We raise our earnings estimates for the Energy business, and raise our FY3/27-FY3/29 operating profit estimates by 1%/9%/9%. Our estimates factor in BBU earnings growth against a backdrop of strong data center demand.

Daihen: We lower our earnings estimates mainly for the Energy Management business, and cut our FY3/27-FY3/29 operating profit estimates by 2%/7%/7%. Our estimates factor in the impact of higher raw material prices.

Meidensha: We lower our earnings estimates for the Power Infrastructure business, and cut our FY3/27-FY3/29 operating profit estimates by 1%/1%/2%. Our estimates factor in the impact of higher raw material prices.

Fuji Electric: We raise our earnings estimates for the Energy business, and raise our FY3/27-FY3/29 operating profit estimates by 0%/1%/1%. Our estimates factor in

profitability improvement in facility power supplies against a backdrop of strong data center demand.

Target prices and valuations

Furukawa Electric: We lower our 12-month target price to ¥7,200, from ¥7,600 (the company implemented a 10-for-1 stock split effective July 1). We maintain our target EV/EBITDA multiple of 25X. Our valuation base year remains FY3/28E.

Fujikura: We lower our 12-month target price to ¥7,500, from ¥7,600. We maintain our target EV/EBITDA multiple of 25X. Our valuation base year remains FY3/28E.

Sumitomo Electric: We raise our 12-month target price to ¥3,400, from ¥3,125 (the company implemented a 4-for-1 stock split effective July 1). We raise our target EV/EBITDA multiple to 13X, from 12X as we reflect a higher multiple for Infocomm segment in our SoTP. Our valuation base year remains FY3/28E.

SWCC: We lower our 12-month target price to ¥16,200, from ¥17,500. We maintain our target EV/EBITDA multiple of 11.5X. Our valuation base year remains FY3/28E.

Hitachi: We raise our 12-month target price to ¥6,300, from ¥6,100. We maintain our target EV/EBITDA multiple of 13X. Our valuation base year remains FY3/28E.

Anritsu: We raise our 12-month target price to ¥5,300, from ¥4,700. We raise our target EV/EBITDA multiple to 17X, from 15X, as we mark-to-market vs. global optics peers. Our valuation base year remains FY3/28E.

Mitsubishi Electric: We raise our 12-month target price to ¥7,400, from ¥7,000. We raise our target EV/EBITDA multiple to 14X, from 13X, as we mark-to-market vs. global electrical machinery peers. Our valuation base year remains FY3/28E.

Panasonic HD: We raise our 12-month target price to ¥5,000, from ¥4,220. We raise our target EV/EBITDA multiple to 9X, from 8.5X, based on mark-to-market of historical correlation between EV/EBITDA and EBITDA margin. Our valuation base year remains FY3/28E.

Daihen: We lower our 12-month target price to ¥19,000, from ¥20,900. We maintain our target EV/EBITDA multiple of 12X. Our valuation base year remains FY3/28E.

Meidensha: We retain our 12-month target price of ¥10,200. We maintain our target EV/EBITDA multiple of 9X. Our valuation base year remains FY3/28E.

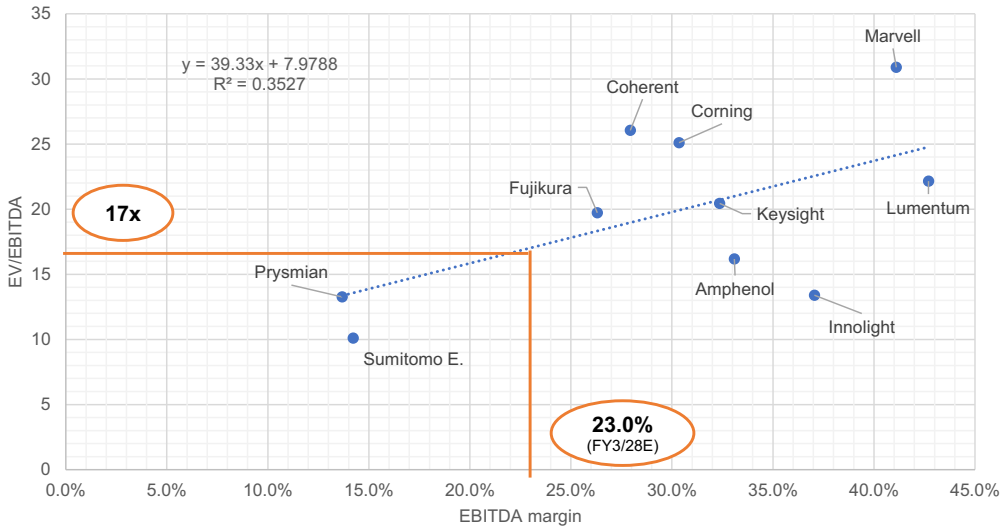
Fuji Electric: We raise our 12-month target price to ¥12,000, from ¥11,300. We maintain our target EV/EBITDA multiple of 8X. Our valuation base year remains FY3/28E.

Exhibit 10: Target multiple of 13X
Sumitomo Electric Industries: SOTP

Business segment	% of total (EBITDA)	Multiple (EV/EBITDA)	Comps
Automotive	39%	5.0	Denso, Aptiv, Lear
Information & Communication	35%	24.0	Fujikura, Corning, Coherent, Innolight, Lumentum, YOFC, Amphenol
Electronics	7%	13.0	Fujikura, NOK, Zhen Ding, Furukawa E.
Environment & Energy	12%	12.0	NKT, Prysmian, Furukawa E.
Industrial material & others	7%	7.0	Sumitomo Metal Mining, Nippon Steel, Kobe Steel
Target multiple (Weighted average)		**13.0**	

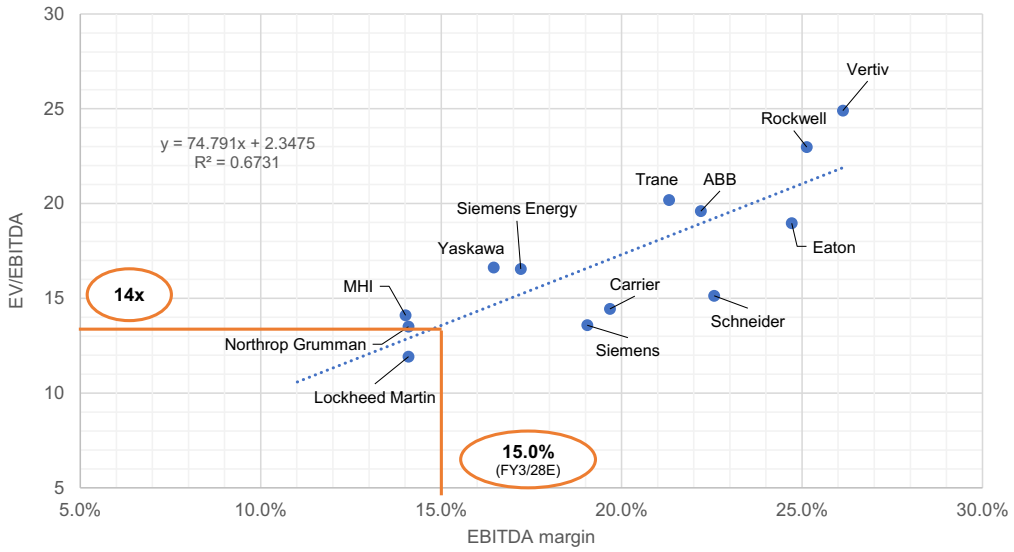
Source: LSEG Data & Analytics, Company data, Goldman Sachs Global Investment Research

Exhibit 11: Target multiple of 17X
Anritsu: Valuation



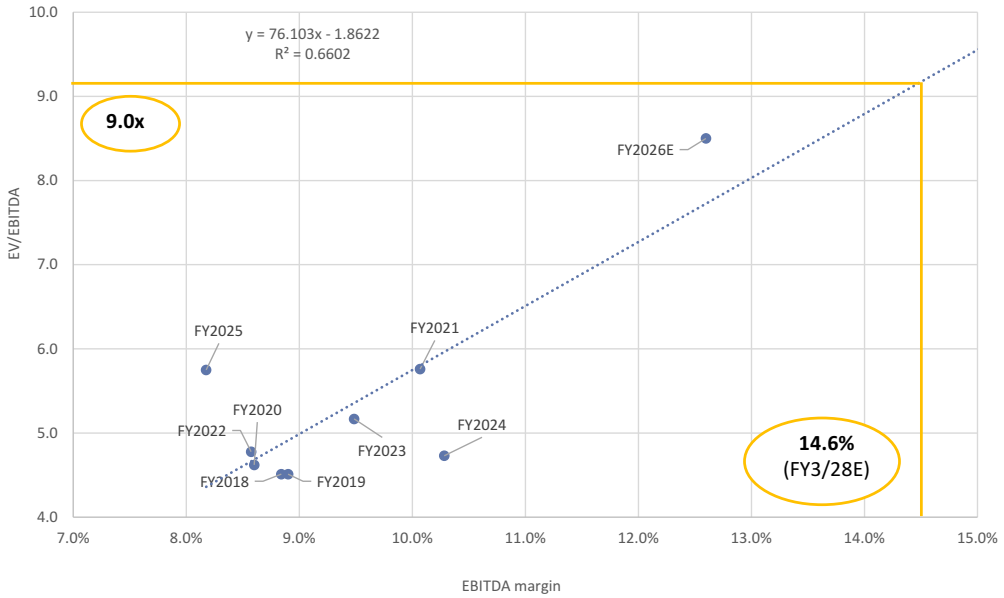
Source: LSEG Data & Analytics

Exhibit 12: Target multiple of 14X
Mitsubishi Electric: Valuation



Source: LSEG Data & Analytics

Exhibit 13: Target multiple of 9X
Panasonic HD: Valuation



Source: LSEG Data & Analytics

Appendix: Investment Theses and Price Target Risks and Methodology

Investment Thesis - Furukawa Electric
Furukawa Electric is involved in a broad range of businesses including communications solutions, energy infrastructure, and electronics & automotive systems. The company supplies products for generative AI and data centers in its communications solutions and functional products segments. Profitability in communications solutions is currently improving, as Furukawa Fitel Optical Components (FFOC), which was previously loss-making, has returned to profitability, and the business is benefiting from increased demand for optical cables for DC applications. In FY3/27, we believe that rollable ribbon, operations in which started between late January into February 2026, should begin to contribute meaningfully to operating profits. In addition, the company is at a stage where it is catching up in high-performance copper foil, where it had lagged for AI applications, and is seeing overlapping growth from areas like liquid cooling thermal products. As a result, although its OPM is lower than competitors, we expect investors will be focusing on the company's outlook for robust profit growth going forward. We are Buy rated.

Price Target Risks and Methodology - Furukawa Electric
Our 12-month target price is ¥7,200. We apply an EV/EBITDA multiple of 25.0X (FY3/28E, based on the correlation between EV/EBITDA and EBITDA growth rate for domestic and overseas competitors). We are Buy rated. Risks: **Communications solutions:** If sales expansion of high-margin optical products for data centers does not proceed as expected and there is no improvement in profits. If the profitability of the acquired Furukawa FITEL Optical Components (FFOC) deteriorates again due to factors such as changes in competitiveness. If generative AI data center investment slows for reasons such as delays in data center construction due to supply shortages of some essential products, or if investment in generative AI data centers starts to wane as project profitability deteriorates due to price hikes for component products. **Energy infrastructure:** If demand for both high-voltage and medium/low-voltage cables slows due to factors such as a slowdown in generative AI investment. If the company decides on capex for HVDC cables but fails to secure the expected orders from customers. **Electronics & automotive systems:** If auto production volume or sales of models supplied by the company do not grow as much as expected. If fluctuations in auto production volume are larger than expected and the company is unable to absorb fixed costs through measures such as price revisions. If material prices surge more than expected and the company is unable to pass these on to customers. **Functional products:** If, in the copper foil business, sales expansion of high-function circuit foils does not proceed as planned and profitability improvement is not expected, if orders for thermal products for generative AI are not booked as sales for some reason or are delayed, or if the acquisition of new customers for semiconductor manufacturing tape does not progress as expected.

Investment Thesis - Fujikura
Fujikura has implemented business reforms and adopted a more selective/concentrated business approach, focusing on the telecommunications business (optical fiber

cables/optical connectors) as its key growth driver post booking substantial net losses in FY3/20. In the telecommunications business, Fujikura has downsized its base material/cables business as a result of past losses, and is now building around differentiating ultra-high-density fiber optic cable (SWR/WTC) products and multi-core optical connectors. The company's optical fiber cable applications are not only progressing on supplying products to hyperscalersor data center applications, but also on widening sales, notably to telecom carriers and rail companies in Europe. Also, its multi-core optical connectors that enable compact high-density wiring in server racks are being more widely adopted by US hyperscalers on the back of higher demand from AI data centers. These products also have high margins. We see investment in data centers continuing over the longer term, and expect continuous demand growthor the company's highly competitive optical products. We are Buy rated in light of theseactors and on prospects of Fujikura's telecommunications business growing at aaster rate than the industry as a whole.

Price Target Risks and Methodology - Fujikura

We are Buy rated. Our 12-month price target of ¥7,500 is based on an EV/EBITDA of 25.0X (FY3/28E; multiple based on the EV/EBITDA and EBITDA margin correlation across its domestic and global competitors). Downside risks: **Telecommunications**: A delay in benefits from hyperscaler investment, a prolonged restraint in telecom carrier investment, and competitors in ultra-high-density optical fiber cables catching up with Fujikura. **Electronics**: A greater-than-expected slowdown in the smartphone market and/or more intense competition. **Automotive products**: Automobile production volume undershooting our assumptions. **Companywide**: Forex swings.

Investment Thesis - Sumitomo Electric Industries

Sumitomo Electric Industries (SEI) has diverse business segments such as automotive (automotive wire harnesses), infocommunications (optical products), environment & energy (electric wire/cable and transormers), electronics (smartphone components, etc.), and industrial materials (cemented carbide tools, etc.). Historically, the automotive segment has accountedor more than half of Sumitomo Electric Industries' sales and profits, and its valuation multiples have been around 11X P/E, 5.5X EV/EBITDA, and 0.7-0.8X P/B. However, we believe the infocommunications segment earnings will expand significantly on the back of demandor generative AI and data center applications, and we expect the weighting of infocommunications profits to increase sharply from 6% in FY3/25 to 51% in FY3/29E. We also see potentialor the infocommunications operating margin to expand to c.30% in FY3/27E, significantly exceeding the current marginor the core automotive business (mid-single digits (%)). As a result, we believe the business mix will change dramatically, and valuation multiples will improve, exceeding historical averages. We are Buy rated.

Price Target Risks and Methodology - Sumitomo Electric Industries

We are Buy rated. Our 12-month target price is ¥3,400. We apply a target EV/EBITDA multiple of 13.0X (based on FY3/28E, using an SOTP approach). Key downside risks: **Automotive segment:** Decline in automobile production volume; slower-than-expected pass-through of material procurement costs to selling prices. **Infocommunications segment:** Longer-than-expected inventory adjustments due to a slowdown in hyperscaler capex; catch-up by competitors in ultra-high density optical fiber cables.

Environment & energy segment: Delays in new and replacement power infrastructure projects due to difficulties in procuring materials and securing workers; slower-than-expected earnings contributions from the Japanese government's clean energy strategy. **Industrial materials and other segments:** Slowdown in demand for cemented carbide tools, etc., due to a macroeconomic slowdown; increase in manufacturing costs for sintered parts, etc., due to rising energy prices. **Company-wide:** FX fluctuations; sustained high material prices.

Investment Thesis - SWCC

Among our four major domestic electric wire/cable companies (SWCC, Fujikura, Sumitomo Electric Industries, and Furukawa Electric), SWCC is focused primarily on electric wires/cables and power equipment products, and in our view is the only company with the potential to boost margins meaningfully through its ability to realize unique synergies between its product and construction businesses. The market has been pricing in strong demand for wires/cables and power-related equipment, but we believe it has yet to fully factor in SWCC's business model enabling it to handle construction projects using standardized, high-performance products, and thereby boost profitability. The company is rolling out products such as construction-friendly electrical wires and transformer bushings through its nationwide network of contractors. Making these products simple to install helps SWCC to (1) boost construction efficiency and (2) deploy fewer skilled workers to construction sites, increasing the number of construction projects it can undertake. Also, in its new medium-term plan, the company plans to promote the overseas expansion of SICONEX, e-Ribbon, and its semiconductor-related businesses, which we expect can increase their overseas sales ratio. We are Buy rated.

Price Target Risks and Methodology - SWCC

Valuation methodology: We have a Buy rating. Our 12-month target price of ¥16,200 is based on an EV/EBITDA of 11.5X (FY3/28E, multiple based on the correlation between EV/EBITDA and EBITDA margin for global competitors).

Key downside risks: **Energy & infrastructure segment:** The balancing out of supply and demand for wires/cables and power equipment in Japan, resulting in lower selling prices; a lack of progress with the further leveling of construction work and improvement of personnel allocation efficiency, resulting in slower-than-expected profit margin improvement; an influx of foreign workers significantly alleviating the shortage of construction workers in Japan. **Communication & components segment:** Sharp declines in optical fiber cable selling prices due to a large supply of inexpensive products from China, India, and other countries, and profitability deteriorating as a result; home appliance sales in China and Japan falling short of expectations; acceleration in the trend toward a paperless society, resulting in a steeper-than-expected decline in sales of printer rollers. A slower-than-expected shift to EVs by the company's customers, leading to lower demand; significant declines in automobile production volume, including EVs; increases in prices of materials such as copper, with the company unable to pass these increases on to customers. **Company-wide:** The implementation of large-scale growth investments aimed at furthering overseas expansion in the electronic equipment & components and communication & industrial devices segments, with returns on these investments falling short of expectations and significantly impacting company-wide margins; yen appreciation.

Investment Thesis - Hitachi

With Hitachi's recent deconsolidation from its consolidated accounts of some businesses with relatively large capex and low capital efficiency versus IT and other businesses, we expect CROCI to increase and look for investors to price in prospects for future CROCI improvement. Hitachi has a diverse business portfolio comprising the digital systems & services (DSS), energy (power grid), mobility (railway), and the connective industries segments. Among these, we expect the acquisitions of GlobalLogic and Hitachi Energy (formerly ABB Power Grid) in the DSS and energy fields, respectively, to drive earnings growth. We view Hitachi as one of the few companies likely to benefit from both digital transformation (DX) and green transformation (GX) trends worldwide. In the DSS segment, domestic IT demand is strong against a backdrop of modernization demand. In the Energy segment, demand for power grid products is strong, backed by factors including (1) replacement demand, (2) data center demand, and (3) demand for power grid interconnection particularly amid rising geopolitical risk in Europe. Furthermore, Hitachi is working to actively deploy both physical AI and industrial AI in industrial domains such as railway and power grid systems. We believe its strategy of expanding the service business through AI can contribute to improvement in Hitachi's valuation multiples up ahead. We are Buy rated, looking for multiple expansion on the back of strong hardware demand and expanded use of AI.

Price Target Risks and Methodology - Hitachi

We are Buy rated. Our 12-month target price of ¥6,300 for Hitachi is based on an EV/EBITDA multiple of 13X (base year is FY3/28E; the multiple is based on the EV/EBITDA and EBITDA margin correlation across its domestic and global competitors). Risks: **Digital systems & services:** delays and losses generated on large projects, weaker IT capex sentiment at customers accompanying a macroeconomic downturn, reemergence of supply disruptions for servers and other products, slower standalone growth at GlobalLogic, slower-than-expected realization of synergies between Hitachi and GlobalLogic; **Energy (Power grid):** delays on power transmission/distribution projects, a sharp rise in input costs; **Connective industries:** weaker new construction demand in China, losing out on new repair/maintenance orders to competitors in Japan, semiconductor production equipment (SPE) prices not improving over the long term a risk for the measurement and analysis systems business (Hitachi High-Tech); **Companywide:** Forex swings (¥1 appreciation vs. USD likely has a negative impact of ¥7 bn on sales and ¥0.8 bn on adjusted EBITA) and an increase in purchase price allocation (PPA) amortization due to forex swings.

Investment Thesis - Anritsu

Anritsu is a Japanese company highly competitive in the niche areas of test equipment for mobile phones, base stations, and data centers. The company has traditionally focused on test equipment to ensure the accurate functioning of communications for mobile phones and base stations, and in the past has seen large earnings peaks each time a new communication standard (such as 4G LTE or 5G) has been introduced. Currently, its mobile-related business is experiencing sluggishness with the new 6G standard not due to launch until around 2030.

However, we observe a shift in the company's earnings drivers—Anritsu is now seeing strong growth in its test equipment for optical transceivers used in generative AI and data centers, a business that generates high margins similar to those in mobile. We

accordingly look for operating profits to increase at a 19% 3-year CAGR, exceeding the Japan industrial electronics sector average of +14% and placing Anritsu's growth among the highest in the sector. We are Buy-rated.

Price Target Risks and Methodology - Anritsu

Our 12-month target price is ¥5,300, based on a target EV/EBITDA multiple of 17X on FY3/28E (our target multiple is based on the correlation between EV/EBITDA and EBITDA margin for global competitors). We are Buy rated.

Risks: **Test and Measurement:** Demand for 5G applications has already cooled, and there is a risk that sales may not grow as expected, leading to a deterioration in profit margins. For the data center business, uncertainty due to US tariffs could lead to slower decision-making by customers, resulting in stagnating or weaker demand. Testing methods may change from 100% testing to sampling testing. **PQA:** Possible decline in domestic market share, or the failure of sales expansion to proceed as expected in regions where the company is accelerating business development, such as North America, Europe, and China. **Environmental Measurement:** The possibility that earnings in battery test equipment fail to grow as expected due to a slowdown in the BEV market. **Company-wide:** Disappointing returns from M&A and/or growth investment. An increase in the R&D expense ratio. Yen appreciation.

Investment Thesis - Mitsubishi Electric

Mitsubishi Electric is a Japanese company engaged in a variety of business areas, including the growth fields of factory automation (FA) and HVAC, with the aerospace business and energy infrastructure also recently garnering attention. It plans to spin off its automotive equipment business, and is moving ahead with reforms, including by forming partnerships in the CASE business, exiting low-margin businesses, and downsizing its overseas production facilities. In addition, the company has introduced a business area owner structure to realize synergies through cross-business collaboration. Investors have expressed some concerns recently about the FA and HVAC businesses, but margins are improving steadily, led by infrastructure business. The company has a net cash position, and we look for it to step up shareholder returns. We are Buy rated.

Price Target Risks and Methodology - Mitsubishi Electric

Valuation methodology: We are Buy rated. Our 12-month target price of ¥7,400 is based on an FY3/28E EV/EBITDA of 14X (based on the correlation between EV/EBITDA and EBITDA margins of global competitors).

Key downside risks: **Industrial automation systems (FA):** Marginal profit growth on top-line expansion failing to offset higher depreciation from the company's new production facilities if the slowdown in orders is prolonged. **Industrial automation systems (automotive equipment):** A lack of progress exiting from the car multi-media business, challenges finding partners in the CASE business, or a sharp slowdown in production at client automakers. **Home appliances (HVAC):** Challenges achieving production scale due to difficulties procuring components and other factors, or deteriorating margins in the ATW business in a stronger competitive landscape. **Power semiconductors:** Inability to secure sufficient sales/orders to cover new capex, or more intense price competition on significant investment by Chinese companies and other rivals. **Elevator & escalator business:** Stalled new construction demand in China and

other markets, or the outflow to third parties of high-margin maintenance contracts in the domestic business. **Infrastructure systems:** Project delays or larger-than-expected losses generated in the defense & space systems business. **Companywide:** Weaker prospects for synergies realized between businesses, and yen appreciation.

Investment Thesis - Panasonic Holdings

Panasonic Holdings has a broad range of businesses, including home appliances, automotive batteries, industrial equipment, automotive equipment, and e-components. While its traditional core businesses have been home appliances (accounting for 30-40% of sales and profits), automotive batteries supplied mainly to Tesla, and Blue Yonder, which became a wholly owned subsidiary in 2021, attention has recently shifted to products for data centers, such as BBUs, CCLs, and high-performance capacitors. We believe the profit contribution from generative AI-related products will rise to around 20% on an EBITDA basis in FY3/27. In addition, with benefits from structural reforms and a peak in investment in automotive batteries and Blue Yonder, we believe strong cash flow will be generated, potentially resulting in large-scale share buybacks. We are Buy rated.

Price Target Risks and Methodology - Panasonic Holdings

We are Buy rated. Our 12-month target price is ¥5,000. We apply an EV/EBITDA multiple of 9.0X (FY3/28E base year, based on the historical correlation between EV/EBITDA and EBITDA margin). Risks: **Companywide:** (1) Weaker-than-expected progress with fixed-cost reductions or insufficiently realized benefits from business reforms across the company as a whole, (2) weaker growth prospects due to the loss of key personnel during the fixed-cost reduction process, (3) slower-than-expected progress in revamping the business portfolio as a result of delays selecting buyers, (4) additional investment and depreciation burdens arising due to increased demand for cylindrical batteries, and (5) forex trends (we estimate that every ¥1 appreciation vs. the USD/EUR/CNY impacts annual adjusted operating profits by -¥0.9 bn/-¥1.0 bn/+¥4.7 bn, respectively). **Lifestyle updates business:** Weaker demand for residential/commercial air conditioners due to a downturn in the global economy, or the loss of market share to more popular or cheaper products at competitors. **Panasonic Connect:** (1) A slump in the company's aircraft services business if the "bring your own devices" trend were to become more common for in-flight entertainment on commercial aircraft, (2) weaker-than-expected sales growth at acquired company Blue Yonder (standalone basis), (3) major impairment losses on Blue Yonder if the calculation of its present value were to require a higher WACC due to rising interest rates, softer demand or other factors (indication of impairment is checked every quarter), and (4) a longer-than-anticipated decline in demand for various mounting systems used in process automation, such as the manufacture of PCs and smartphones. **Panasonic Energy:** Tesla opting to increase its use of batteries made by other companies, leading to stronger pricing pressures, a further slowdown in the EV market, or increased competition in the generative AI-related battery backup unit (BBU) business. **Panasonic Industry:** Weaker-than-expected factory automation-related demand, stiffer competition in the generative AI-related hybrid capacitor and circuit board material businesses, or a longer-than-expected downturn in demand for smartphones and other consumer electronics.

Investment Thesis - Daihen

The energy management business, which handles power equipment, is Daihen's main business, accounting for about half of its sales. The company's pole-mounted transformers hold a 60% domestic market share, and we expect solid volume/value growth at +8%/+10% CAGRs through FY3/31, driven by replacement demand for aging power infrastructure. In addition, the material processing segment, which makes high-frequency power supplies for SPE, may begin to receive procurement from key customers ahead of a recovery in the semiconductor cycle. During upcycles, the operating margin of this segment can approach 20%, making it a key earnings driver for Daihen. We see the FA segment struggling somewhat due to concerns about economic slowdown and the postponement of new capex by automakers due to a slower shift to EVs. While we expect Daihen's overall earnings to be driven by a recovery in the energy management and material processing segments, we are Neutral-rated because (1) following recent share price appreciation, upside potential is limited, and (2) even if the earnings contribution from high-frequency power supplies for SPE increases, the contribution to multiple expansion is likely to be limited.

Price Target Risks and Methodology - Daihen

We are Neutral-rated. Our 12-month price target of ¥19,000 is based on FY3/28E EV/EBITDA of 12X (multiple based on historical EV/EBITDA and EBITDA growth rate correlation). Risks: **Material Processing:** Improvement/deterioration in the SPE/semiconductor market. **Energy Management:** An increase/decrease in various replacement demand from power companies, faster-than-expected progress in converting demand into sales, or weak progress converting demand into sales due to project delays. Another risk is favorable/unfavorable progress in the post-merger integration (PMI) of recently acquired Tohoku Electric Manufacturing and Shihen Technical. **Factory Automation:** Greater-than-expected increase/decrease in capex trends in the auto and other sectors. Another risk is a faster-/slower-than-expected turnaround of its recently acquired European welding machine maker. **Companywide:** A weaker/stronger yen.

Investment Thesis - Meidensha

The main driver for Meidensha at present is the overseas power equipment business, with firm demand expected in the US, Singapore, Germany, and India. The EV motor/inverter business, which was previously a concern, remains low-profit, but we believe the company has addressed this to some degree by booking impairment losses at its China subsidiary, where utilization had been low. We are Neutral rated.

Price Target Risks and Methodology - Meidensha

Our 12-month target price is ¥10,200. We apply an EV/EBITDA multiple of 9.0X (base year FY3/28), based on the correlation between EV/EBITDA and CROCI. We have a Neutral rating. Key risks: **Power infrastructure:** Better-than-expected improvement in domestic/overseas profitability as power equipment prices rise further on higher demand centered on data centers etc., or profitability improvement falls short of expectations as volume/price increases are slower than expected. **Social systems:** Although the order backlog is currently building, progress on construction has been slow due to factors such as labor shortages, delaying conversion to sales and profits. A rapid acceleration in conversion to sales and profits if these bottlenecks are resolved/a failure

to convert to sales and profits as expected due to labor shortages. **Mobility and electrical components:** An increase/decrease in auto production volume, an increase/decrease in sales of vehicle models equipped with EV motors/inverters, or tailwinds from a stronger-than-expected recovery in the semiconductor production equipment (SPE) market/headwinds from a slower-than-expected recovery. **Companywide:** Yen depreciation/appreciation.

Investment Thesis - Fuji Electric Co.

Fuji Electric's main earnings driver is Energy segment. While investors see potential for Fuji Electric to supply power equipment such as switchgears to US data centers, we see risk around such expectations given that (1) with no definitive information at present, it is possible that the go-ahead for supply projects may be delayed, and (2) the type of switchgear and UPS products the company supplies to data centers are general-purpose items, not the kind of products used in advanced generative AI servers such as Panasonic's BBUs. Fuji Electric supplies power equipment to existing data centers in Japan and Asia, which puts it in a beneficial position. However, the company is still establishing its presence in the US market, the primary market for data centers, and currently lacks products designed for advanced generative AI data centers. Thus, we think the current multiple of Fuji Electric is more expensive compared to its competitors. We are Sell rated.

Price Target Risks and Methodology - Fuji Electric Co.

We have a Sell rating. Our 12-month price target of ¥12,000 is based on an EV/EBITDA of 8.0X (base year is FY3/28E, multiple based on historical EV/EBITDA and EBITDA growth rate correlation). Risks: **Semiconductor business:** An increase in demand for automotive power semiconductors if the EV market, which is currently showing signs of a slowdown, reverses course and begins to expand. The company's power semiconductors starting to be used in high-voltage, advanced generative AI data centers, an area where Infineon is focusing its efforts. **Energy business:** Earlier-than-expected adoption of the company's data center power-related equipment (power distribution equipment, UPS, control panels, etc.) by more data center customers, including US hyperscalers. Demand for the company's power equipment products could increase if domestic power companies make further investments to strengthen their power grids in response to power demand from data centers and other sources. The company's product positioning in generative AI could improve through the development of new products for high-voltage, advanced generative AI data centers. **Industry business:** A faster-than-expected market recovery in the automation field, and/or an easing of competition with Chinese local companies and others. **Food & beverage distribution business:** Improved investment sentiment at retailers for vending machines and store showcases. **Companywide:** Broad yen depreciation.

Disclosure Appendix

Reg AC

We, Ryo Harada and Hiroki Muramatsu, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

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GS Factor Profile

The Goldman Sachs Factor Profile provides investment context for a stock by comparing key attributes to the market (i.e. our universe of rated stocks) and its sector peers. The four key attributes depicted are: Growth, Financial Returns, Multiple (e.g. valuation) and Integrated (a composite of Growth, Financial Returns and Multiple). Growth, Financial Returns and Multiple are calculated by using normalized ranks for specific metrics for each stock. The normalized ranks for the metrics are then averaged and converted into percentiles for the relevant attribute. The precise calculation of each metric may vary depending on the fiscal year, industry and region, but the standard approach is as follows:

Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

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Quantum

Quantum is Goldman Sachs' proprietary database providing access to detailed financial statement histories, forecasts and ratios. It can be used for in-depth analysis of a single company, or to make comparisons between companies in different sectors and markets.

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The rating(s) for Anritsu, Daihen, Fuji Electric Co., Fujikura, Furukawa Electric, Hitachi, Meidensha, Mitsubishi Electric, Panasonic Holdings, SWCC and Sumitomo Electric Industries is/are relative to the other companies in its/their coverage universe: Anritsu, Daihen, Fuji Electric Co., Fujikura, Furukawa Electric, Hitachi, Meidensha, Mitsubishi Electric, Panasonic Holdings, SWCC, Sumitomo Electric Industries

Company-specific regulatory disclosures

Compendium report: please see disclosures at https://www.gs.com/research/hedge.html. Disclosures applicable to the companies included in this compendium can be found in the latest relevant published research

Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global Equity coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	50%	34%	16%	65%	60%	45%

As of April 1, 2026, Goldman Sachs Global Investment Research had investment ratings on 3,074 equity securities. Goldman Sachs assigns stocks as Buys and Sells on various regional Investment Lists; stocks not so assigned are deemed Neutral. Such assignments equate to Buy, Hold and Sell for the purposes of the above disclosure required by the FINRA Rules. See 'Ratings, Coverage universe and related definitions' below. The Investment Banking Relationships chart reflects the percentage of subject companies within each rating category for whom Goldman Sachs has provided investment banking services within the previous twelve months.

Price target and rating history chart(s)

Compendium report: please see disclosures at https://www.gs.com/research/hedge.html. Disclosures applicable to the companies included in this compendium can be found in the latest relevant published research

Target price history table(s)

Sumitomo Electric Industries (5802.T)

Date of report	Target price (¥)	Closing price (¥)
12-May-26	12,500	2,913
20-Apr-26	11,500	2,494
13-Mar-26	12,300	2,598
03-Feb-26	8,700	1,914
05-Jan-26	7,350	1,678
31-Oct-25	6,700	1,413
09-Oct-25	5,500	1,158
10-Sep-25	5,000	1,073
31-Jul-25	4,500	940
07-Jul-25	4,300	756
13-May-25	2,800	658
16-Apr-25	2,500	516
04-Feb-25	3,150	752
22-Jan-25	2,900	727
01-Nov-24	2,670	583
07-Oct-24	2,630	606
07-Aug-24	2,650	530
18-Jul-24	2,700	600
09-Apr-24	2,600	602
12-Mar-24	2,400	556
05-Feb-24	2,150	501
19-Dec-23	1,900	443
02-Nov-23	1,850	404
02-Aug-23	1,800	469

Fujikura (5803.T)

Date of report	Target price (¥)	Closing price (¥)
18-Jun-26	7,600	4,461
14-May-26	7,100	6,355
20-Apr-26	7,000	5,529
13-Mar-26	31,000	4,420
09-Feb-26	27,000	3,659
05-Jan-26	23,400	3,074
07-Nov-25	22,700	3,403
09-Oct-25	18,800	2,798
10-Sep-25	15,200	2,272
07-Aug-25	13,000	1,918
07-Jul-25	9,400	1,235
13-May-25	6,600	957
16-Apr-25	6,700	761
10-Feb-25	8,400	1,113
22-Jan-25	7,600	1,157
07-Nov-24	7,200	968
07-Oct-24	7,000	831
02-Sep-24	5,100	736
08-Aug-24	5,200	423
18-Jul-24	4,800	518
13-May-24	3,100	474
06-May-24	3,200	463
18-Apr-24	2,800	444
09-Apr-24	2,700	422
24-Mar-24	2,420	358
12-Mar-24	2,300	316
08-Feb-24	1,580	210
19-Dec-23	1,520	174
08-Nov-23	1,420	192
17-Oct-23	1,510	200
10-Aug-23	1,520	191

Furukawa Electric (5801.T)

Date of report	Target price (¥)	Closing price (¥)
12-May-26	76,000	5,043
20-Apr-26	53,000	4,307
30-Mar-26	37,000	3,095
13-Mar-26	34,000	3,069
09-Feb-26	23,000	1,750
05-Jan-26	10,300	1,054
10-Nov-25	10,000	946
09-Oct-25	10,700	986
10-Sep-25	9,200	925
07-Aug-25	8,100	907
07-Jul-25	7,900	697
22-May-25	4,600	624
16-Apr-25	3,600	418
03-Mar-25	6,100	623
22-Jan-25	6,700	792
07-Nov-24	3,850	403
07-Oct-24	3,400	362
13-May-24	3,300	345
18-Apr-24	3,000	345
09-Apr-24	2,900	333
12-Mar-24	2,700	292
08-Feb-24	2,220	277
24-Jan-24	2,260	253

Fuji Electric Co. (6504.T)

Date of report	Target price (¥)	Closing price (¥)
28-Apr-26	11,300	12,650
29-Jan-26	11,700	11,750
19-Jan-26	11,800	12,500
05-Jan-26	12,200	12,090
30-Oct-25	11,700	11,450
08-Oct-25	11,000	10,200
31-Jul-25	8,500	7,577
25-Apr-25	7,800	6,322
16-Apr-25	8,000	5,905
30-Jan-25	8,700	7,719
22-Jan-25	9,000	8,395
07-Oct-24	11,400	8,424
07-Aug-24	11,600	7,476
25-Apr-24	11,800	10,015
18-Apr-24	11,700	10,035
09-Apr-24	11,600	10,040
04-Apr-24	11,500	9,794
12-Mar-24	10,700	9,012
31-Jan-24	8,500	7,459
19-Dec-23	8,200	5,956
17-Oct-23	7,900	6,458

Furukawa Electric (5801.T)

Date of report	Target price (¥)	Closing price (¥)
19-Dec-23	1,990	217
09-Nov-23	1,930	232
17-Oct-23	2,250	228
03-Aug-23	2,360	260

Fuji Electric Co. (6504.T)

Date of report	Target price (¥)	Closing price (¥)

SWCC (5805.T)

Date of report	Target price (¥)	Closing price (¥)
14-May-26	17,500	16,990
20-Apr-26	17,300	14,090
13-Mar-26	17,200	14,230
05-Jan-26	11,900	10,960
12-Nov-25	10,700	9,450
09-Oct-25	9,200	7,880
10-Sep-25	9,100	8,300
08-Aug-25	8,900	7,920
07-Jul-25	9,100	7,800
13-May-25	8,600	7,160
16-Apr-25	8,400	5,850
07-Feb-25	9,700	7,310
20-Jan-25	9,600	7,080

Panasonic Holdings (6752.T)

Date of report	Target price (¥)	Closing price (¥)
29-May-26	4,220	3,700
30-Apr-26	4,000	3,203
19-Feb-26	2,600	2,525
04-Feb-26	2,500	2,194
19-Jan-26	2,450	2,351
05-Jan-26	2,300	2,079
30-Oct-25	2,100	1,924
23-Jul-25	2,000	1,506
10-Feb-25	2,500	1,784
04-Feb-25	1,770	1,530
23-Jan-25	1,750	1,548
31-Oct-24	1,450	1,238
07-Oct-24	1,400	1,318
18-Jul-24	1,450	1,318
09-May-24	1,580	1,387
24-Apr-24	1,630	1,393
12-Mar-24	1,650	1,394
02-Feb-24	1,900	1,383
19-Dec-23	1,950	1,370
30-Oct-23	1,900	1,437
17-Oct-23	2,000	1,585

Meidensha (6508.T)

Date of report	Target price (¥)	Closing price (¥)
14-May-26	10,200	9,440
30-Jan-26	5,900	6,040
19-Jan-26	5,700	6,260
05-Jan-26	6,000	5,880
30-Oct-25	6,350	7,350
08-Oct-25	6,400	5,790
31-Jul-25	5,000	5,740
13-May-25	4,500	4,350
16-Apr-25	4,600	3,455
31-Jan-25	4,000	4,000
22-Jan-25	3,800	4,310
28-Oct-24	3,500	4,020
18-Jul-24	3,300	3,400
10-May-24	3,000	3,760
18-Apr-24	2,700	3,310
12-Mar-24	2,600	2,744
27-Feb-24	2,400	2,763
31-Jan-24	2,450	2,664
19-Dec-23	2,250	2,372

Daihen (6622.T)

Date of report	Target price (¥)	Closing price (¥)
11-May-26	20,900	17,620
03-Feb-26	13,100	11,690
19-Jan-26	12,500	11,810
05-Jan-26	11,500	10,660
06-Nov-25	11,200	10,390
08-Oct-25	10,000	8,980
05-Aug-25	8,100	6,970
08-May-25	8,000	6,770
16-Apr-25	8,300	5,660
07-Apr-25	8,200	5,000
22-Jan-25	9,500	7,750
07-Oct-24	9,400	7,010
05-Aug-24	10,000	5,490
18-Jul-24	10,600	7,730
09-May-24	10,400	9,930
09-Apr-24	10,600	9,710
12-Mar-24	10,300	8,560
19-Dec-23	6,000	6,190
02-Nov-23	5,500	4,800
17-Oct-23	5,300	4,830
02-Aug-23	5,600	5,350

Mitsubishi Electric (6503.T)

Date of report	Target price (¥)	Closing price (¥)
28-Apr-26	7,000	6,078
19-Feb-26	6,400	5,731
03-Feb-26	5,950	5,000

Hitachi (6501.T)

Date of report	Target price (¥)	Closing price (¥)
27-Apr-26	6,100	5,356
19-Feb-26	5,700	4,992
29-Jan-26	6,100	5,077

Mitsubishi Electric (6503.T)

Date of report	Target price (¥)	Closing price (¥)
19-Jan-26	5,850	5,100
05-Jan-26	5,350	4,790
31-Oct-25	5,200	4,317
08-Oct-25	4,500	4,089
31-Jul-25	4,100	3,342
28-Apr-25	3,600	2,620
16-Apr-25	3,500	2,493
31-Oct-24	3,250	2,388
07-Oct-24	3,100	2,461
02-Sep-24	3,250	2,461
07-Aug-24	3,300	2,161
18-Jul-24	3,400	2,804
26-Apr-24	3,300	2,393
12-Mar-24	3,200	2,416
05-Feb-24	2,600	2,214
19-Dec-23	2,500	2,001
17-Oct-23	2,400	1,815

Hitachi (6501.T)

Date of report	Target price (¥)	Closing price (¥)
05-Jan-26	6,000	5,068
17-Nov-25	5,900	5,122
30-Oct-25	5,600	4,963
08-Oct-25	5,300	4,477
28-Apr-25	4,900	3,747
16-Apr-25	4,800	3,260
31-Jan-25	5,600	3,946
22-Jan-25	5,200	3,929
23-Oct-24	5,400	3,896
07-Oct-24	4,870	3,904
02-Sep-24	4,830	3,603
31-Jul-24	4,850	3,288
18-Jul-24	4,800	3,663
11-Jun-24	18,300	3,412
07-Jun-24	18,000	3,270
03-Jun-24	17,600	3,313
26-Apr-24	17,100	2,695
12-Mar-24	16,700	2,467
31-Jan-24	13,500	2,335
19-Dec-23	13,000	1,988
16-Nov-23	12,300	2,009
16-Oct-23	12,000	1,806
28-Jul-23	10,300	1,742

Anritsu (6754.T)

Date of report	Target price (¥)	Closing price (¥)
27-Apr-26	4,700	3,755
20-Apr-26	4,000	3,466
13-Mar-26	3,500	2,891
29-Jan-26	2,700	2,369
05-Jan-26	2,600	2,288
30-Oct-25	2,400	1,887
11-Sep-25	2,300	1,745

Price targets shown in table(s) are unadjusted for corporate actions.

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