

SENSHU ELECTRIC (9824)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY10/2015		76,132	2,345	2,740	1,570	150.1	36.0	3,305.3
FY10/2016		67,666	2,802	2,978	1,585	155.2	40.0	3,429.2
FY10/2017CoE		74,750	2,960	3,180	2,100	207.8	40.0	-
FY10/2016	YoY	(11.1%)	19.5%	8.7%	0.9%	-	-	-
FY10/2017CoE	YoY	10.5%	5.6%	6.8%	32.5%	-	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY10/2016		35,193	1,431	1,521	913	-	-	-
Q3 to Q4 FY10/2016		32,473	1,371	1,457	672	-	-	-
Q1 to Q2 FY10/2017		36,807	1,612	1,738	1,163	-	-	-
Q3 to Q4 FY10/2017CoE		37,943	1,348	1,442	937	-	-	-
Q1 to Q2 FY10/2017	YoY	4.6%	12.6%	14.2%	27.4%	-	-	-
Q3 to Q4 FY10/2017CoE	YoY	16.8%	(1.7%)	(1.0%)	39.4%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (19 July 2017)

Firm Semiconductors

SENSHU ELECTRIC, independent trader of electric cables being one of the largest in the market, currently sees earnings steadily improving. Going forward, the Company to celebrate the 70th anniversary (in November 2019) is calling for ongoing increases of sales and earnings with its midterm management plan (FY10/2017 to FY10/2021) and thus improving ROE. The strengths of the Company is represented by its high competitiveness in regards to “original products”, comprising a part of FA Cables mainly for private capital expenditure. Here, the Company is heavily involved with co-development of literally “original” products together with suppliers, i.e., manufacturers of electric cables by means of offering customer needs to have been acquired by directly supplying major manufacturers of final products belonging to electronics industry (semiconductors, LCD panels) and automotive industry through diverse players of machine tools, industrial equipment, etc. As far as we could see, the Company creates fairly high added value here by means of providing customers with solutions on top of doing so by means of rather than just trading merchandises. Most recently, demand on the semiconductors side is very strong, driving earnings as a whole for the Company. Going forward, the Company is keen on focusing own resources on “original products”, while trying to get at increasing exposure to new domains both region-wise and business-wise at the same time. With all those strategies, above-mentioned midterm management plan is calling for prospective sales of ¥100,000m, recurring profit of ¥5,000m and ROE of 6.0% or more (versus 4.6% in FY10/2016) in the last year of the plan, i.e., FY10/2021, implying CAGR of 8.1% for sales and 10.9% for earnings during the period of the plan.

In Q1 to Q2 FY10/2017, sales came in at ¥36,807m (up 4.6% YoY), operating profit ¥1,612m (up 12.6%) and operating profit margin 4.4% (up 0.3% points). Meanwhile, by category of merchandises, FA Cables mainly for private capital expenditure saw sales of ¥13,095m (up 5.2%) and Power Cables mainly for construction saw sales of ¥10,861m (up 0.7%). Sales of FA Cables, the largest category in terms of sales and the key earnings pillar of the Company as a whole, were driven by firm demand from the semiconductors side and thus this was the case for “original products”, as far as we could gather. Increases of sales here were the key factor to have driven earnings as a whole for the Company. Meanwhile, sales of Power Cables, the second largest category, were sluggish. Probably due to extended in-between season prior to Tokyo Olympics, volume came down over the previous year. Given hiking prices of copper, prices of Power Cables must have been on the rise, but it was a trend in the market as a whole for Power Cables that volume was decreasing, implying the rise of prices was rather limited due to intensifying price competition. More importantly, however, this was more than compensated for by improving earnings of the key earnings pillar, i.e., FA Cables. On top of this, the Company saw increasing sales and earnings in Non-Cables, while improving earnings among consolidated subsidiaries.

FY10/2017 initial Company forecasts have remained unchanged, going for prospective sales of ¥74,750m (up 10.5% YoY), operating profit of ¥2,960m (up 5.6%) and operating profit margin of 4.0% (down 0.1% point). Meanwhile, Company forecasts assume sales of ¥26,070m (up 6.8%) for FA Cables, sales of ¥22,390m (up 14.8%) for Power Cables and the average copper prices of ¥693,000 (up 9.3%), while going for firm semiconductors to persist in regards to the former and recovery of demand associated with construction being expected in regards to the latter. The timing for demand associated with construction to pick up is delayed, when compared with assumptions of Company forecasts, but this is to take place in reality sooner or later prior to Tokyo Olympics being held. Meanwhile, in fact, sales of Power Cables are the largest second only to those of FA Cables, giving major impacts to sales as a whole for the Company. Still, Power Cables only have rather limited impacts to earnings as a whole for the Company due to small added value, i.e., low gross profit margin.

IR Representative: General Affairs Department, Hideji Yamamoto (ir@senden.co.jp)

2.0 Company Profile

One of The Largest Traders of Electric Cables

Company Name	SENSHU ELECTRIC CO., LTD. Company Website (Japanese Only) IR Information (Japanese Only) Share Price	 泉州電業株式会社 SENSHU ELECTRIC CO.,LTD.
Established	18 November 1949	
Listing	8 November 2002: Tokyo Stock Exchange 2nd Section (Ticker: 9824) 24 June 1991: Osaka Stock Exchange 2nd Section	
Capital	¥2,575m (As of the end of April 2017)	
No. of Shares	10,800,000 shares, including 694,766 treasury shares (As of the end of April 2017)	
Main Features	<ul style="list-style-type: none"> ● Purchasing and selling electric cables more than 50,000 items ● FA Cables mainly for private capital expenditure, the key earnings pillar ● Co-development of “original products” with suppliers of electric cables 	
Businesses	. Electric Cables Business	
Top Management	Representative Director and President: Motohide Nishimura	
Shareholders	Trust Accounts (SWCC SHOWA HD, etc.) 9.2%, BBH for Fidelity Low-priced Stocks F 8.8%, Motohide Nishimura 7.2% (As of the end of April 2017)	
Headquarters	Suita-city, Osaka-prefecture, JAPAN	
No. of Employees	Consolidated: 705, Parent: 522 (As of the end of April 2017)	

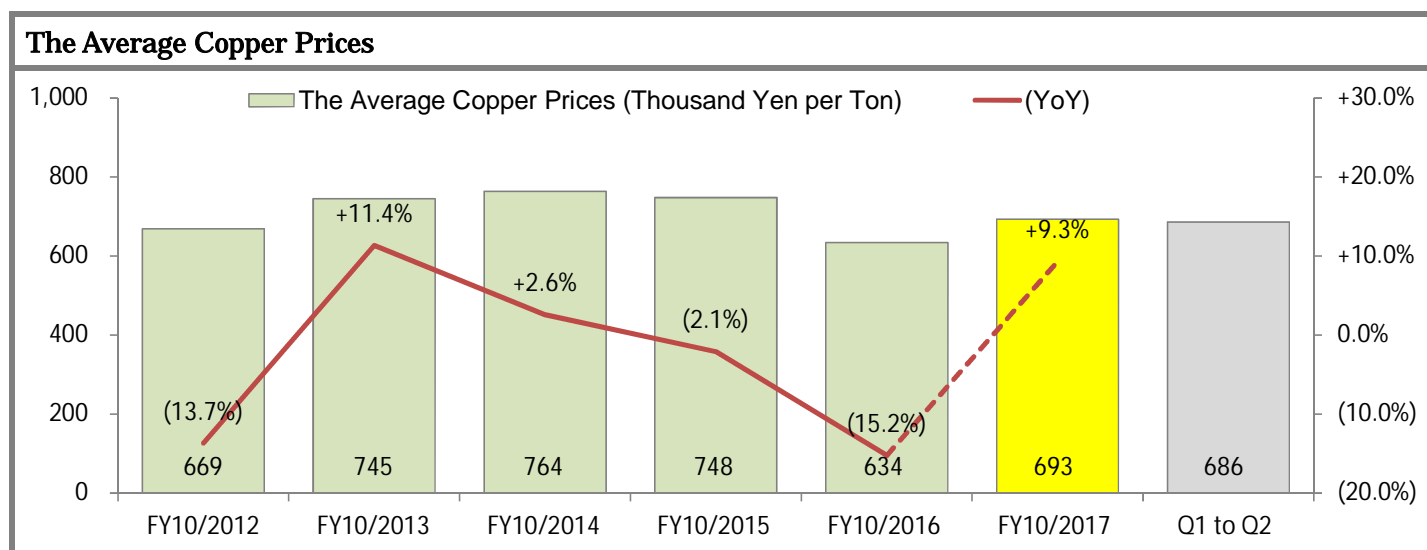
Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q2 FY10/2017 Results

In Q1 to Q2 FY10/2017, sales came in at ¥36,807m (up 4.6% YoY), operating profit ¥1,612m (up 12.6%), recurring profit ¥1,738m (up 14.2%) and profit attributable to owners of parent ¥1,163m (up 27.4%), while operating profit margin 4.4% (up 0.3% points). Compared with initial Company forecasts, sales fell short by ¥653m (1.7%), but operating profit was better by ¥32m (2.0%), recurring profit better by ¥48m (2.8%) and profit attributable to owners of parent better by ¥43m (3.8%).

On a parent basis, sales came in at ¥34,596m (up 4.6%), having accounted for 94% out of sales as a whole for the Company, operating profit ¥1,495m (up 2.2%) and operating profit margin 4.3% (down 0.1% point). Meanwhile, if it were not for one-off expenses to be eliminated as intra-company transactions, operating profit should have been ¥1,583m (up 8.2%) and operating profit margin 4.6% (up 0.2% points). When based on the latter and simply calculated by comparing above-mentioned consolidated figures and said parent figures, consolidated add-ons were ¥2,211m (up 4.9%) in sales and ¥29m (versus negative ¥32m during the same period in the previous year) in operating profit, implying operating profit margin of 1.3% (up 2.8% points).

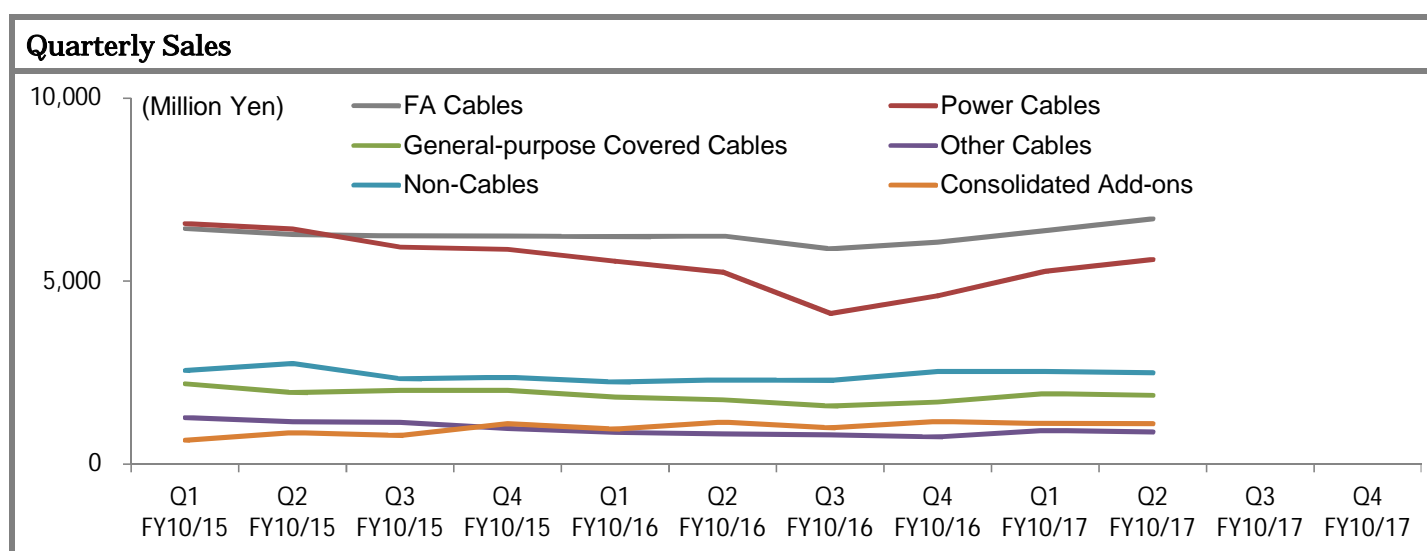


Source: Company Data, WRJ Calculation

Meanwhile, the average copper prices came in at ¥686,000 per ton (up 14.9% YoY). The Company or trader of electric cables sees major impacts on sales as a whole stemming from changes of prices of copper, i.e., the key raw materials for electric cables. In FY10/2015 and FY10/2016, the average copper prices kept on coming down, but the trends have changed in Q1 to Q2. On top of recovery of the prices in overseas markets for copper since the beginning of FY10/2017, yen got depreciated, having resulted in recovery of the average copper prices over the same period in the previous year. Meanwhile, the level was even higher by 5.5% when compared with ¥650,000 per ton, assumed in initial Company forecasts.

Just roughly speaking, the Company suggests that half of sales as a whole for the Company are directly related to copper prices. By category of merchandises, Power Cables and General-purpose Covered Cables both mainly for construction are exposed to this to a large extent, while not much for FA Cables mainly for private capital expenditure. This is because the former sees high ratio of cost of sales by copper (the key raw materials) against sales, while the latter not much, implying that the Company creates added value not much with Power Cables and General-purpose Covered Cables but much with FA Cables.

Meanwhile, it appears that above-mentioned shortfall of sales had a lot to do with that of Power Cables. It should have been the case that Company forecasts were exceeded in sales given copper prices higher than assumptions of initial Company forecasts, but it had impacts more substantial that volume unexpectedly came down. More importantly, Company forecasts were exceeded in earnings due to earnings better than expected in FA Cables to create high added value, as far as we could see. On top of this, consolidated add-ons were also better in terms of earnings.



Source: Company Data, WRJ Calculation

On a parent basis, sales of FA Cables came in at ¥13,095m (up 5.2%) by category of merchandises, sales of Power Cables ¥10,861m (up 0.7%), sales of General-purpose Covered Cables ¥3,809m (up 6.0%), sales of Other Cables ¥1,804m (up 6.4%) and sales of Non-Cables ¥5,025m (10.4%). On top of this, the Company saw consolidated add-ons of ¥2,211m (up 4.9%) in sales as mentioned earlier.

In FA Cables mainly for private capital expenditure by electronics industry (semiconductors, LCD panels), automotive industry, etc., demand associated with semiconductors remains firm and this is expected to persist for the time being. The story is that demand associated with IoT and smartphones is firm and thus demand for semiconductors to be adopted in them, encouraging manufacturers of semiconductors to aggressively implement capital expenditure and thus increasing demand for SPE (Semiconductor Production Equipment). At the end of the day, demand for the Company's FA cables is driven by demand associated with semiconductors. As far as we could see, this is true of demand for "original products" comprising a part of FA Cables. Meanwhile, the Company successfully takes in demand on the automotive industry side where capital expenditure is expanding in Japan and overseas.

The situations of Power Cables mainly for construction are as have been mentioned, while sales of General-purpose Covered Cables also mainly for construction in Q1 to Q2 were rather supported by firm demand associated with residential-use ones.

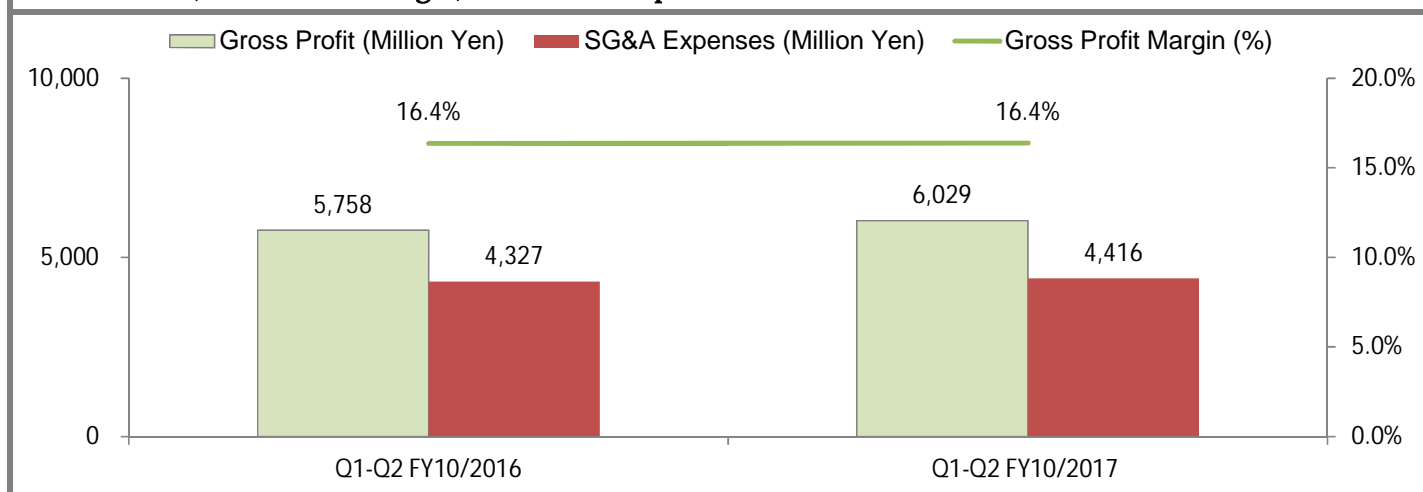
In regards to Other Cables, the Company purchases and sells bare electric cables before being processed as final products. That is to say, the Company procures bare electric cables manufactured by major electric cable manufacturers and purely distributes them to small ones in charge of processing them into final products, implying razor-thin profit margin here for the Company.

Sales of Non-Cables are literally those stemming from operations other than trading of electric cables, comprising processing of terminals for electric cables, connectors, processed harness items, photovoltaic-power-generation related, etc. Basically, the Company here is in charge of processing of procured items and thus there is a good room to create added value. The Company suggests gross profit margin here as high as that of FA Cables, but for expenses for processing booked at the SG&A level. Eventually, this suggest that FA Cables carry gross profit margin outstandingly high among all the categories in an effective sense.

In regards to consolidated add-ons, the Company saw increasing sales and recovering earnings. The consolidated add-ons comprise sales and earnings by collective 11 consolidated subsidiaries (6 in Japan and 5 overseas). In Japan, the Company has succeeded in its measures to strictly administrate them, having improved earnings of consolidated add-ons as a whole. Meanwhile, on the overseas side, the Company has succeeded in setting up a mechanism to stably making money in China, but operations overseas as a whole have remained making loss. In regards to the newest operations in Taiwan, the Company suggests they are on the verging of turning into profit on a monthly basis, while it takes a touch more time to turn into profit in Philippines. In the Kingdom of Thailand, the Company is currently trying to get out of loss by means of improving efficiency, i.e., cutting back the number of consolidated subsidiaries from two to one, while merging all the operations in the one to survive.

In Q1 to Q2, the Company saw one-off expenses of ¥88m in its consolidated subsidiary in China. On a parent basis, the Company saw said expenses as much as this, although this is eliminated as intra-company transactions on a consolidated basis. As far as local legal system is concerned, it has been found that a primarily appropriate accounting treatment was banned. Specifically speaking, the Company has failed to remit payment from China to the parent company in regards to accumulated personnel expenses having been paid by the parent company for local Japanese staffs to have been transferred from Japan over the past years. Thus, the Company wrote them off as bad debt this time.

Gross Profit (Gross Profit Margin) and SG&A Expenses

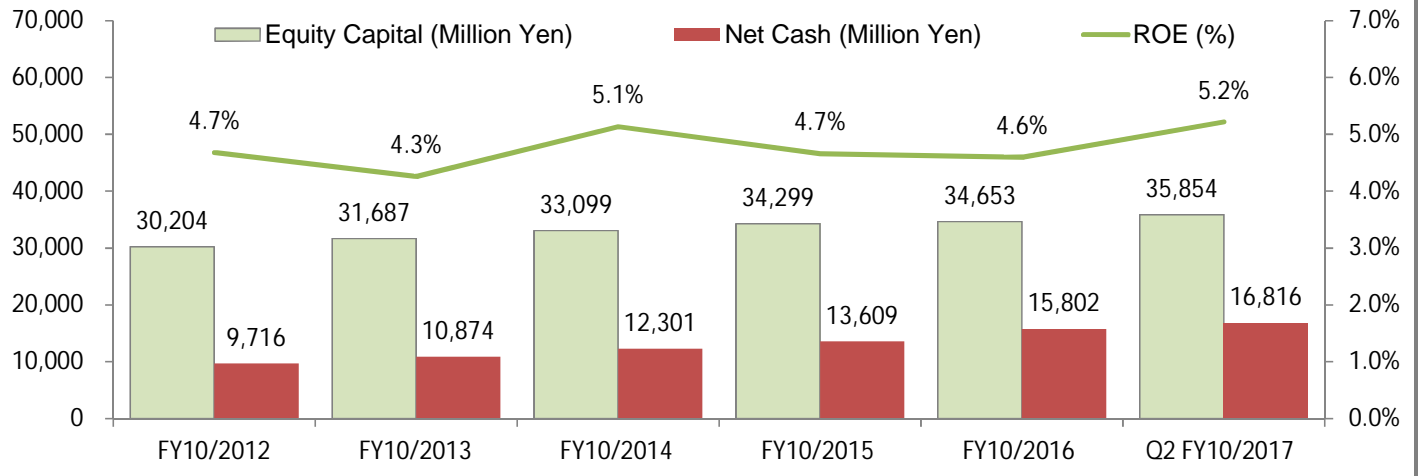


Source: Company Data, WRJ Calculation

As a whole, the Company saw gross profit of ¥6,029m (up 4.7%), gross profit margin of 16.4% (unchanged from the same period in the previous year) and SG&A expenses of ¥4,146m (up 2.1%). According to the aforementioned sales by category of merchandises, FA Cables to create high added value accounted for increasing proportion of sales as a whole on the expense of Power Cables to create low added value, implying improving sales mix. However, changes of sales composition ratios for both over the same period in the previous year were limited and thus gross profit margin has remained unchanged. However, operating profit margin improved as the Company saw increases of sales by 4.6% versus increases of SG&A expenses by 2.1%. On top of suppressed increases of personnel expenses, having accounted for more than 60% of total, as low as by 1.8%, the Company saw halving charges for goodwill write-off (¥47m to ¥22m), having had implemented impairment of goodwill on a consolidated subsidiary in Japan.

At the non-operating level, the Company saw improving net balance by ¥35m (net gain of ¥91m to net gain of ¥126m), due mainly to improving forex gain and loss by ¥26m (loss of ¥12m to gain of ¥14m). At the extraordinary level, the Company saw improving net balance by ¥27m (loss of ¥5m to gain of ¥22m). Insurance benefits received came down over the same period in the previous year, but this was more than compensated for by non-reappearance of loss on disposal of fixed assets stemming from demolition of company dormitory in Kawasaki-city.

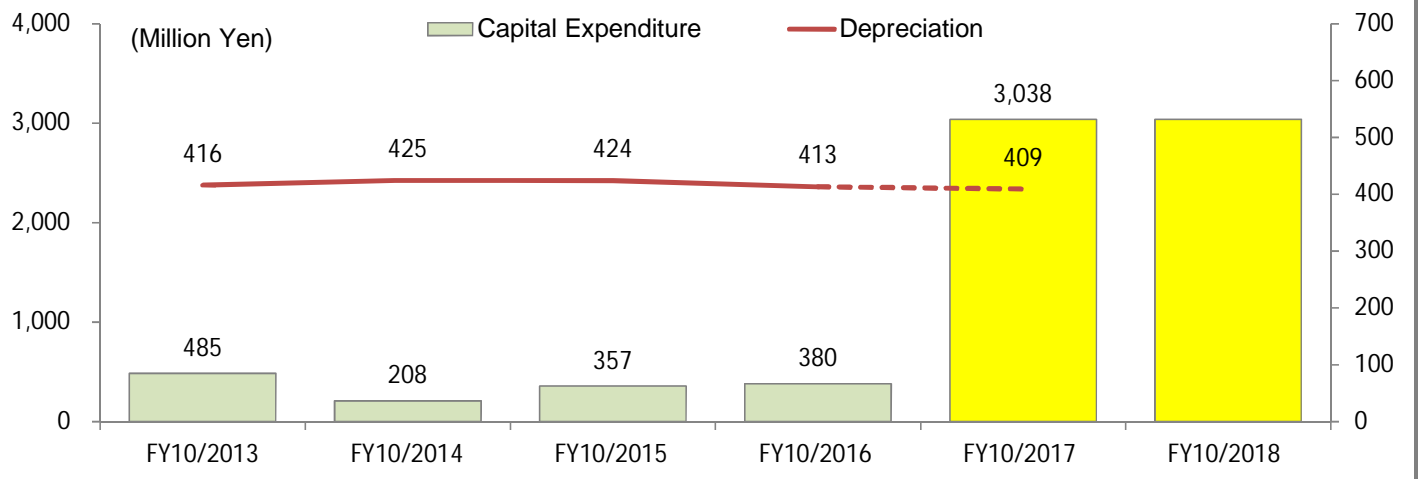
ROE and Net Cash



Source: Company Data, WRJ Calculation

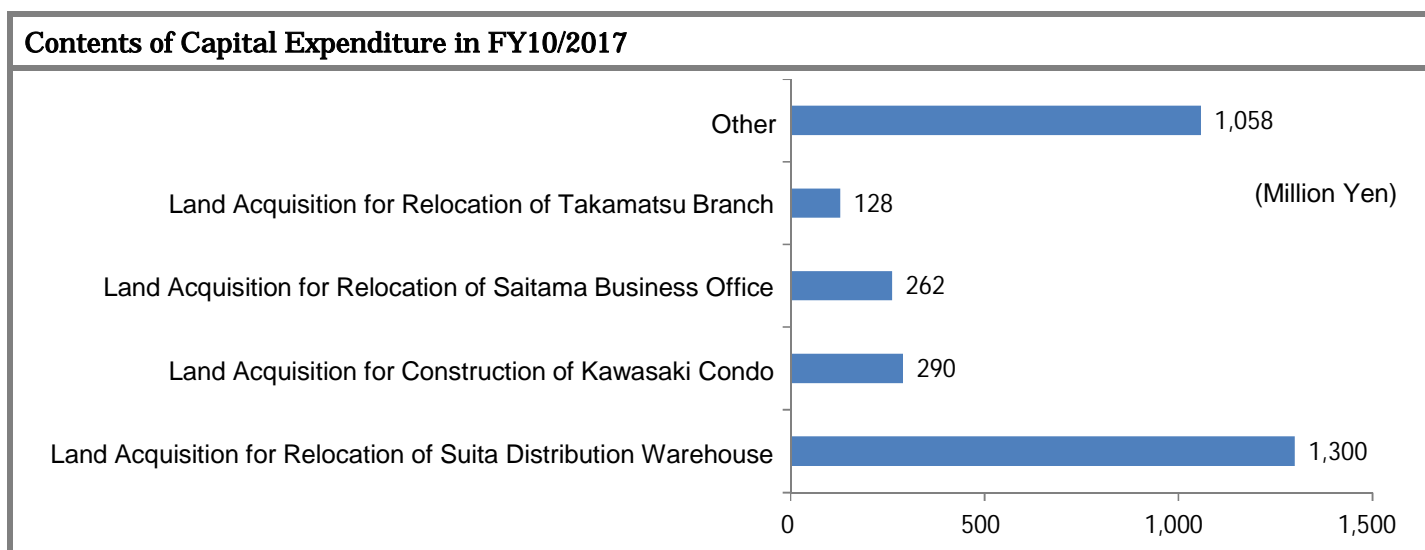
Meanwhile, the Company has been seen stable profitability over the past 5 years by running above-mentioned operations, ranging between lower end of 4.3% and higher end of 5.1% in terms of ROE, for example. At the same time, the Company has achieved this with limited capital expenditure, having consistently seen favorable net inflow of free cash flow and net cash having piled up also consistently. This trend persisted in Q1 to Q2 FY10/2017 with ROE of 5.2% (based on results over the past 12 months), net cash having stood at ¥16,816m (as of the end of Q2) and equity capital ratio at 58.7%.

Capital Expenditure and Depreciation



Source: Company Data, WRJ Calculation

However, things are to change on a full-year basis in FY10/2017. The Company is to dramatically increase capital expenditure and the level here is to persist in FY10/2018. According to data on Cash Flow Statement in Q1 to Q2 FY10/2017, the Company saw purchase of fixed assets of ¥755m and depreciation of ¥207m, implying a startup of increases of capital expenditure, while this is to take off on a full-fledged basis in H2. On a full-year basis, the Company is going for capital expenditure of ¥3,038m, basically for the sake of land acquisition to put up new buildings and relocate existing ones to have become obsolete after many years, which is to be followed by investment in new buildings in FY10/2018. As far as we could gather, this is one of the strategies to efficiently take advantage of consistently piling up net cash. Meanwhile, the core of capital expenditure in FY10/2017 relates to land acquisition for relocation of the mainstay distribution warehouse, implying a high probability for the Company to see improving profitability in the foreseeable future driven by improving efficiency through the use of the newest and advanced facilities, etc.



Source: Company Data, WRJ Calculation

Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	10/2016	10/2016	10/2016	10/2016	10/2017	10/2017	10/2017	10/2017		
Sales	17,657	35,193	50,853	67,666	18,143	36,807	-	-	-	+1,614
Cost of Sales	14,843	29,435	42,278	56,155	15,130	30,778	-	-	-	+1,343
Gross Profit	2,814	5,758	8,575	11,510	3,012	6,029	-	-	-	+271
SG&A	2,161	4,327	6,508	8,708	2,237	4,416	-	-	-	+89
Operating Profit	653	1,431	2,067	2,802	774	1,612	-	-	-	+181
Non Operating Balance	47	91	132	176	63	126	-	-	-	+35
Recurring Profit	700	1,521	2,199	2,978	837	1,738	-	-	-	+217
Extraordinary Balance	(27)	(5)	(6)	(182)	19	22	-	-	-	+27
Profit before Income Taxes	673	1,516	2,193	2,796	856	1,760	-	-	-	+244
Total Income Taxes	289	604	891	1,214	294	597	-	-	-	(7)
NP Belonging to Non-Controlling SHs	-	-	(2)	(3)	-	-	-	-	-	-
Profit Attributable to Owners of Parent	384	913	1,303	1,585	561	1,163	-	-	-	+250
Sales YoY	(10.3%)	(10.0%)	(11.6%)	(11.1%)	+2.7%	+4.6%	-	-	-	-
Operating Profit YoY	+17.4%	+9.7%	+20.2%	+19.5%	+18.6%	+12.6%	-	-	-	-
Recurring Profit YoY	+8.2%	+3.7%	+8.1%	+8.7%	+19.5%	+14.2%	-	-	-	-
Profit Attributable to Owners of Parent YoY	(1.1%)	+8.5%	+19.4%	+0.9%	+46.1%	+27.4%	-	-	-	-
Gross Profit Margin	15.9%	16.4%	16.9%	17.0%	16.6%	16.4%	-	-	-	+0.0%
(SG&A / Sales)	12.2%	12.3%	12.8%	12.9%	12.3%	12.0%	-	-	-	(0.3%)
Operating Profit Margin	3.7%	4.1%	4.1%	4.1%	4.3%	4.4%	-	-	-	+0.3%
Recurring Profit Margin	4.0%	4.3%	4.3%	4.4%	4.6%	4.7%	-	-	-	+0.4%
Profit Attributable to Owners of Parent Margin	2.2%	2.6%	2.6%	2.3%	3.1%	3.2%	-	-	-	+0.6%
Tax Charges etc. / Pretax Profit	42.9%	39.8%	40.6%	43.4%	34.3%	33.9%	-	-	-	(5.9%)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	10/2016	10/2016	10/2016	10/2016	10/2017	10/2017	10/2017	10/2017		
Sales	17,657	17,536	15,660	16,813	18,143	18,664	-	-	-	+1,128
Cost of Sales	14,843	14,592	12,843	13,877	15,130	15,648	-	-	-	+1,056
Gross Profit	2,814	2,944	2,817	2,935	3,012	3,017	-	-	-	+73
SG&A	2,161	2,166	2,181	2,200	2,237	2,179	-	-	-	+13
Operating Profit	653	778	636	735	774	838	-	-	-	+60
Non Operating Balance	47	44	41	44	63	63	-	-	-	+19
Recurring Profit	700	821	678	779	837	901	-	-	-	+80
Extraordinary Balance	(27)	22	(1)	(176)	19	3	-	-	-	(19)
Profit before Income Taxes	673	843	677	603	856	904	-	-	-	+61
Total Income Taxes	289	315	287	323	294	303	-	-	-	(12)
NP Belonging to Non-Controlling SHs	-	-	(2)	(1)	-	-	-	-	-	-
Profit Attributable to Owners of Parent	384	529	390	282	561	602	-	-	-	+73
Sales YoY	(10.3%)	(9.7%)	(15.1%)	(9.5%)	+2.7%	+6.4%	-	-	-	-
Operating Profit YoY	+17.4%	+4.0%	+53.3%	+17.4%	+18.6%	+7.7%	-	-	-	-
Recurring Profit YoY	+8.2%	+0.0%	+19.8%	+10.3%	+19.5%	+9.7%	-	-	-	-
Profit Attributable to Owners of Parent YoY	(1.1%)	+16.8%	+56.0%	(41.1%)	+46.1%	+13.8%	-	-	-	-
Gross Profit Margin	15.9%	16.8%	18.0%	17.5%	16.6%	16.2%	-	-	-	(0.6%)
(SG&A / Sales)	12.2%	12.4%	13.9%	13.1%	12.3%	11.7%	-	-	-	(0.7%)
Operating Profit Margin	3.7%	4.4%	4.1%	4.4%	4.3%	4.5%	-	-	-	+0.1%
Recurring Profit Margin	4.0%	4.7%	4.3%	4.6%	4.6%	4.8%	-	-	-	+0.1%
Profit Attributable to Owners of Parent Margin	2.2%	3.0%	2.5%	1.7%	3.1%	3.2%	-	-	-	+0.2%
Tax Charges etc. / Pretax Profit	42.9%	37.4%	42.4%	53.6%	34.3%	33.9%	-	-	-	(3.4%)

Source: Company Data, WRJ Calculation

Sales by Category of Merchandises (Cumulative, Quarterly)

Sales by Category of Merchandises	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	10/2016	10/2016	10/2016	10/2016	10/2017	10/2017	10/2017	10/2017		
FA Cables	6,215	12,451	18,337	24,408	6,384	13,095	-	-	-	+644
Power Cables	5,543	10,790	14,907	19,505	5,269	10,861	-	-	-	+71
General-purpose Covered Cables	1,835	3,593	5,180	6,876	1,930	3,809	-	-	-	+216
Other Cables	864	1,696	2,490	3,233	924	1,804	-	-	-	+108
Non-Cables	2,245	4,552	6,840	9,375	2,531	5,025	-	-	-	+473
Sales (on a Parent basis)	16,702	33,085	47,756	63,399	17,038	34,596	-	-	-	+1,511
Consolidated Add-ons	955	2,108	3,097	4,267	1,105	2,211	-	-	-	+103
Sales	17,657	35,193	50,853	67,666	18,143	36,807	-	-	-	+1,614
FA Cables	(3.4%)	(2.0%)	(3.2%)	(3.0%)	+2.7%	+5.2%	-	-	-	-
Power Cables	(15.7%)	(17.0%)	(21.2%)	(21.3%)	(4.9%)	+0.7%	-	-	-	-
General-purpose Covered Cables	(16.5%)	(13.6%)	(16.1%)	(16.1%)	+5.2%	+6.0%	-	-	-	-
Other Cables	(32.2%)	(30.3%)	(30.3%)	(28.9%)	+6.9%	+6.4%	-	-	-	-
Non-Cables	(12.3%)	(14.3%)	(10.6%)	(6.5%)	+12.7%	+10.4%	-	-	-	-
Sales (on a Parent basis)	(12.3%)	(12.0%)	(13.6%)	(12.8%)	+2.0%	+4.6%	-	-	-	-
Consolidated Add-ons	+47.4%	+39.8%	+35.1%	+25.6%	+15.7%	+4.9%	-	-	-	-
Sales (YoY)	(10.3%)	(10.0%)	(11.6%)	(11.1%)	+2.8%	+4.6%	-	-	-	-
FA Cables	37.2%	37.6%	38.4%	38.5%	37.5%	37.9%	-	-	-	+0.2%
Power Cables	33.2%	32.6%	31.2%	30.8%	30.9%	31.4%	-	-	-	(1.2%)
General-purpose Covered Cables	11.0%	10.9%	10.8%	10.8%	11.3%	11.0%	-	-	-	+0.2%
Other Cables	5.2%	5.1%	5.2%	5.1%	5.4%	5.2%	-	-	-	+0.1%
Non-Cables	13.4%	13.8%	14.3%	14.8%	14.9%	14.5%	-	-	-	+0.8%
Sales (on a Parent basis)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	+0.0%
Sales (on a Parent basis)	94.6%	94.0%	93.9%	93.7%	93.9%	94.0%	-	-	-	(0.0%)
Consolidated Add-ons	5.4%	6.0%	6.1%	6.3%	6.1%	6.0%	-	-	-	+0.0%
Sales (Composition ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	+0.0%
Sales by Category of Merchandises	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	10/2016	10/2016	10/2016	10/2016	10/2017	10/2017	10/2017	10/2017		
FA Cables	6,215	6,236	5,886	6,071	6,384	6,711	-	-	-	+475
Power Cables	5,543	5,247	4,117	4,598	5,269	5,592	-	-	-	+345
General-purpose Covered Cables	1,835	1,758	1,587	1,696	1,930	1,879	-	-	-	+121
Other Cables	864	832	794	743	924	880	-	-	-	+48
Non-Cables	2,245	2,307	2,288	2,535	2,531	2,494	-	-	-	+187
Sales (on a Parent basis)	16,702	16,383	14,671	15,643	17,038	17,558	-	-	-	+1,175
Consolidated Add-ons	955	1,153	989	1,170	1,105	1,106	-	-	-	(47)
Sales	17,657	17,536	15,660	16,813	18,143	18,664	-	-	-	+1,128
FA Cables	(3.4%)	(0.6%)	(5.5%)	(2.7%)	+2.7%	+7.6%	-	-	-	-
Power Cables	(15.7%)	(18.3%)	(30.6%)	(21.6%)	(4.9%)	+6.6%	-	-	-	-
General-purpose Covered Cables	(16.5%)	(10.3%)	(21.4%)	(15.9%)	+5.2%	+6.9%	-	-	-	-
Other Cables	(32.2%)	(28.2%)	(30.4%)	(23.6%)	+6.9%	+5.8%	-	-	-	-
Non-Cables	(12.3%)	(16.2%)	(2.1%)	+6.8%	+12.7%	+8.1%	-	-	-	-
Sales (on a Parent basis)	(12.3%)	(11.8%)	(16.9%)	(10.4%)	+2.0%	+7.2%	-	-	-	-
Consolidated Add-ons	+47.4%	+34.1%	+26.1%	+5.9%	+15.7%	(4.1%)	-	-	-	-
Sales (YoY)	(10.3%)	(9.7%)	(15.1%)	(9.5%)	+2.8%	+6.4%	-	-	-	-
FA Cables	37.2%	38.1%	40.1%	38.8%	37.5%	38.2%	-	-	-	+0.2%
Power Cables	33.2%	32.0%	28.1%	29.4%	30.9%	31.8%	-	-	-	(0.2%)
General-purpose Covered Cables	11.0%	10.7%	10.8%	10.8%	11.3%	10.7%	-	-	-	(0.0%)
Other Cables	5.2%	5.1%	5.4%	4.7%	5.4%	5.0%	-	-	-	(0.1%)
Non-Cables	13.4%	14.1%	15.6%	16.2%	14.9%	14.2%	-	-	-	+0.1%
Sales (on a Parent basis)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	+0.0%
Sales (on a Parent basis)	94.6%	93.4%	93.7%	93.0%	93.9%	94.1%	-	-	-	+0.6%
Consolidated Add-ons	5.4%	6.6%	6.3%	7.0%	6.1%	5.9%	-	-	-	(0.6%)
Sales (Composition ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	+0.0%

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	10/2016	10/2016	10/2016	10/2016	10/2017	10/2017	10/2017	10/2017		
Cash and Deposit	13,059	14,625	13,607	15,922	15,111	16,936	-	-		+2,311
Accounts Receivables	21,608	20,413	19,113	18,812	20,268	20,971	-	-		+558
Inventory	4,548	4,143	4,034	3,556	3,841	3,937	-	-		(206)
Other	567	718	624	773	607	466	-	-		(252)
Current Assets	39,782	39,899	37,378	39,063	39,827	42,310	-	-		+2,411
Tangible Assets	12,971	12,923	12,893	12,897	13,248	13,513	-	-		+590
Intangible Assets	494	512	501	294	267	253	-	-		(259)
Investments and Other Assets	4,753	4,608	4,520	4,582	4,769	5,027	-	-		+419
Fixed Assets	18,220	18,044	17,915	17,774	18,286	18,794	-	-		+750
Total Assets	58,002	57,944	55,293	56,837	58,114	61,105	-	-		+3,161
Accounts Payables	19,996	18,898	16,889	17,326	18,884	20,414	-	-		+1,516
Short-Term Debt	144	144	120	120	120	120	-	-		(24)
Other	1,327	2,039	1,499	2,116	1,271	2,001	-	-		(38)
Current Liabilities	21,467	21,081	18,508	19,562	20,275	22,535	-	-		+1,454
Long-Term Debt	47	41	-	-	-	-	-	-		(41)
Other	2,213	2,252	2,216	2,547	2,598	2,634	-	-		+382
Fixed Liabilities	2,260	2,293	2,216	2,547	2,598	2,634	-	-		+341
Total Liabilities	23,728	23,375	20,725	22,110	22,873	25,170	-	-		+1,795
Shareholders' Equity	33,869	34,242	34,299	34,581	34,940	35,542	-	-		+1,300
Other	404	326	269	146	301	392	-	-		+66
Net Assets	34,273	34,568	34,568	34,727	35,241	35,934	-	-		+1,366
Total Liabilities and Net Assets	58,002	57,944	55,293	56,837	58,114	61,105	-	-		+3,161
Equity Capital	34,186	34,481	34,489	34,653	35,166	35,854	-	-		+1,373
Interest Bearing Debt	191	185	120	120	120	120	-	-		(65)
Net Debt	(12,868)	(14,440)	(13,487)	(15,802)	(14,991)	(16,816)	-	-		(2,376)
Capital Ratio	58.9%	59.5%	62.4%	61.0%	60.5%	58.7%	-	-		(0.8%)
Net Debt Equity Ratio	(37.6%)	(41.9%)	(39.1%)	(45.6%)	(42.6%)	(46.9%)	-	-		(5.0%)
ROE (12 months)	4.6%	4.8%	5.2%	4.6%	5.1%	5.2%	-	-		+0.4%
ROA (12 months)	4.7%	4.7%	5.1%	5.1%	5.4%	5.4%	-	-		+0.6%
Months for Inventory Turnover	0.77	0.71	0.77	0.63	0.64	0.63	-	-		-
Quick Ratio	161%	166%	177%	178%	174%	168%	-	-		-
Current Ratio	185%	189%	202%	200%	196%	188%	-	-		-

Source: Company Data, WRJ Calculation

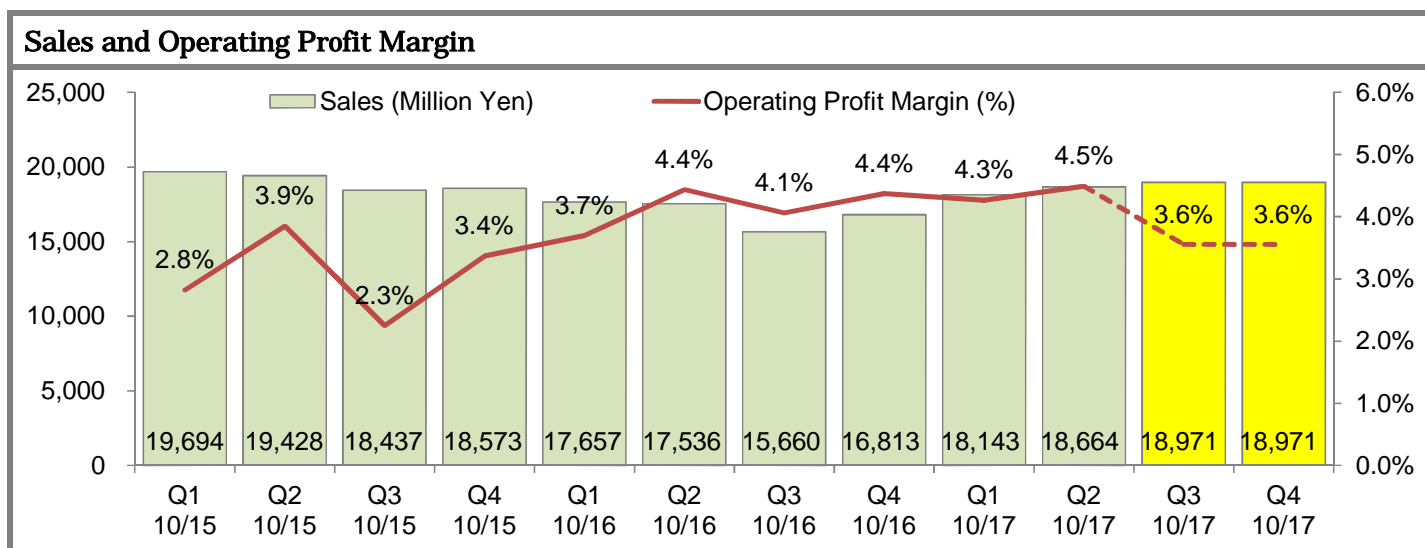
Cash Flow Statement (Cumulative)

Cash Flow Statement	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	10/2016	10/2016	10/2016	10/2016	10/2017	10/2017	10/2017	10/2017		
Operating Cash Flow	-	1,433	-	3,232	-	1,791	-	-		+358
Investing Cash Flow	-	138	-	9	-	(738)	-	-		(876)
Operating CF and Investing CF	-	1,571	-	3,241	-	1,053	-	-		(518)
Financing Cash Flow	-	(550)	-	(983)	-	(179)	-	-		+371

Source: Company Data, WRJ Calculation

FY10/2017 Company Forecasts

FY10/2017 initial Company forecasts have remained unchanged, going for prospective sales of ¥74,750m (up 10.5% YoY), operating profit of ¥2,960m (up 5.6%), recurring profit of ¥3,180m (up 6.8%) and profit attributable to owners of parent of ¥2,100m (up 32.5%), while operating profit margin of 4.0% (down 0.1% point). Prospective full-year dividend has also remained unchanged at ¥40.0 per share, implying payout ratio of 19.2%.



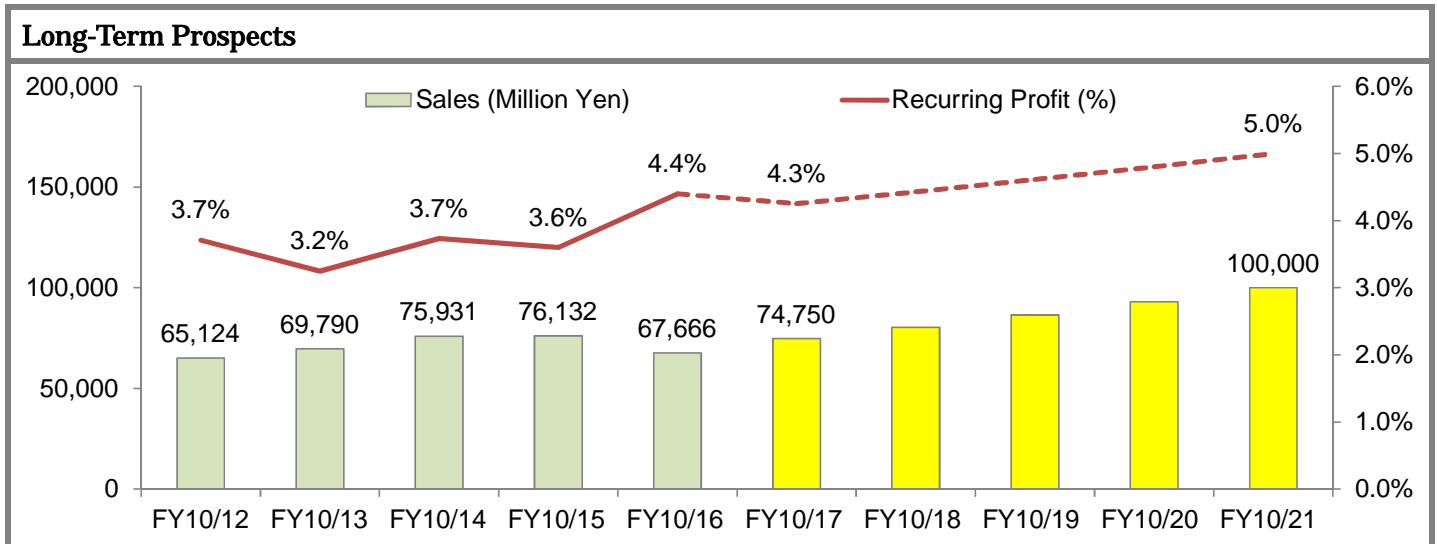
Source: Company Data, WRJ Calculation (Q3 and Q4 FY10/2017 forecasts: H2 Company forecasts, pro rata)

Main assumptions are as have been discussed, while the most recent trading suggests that the trends in Q1 to Q2 are likely to persist in H2, i.e., sales fallen short but earnings better and thus resulting in operating profit margin better than expected.

Long-Term Prospects

At the release of FY10/2016 results (9 December 2016), the Company has come up with “SENSHU ELECTRIC Group Midterm Management Plan (FY10/2017 to FY10/2021)”.

While setting the 70th anniversary (November 2019) as a passing point, the Company is calling for prospective sales of ¥100,000m, recurring profit of ¥5,000m, recurring profit margin of 5.0% and ROE of 6.0% or more in FY10/2021, i.e., the last year of the plan, suggesting CAGR of 8.1% for sales and 10.9% for earnings during the period of the plan. At the same time, this plan is calling for recurring profit margin higher by 0.6% points in FY10/2021 over FY10/2016 results and ROE higher by 1.4% points or more.



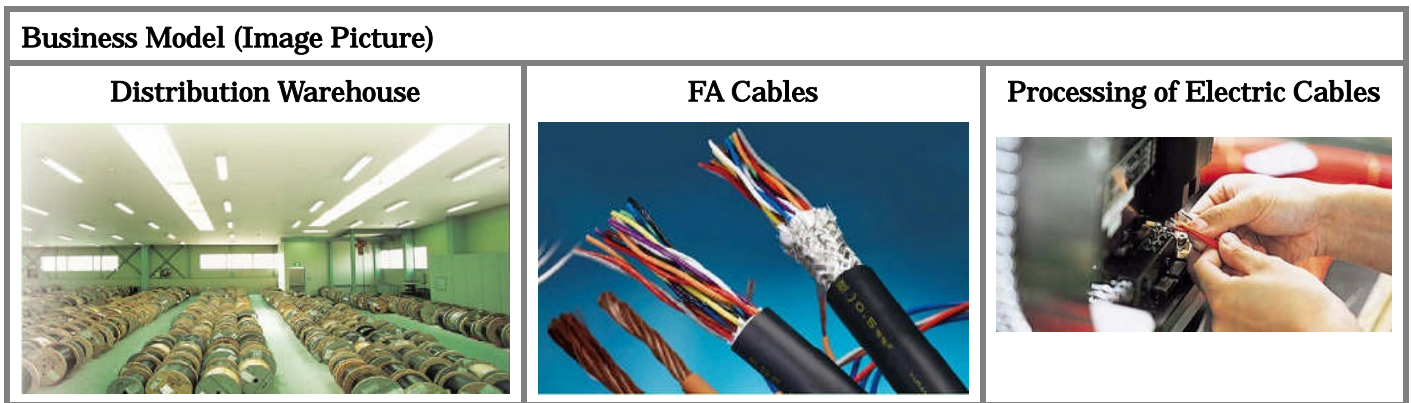
Source: Company Data, WRJ Calculation

Going forward, the Company is keen on focusing own resources on “original products”, while trying to get at increasing exposure to new domains both region-wise and business-wise through consolidated subsidiaries at the same time. In regards to the former, the Company is likely to enjoy the current buoyant sentiments in the foreseeable future, while the Company finds major upside of future earnings in regards to the latter. The midterm management plan assumes benefits from new merger and acquisition to a certain extent.

4.0 Business Model

One of The Largest Traders of Electric Cables

As independent trader of electric cables being one of the largest in the market at the same time, the Company, having celebrated the 68th anniversary, is running operations to sell electric cables across Japan. The Company's operations are so consistent, comprising those of management of distribution warehouses, sales and delivery in accordance with just-in-time system where motto is "delivery of merchandises coping with necessity in terms of variety, quantity and timing".

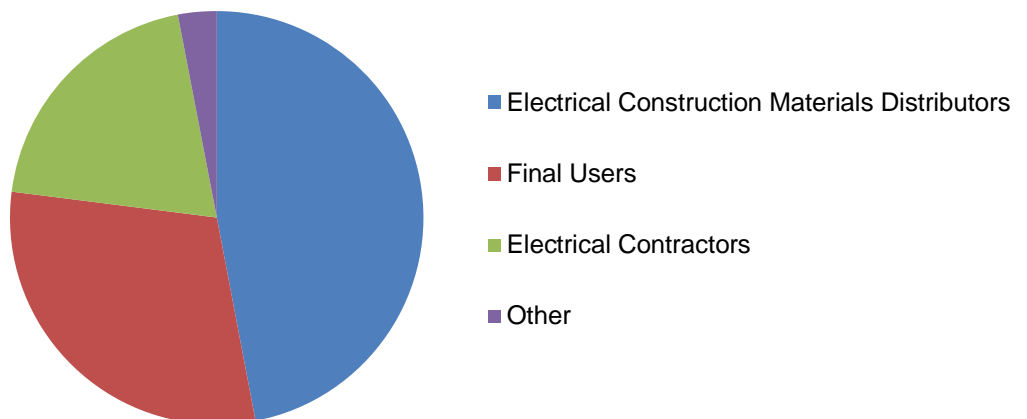


Source: Company Data

Procuring merchandises more than 50,000 in the number of items from suppliers more than 250, including the major 8 electric cable manufacturers, the Company sells to customers more than 3,500. Meanwhile, SWCC SHOWA CABLE SYSTEMS CO., LTD., which is ex-parent entity for the Company, is the largest supplier. Meanwhile, the Company runs 16 operation bases nation-wide in Japan, where some 200 sales representatives are allocated collectively and all those operation bases have inventory spaces collectively as large as 50,000 square meters, always stocking "original products", etc. in there.

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The Company's Delivery Destinations of Electric Cables by Sales



Source: Company Data

Almost half of electric cables traded by the Company are delivered to final users through Electrical Construction Materials Distributors, while some 20% to electrical contractors. At the same time, the Company is involved with delivery directly to major manufacturers of final products (final users) belonging to electronics industry (semiconductors, LCD panels) and automotive industry through diverse players of machine tools, industrial equipment, etc., accounting for some 30% of total, where mainstay merchandises are FA Cables including “original products”. At the same time, the Company suggests that FA Cables are sold to final users also through Electrical Construction Materials Distributors.

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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