Fujitec Co., Ltd.

US$1.0bn co-investment · TSE 6406 · EQT-controlled, delisted March 2026

To APECS Partners IC **Date** 2026 Q2 **Hurdle** 20% IRR **Structure** All-equity, minority (~22%)
Basis Publicly sourced · no MNPI

RECOMMENDATION

CONDITIONAL PASS — decline at the US$4.1bn ask; counter at ~US$3.5bn EV, all-equity.

1 Executive Summary

EQT has taken Fujitec private and is raising **US$1.0bn at an indicative US$4.1bn enterprise value** to fund the next phase of growth. We would enter as a **minority co-investor (~22% of equity) alongside EQT** — no control and, as a net-cash target, no LBO. Our return is driven purely by **EBITDA growth × exit multiple**, tested against the 20% hurdle.

Fujitec is a high-quality, structurally improving asset, but **at US$4.1bn the base case returns only ~17% IRR (2.2×) — below our hurdle.** A DCF supports the ask intrinsically (~US$4.0–5.0bn), so this is **not an over-valuation problem; it is a hurdle-fit problem**: a ~7–8% cost-of-capital asset cannot clear a 20% bar at a full price without leverage (unavailable) or a better entry. **Countering to ~US$3.5bn EV lifts the base case to ~21% IRR (2.5×)** and clears the hurdle with a real cushion.

$4.1bn	17.2%	20.7%
ASK · ENTERPRISE VALUE	BASE IRR AT THE ASK — FAILS	BASE IRR AT ~$3.5BN — PASSES

SCENARIO	AS-OFFERED · $4.1BN	STATUS	COUNTER · $3.5BN	STATUS
Bear	**−0.2%** · 0.99×	FAIL	**2.8%** · 1.15×	FAIL
Base	**17.2% · 2.19×**	FAIL	**20.7% · 2.53×**	PASS
Bull	**26.9%** · 3.23×	PASS	**30.6%** · 3.72×	PASS

All-equity returns · 5-yr hold · 18× exit EV/EBITDA · live off the scenario dial.

THE CORE INSIGHT

The DCF **supports** US$4.1bn, so the asset is **fairly valued, not over-valued.** The binding constraint is the **~12-point gap between our 20% hurdle and Fujitec's ~7–8% cost of capital** — a great, low-risk asset that simply cannot return 20% at a full price absent leverage. The recommendation is therefore about **price discipline to fit our return bar**, not a quality concern.

2 Company / Business Overview

Founded 1948 (Osaka), Fujitec is the **only independent, full-scope elevator & escalator OEM in Japan** — vertically integrated across R&D, manufacturing, new installation, modernization, and maintenance.

- **Products:** elevators (ZEXIA, REXIA MRL, ELSIA high-rise, Ele Glance), escalators (GS8000), moving walkways, building-maintenance units, automated parking.
- **Revenue mix:** New Installation ~53–55%; **Aftermarket ~42–45%** — service profits are ~**2.5× installation profits** over the asset life.
- **Geography (FY2024, ¥241.3B):** Japan ~37% (highest margin ~10%), East Asia ~33% (China-pressured), South Asia ~13% (fastest-growing), Americas & Europe ~19% (record sales).
- **Scale:** ~12,150 employees, 30+ countries, 11 plants. ~US$1.6bn revenue — **6th–7th globally (≈1/9th of Otis)**, 3rd in Japan behind Mitsubishi Electric and Hitachi.

3 Industry Overview

A consolidated global oligopoly (Otis ~$14bn, Schindler ~$13bn, KONE ~$12bn, TK ~$9bn) where **scale drives R&D and density-driven service margins.** Demand and value drivers:

- **New installation** ← construction spending, real-estate investment, urbanization, infrastructure (metros/airports), GDP. Tracked via the macro pack: India/SE-Asia urbanizing fast, China contracting, Japan/US mature.
- **Aftermarket** ← size and age of the **installed base**; 20–25-yr modernization cycles; safety regulation. Recurring, sticky, high-margin — the value core.
- **Digitalization** (IoT / predictive maintenance) raises aftermarket attach and cuts cost-to-serve.

4 Analysis of Historical Financials

FY2020–FY2024 · fiscal year ends March.

- **Revenue ¥169.6B → ¥241.3B (7.3% CAGR)** — COVID dip, then three ~10% years, moderating to +5% as China dragged.
- **Operating margin 7.8% → 6.7%** — never recovered to pre-COVID; **half of peers' 12–16%** → the central improvement opportunity.
- **Balance sheet: net cash every year (¥32–48bn), zero net debt** — rare, and a key structuring lever.
- **Capital returns:** payout 52% → 89% and cross-shareholdings sold under Oasis pressure; ROE 8.5–12.9%.

> READ-THROUGH
>
> A structurally sound, cash-generative franchise carrying an under-earning cost base and a China overhang — a **margin / mix story, not a demand-impairment story.**

5 Investment Theses

1. **Aftermarket compounding.** A growing, sticky installed base shifts mix toward 2.5×-margin service revenue; digitalization (Elemori) lifts attach and retention.
2. **India & SE-Asia growth engine.** India is the standout — multi-brand (Fujitec India premium + Express mass-market), Chennai capacity 3,000→5,000+ units/yr, metro wins. Urbanization underpins SE-Asia.
3. **Margin re-rating via "Move On 5."** A credible path from **6.7% → 15.5% operating margin (FY2028)** through mix, procurement, digitalization, and operating leverage.
4. **Governance-fixed valuation re-rating.** Oasis cleaned governance (board overhaul, Uchiyama removed); EQT's operational playbook can close the historic discount toward peers (~19× EV/EBIT).

6 Fund's Base Case 5-Year Projection

Built bottom-up in the model; geography growth tied to the macro pack, COGS to a **steel-led cost tree**, every driver linked to the theses (Scenario dial = 5).

¥B	FY2024A	FY2026E	FY2028E	FY2030E
Revenue	241.3	261	**284**	309
EBIT margin	**6.7%**	**10.0%**	**15.5%**	**18.5%**
EBITDA	20.9	31	50	**63**

- **Topline (~5% CAGR):** South Asia +10–15%, Americas +5–7%, Japan +2.5–3.5%, East Asia −2%→+2% (China troughs then stabilizes).
- **Margin:** raw-materials (steel-led) % of revenue 29.4%→24.7%; SG&A 13%→9.5% on operating leverage.
- **Likelihood:** the base case **equals management's Move On 5 FY2028 target** (¥283B / 15.5%) — credible but execution-dependent; bear/bull dials bound the range.

7 Operational Business Plan & Value Creation

- **Topline:** scale India multi-brand + Chennai capacity; raise aftermarket attach on the installed base; accelerate North America; ride SE-Asia urbanization.
- **Margin:** centralize **steel / copper procurement** (cost-tree lever); deploy **Elemori + EQT Motherbrain** predictive maintenance to cut cost-to-serve and lift service density; operating leverage as revenue scales.
- **Valuation / positioning:** sustain governance reform and disclosure to **close the multiple gap to peers (~19× EV/EBIT)**; optional **bolt-on M&A** funded by the raise to build density / scale.

8 Deal Structure

- **As offered:** US$1.0bn at US$4.1bn EV — all-equity minority (~22% of ~US$4.46bn equity), alongside EQT. **We do not accept this configuration** (base IRR 17.2% < 20%).
- **Our counter: entry EV ~US$3.5bn, all-equity** → base IRR ~20.7% / 2.5×, clearing the hurdle with cushion. *Leverage was tested and rejected — levering the ticket only walks base to ~20% at 35/65 while turning the bear case sharply negative; we instead flag Fujitec's untapped company-level debt capacity as an EQT-side optimization.*
- **Terms:** board seat + customary minority protections (veto on capital structure, related-party, major M&A; information rights; tag-along; anti-dilution).
- **Use of proceeds — gating diligence item:** *why does a net-cash company need US$1.0bn?* Acceptable if it funds transformative bolt-on M&A / India capacity; unattractive if it is secondary cash-out for EQT / Uchiyama.

9 Valuation & Returns Analysis

METHOD	RANGE	NOTE
DCF	**~3.95 – 5.00**	WACC ~7.4%, g 2% (Gordon) ↔ 14× exit-multiple TV
Trading comps	**~19× EV/EBIT**	~14–16× EV/EBITDA, applied to FY2026E
Precedent (EQT)	**~2.35 EV**	~17× EV/EBITDA, post-activism re-rated price
Ask	**4.10**	**within the DCF band**

Triangulation — enterprise value, US$bn.

Returns (all-equity, 5-yr hold, 18× exit) are in §1: as-offered passes **only in the bull case**; the counter passes in base & bull. The asset is **fairly valued on DCF** — the **20% hurdle vs ~7–8% WACC** is the binding constraint, making this a price-discipline call, not a quality concern.

10 Shareholding & Post-Investment Cap Table

Current holders: EQT (BPEA Fund IX) ~85%, Uchiyama family ~15% (rollover from the take-private). EQT runs Move On 5; the family is an aligned legacy minority.

HOLDER	PRE	POST (~22% PRIMARY)
EQT	85%	~66%
Uchiyama family	15%	~12%
APECS Partners	**—**	**~22%**

Illustrative. Exact splits depend on pre-/post-money basis and primary/secondary mix — a diligence item tied to use-of-proceeds (§8).

11 Risks & Mitigations

RISK	MITIGATION
China cyclicality (~33% rev)	Already de-risked in base case (EA flat-to-down); right-size; lean on India/Japan/NA; bear dial sizes the downside
Steel / commodity inflation	Cost-tree sensitivity quantifies it; centralized procurement, hedging, price pass-through
Margin-ramp execution (6.7%→15.5%)	Tie capital to milestones; EQT operational playbook; board seat
Minority position behind EQT	Negotiated protections, information rights, tag-along, anti-dilution
FX (JPY earnings, USD return)	Natural hedge from global footprint; FX explicit; optional hedging
Entry-price / hurdle gap	The counter (~$3.5bn) is the primary mitigant; walk-away discipline
Exit dependency	Multiple paths (relist / strategic / sponsor) + interim distributions

12 Proposed Exit Strategies

1. **TSE re-listing (re-IPO), ~4–6 yrs** — base case; sell into a re-rated, governance-clean, margin-expanded story toward peer multiples.
2. **Strategic sale** — to a global consolidator (antitrust-permitting) or industrial buyer seeking Asia density.
3. **Sponsor-to-sponsor secondary** — to a larger buyout fund continuing the value-creation plan.
4. **Interim distributions / dividend recap** — the net-cash, cash-generative profile supports yield during the hold.

Prepared on publicly available information only; contains no material non-public information.