

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)
FY10/2016		67,666	2,802	2,978	1,585	155.2	40.0	3,429
FY10/2017		74,956	3,202	3,455	2,289	226.6	45.0	3,662
FY10/2018CoE		81,000	3,590	3,820	2,570	258.2	50.0	-
FY10/2017	YoY	10.8%	14.2%	16.0%	44.5%	-	-	-
FY10/2018CoE	YoY	8.1%	12.1%	10.6%	12.2%	-	-	-
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 FY10/2017		36,807	1,612	1,738	1,163	-	-	-
Q3 to Q4 FY10/2017		38,149	1,590	1,717	1,126	-	-	-
Q1 to Q2 FY10/2018		40,939	1,822	1,943	1,341	-	-	-
Q3 to Q4 FY10/2018CoE		40,061	1,768	1,877	1,229	-	-	-
Q1 to Q2 FY10/2018	YoY	11.2%	13.0%	11.8%	15.3%	-	-	-
Q3 to Q4 FY10/2018CoE	YoY	5.0%	11.2%	9.3%	9.1%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (11 July 2018)

Osaka Distribution Center

SENSHU ELECTRIC, i.e., technology trading house with electric cables as the mainstay merchandises, is currently in the process of investing collective ¥3,600m (land, building, etc.) in Osaka Distribution Center (Toyonaka-city, Osaka). So far, Suita Distribution Center has been playing the key role for the Company to efficiently carry out just-in-time distribution of merchandises to deal in, which is to be replaced by Osaka Distribution Center to be completed in May 2019. Combined with aggressive investments in the same way elsewhere, not only is the Company to see efficiency associated with distribution further improving going forward, but also providing excess cash having been piling up for years with a solution at the same time. Meanwhile, the Company is seeing steady increases of sales and earnings at present. Sales of FA Cables to drive earnings as a whole for the Company are increasing favorably, including those of original merchandises to create high added value and thus high gross profit margin in particular, driven by favorable environments represented by consistently firm semiconductor-related capex, etc. Short-term, hiking prices of copper may remain as a negative factor, but prospective earnings are to steadily increase due to effect on increased productivity more than compensating. The Company to celebrate the 70th anniversary suggests the target earnings of “SENSHU ELECTRIC Group Midterm Management Plan (FY10/2017 to FY10/2021)” could be achieved earlier than initially expected. Meanwhile, the Company keen on sharing earnings with shareholders is going for total premium redemption to shareholders equating to 38.9% out of prospective profit attributable to owner of parent in FY10/2018.

In Q1 to Q2 FY10/2018, sales came in at ¥40,939m (up 11.2% YoY), operating profit ¥1,822m (up 13.0%) and operating profit margin 4.5% (up 0.1% point). Sales of the mainstay FA Cables came in at ¥14,688m (up 12.2%), having driven sales and earnings as a whole for the Company most substantially as far as we could gather. In regards to FA Cables to create high added value and thus carry high gross profit margin, demand is driven by ongoing firmness on machine tools and on capital expenditure associated with automotive production lines, while customers on the semiconductor production equipment side are placing order steadily increasing with the Company at the same time. Meanwhile, the Company saw gross profit margin of 15.4% (down 1.0% point) and SG&A expenses of ¥4,475m (up 1.3%), having resulted in operating profit margin of 4.5% (up 0.1% point). The Company does see effect on increased productivity, but gross profit margin is under pressure due to hiking prices of copper. In line with this hike, the Company sees increasing procurement costs for electric cables basically comprising copper. Then, this is passed onto selling prices of electric cables sold by the Company, beefing up sales in a sense. However, it takes a whole for the hiking prices of copper to be thoroughly passed on, according to the Company.

FY10/2018 Company forecasts are going for prospective sales of ¥81,000m (up 8.1% YoY), operating profit of ¥3,590m (up 12.1%) and operating profit margin of 4.1% (up 0.2% points). Given prices of copper higher than initially expected, prospective sales have been upgraded, but prospective earnings have remained almost unchanged. Meanwhile, Company forecasts assume prospective sales of ¥29,100m (up 7.9%) for FA Cables, based on an idea that the environments are to remain favorable, including sentiments on machine tools, capital expenditure associated with automotive production lines and order placement from customers on the semiconductor production equipment side. More importantly, the Company suggests that Company forecasts are based on assumptions rather conservative.

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2.0 Company Profile

Technology Trading House with Electric Cables as the Mainstay Merchandises

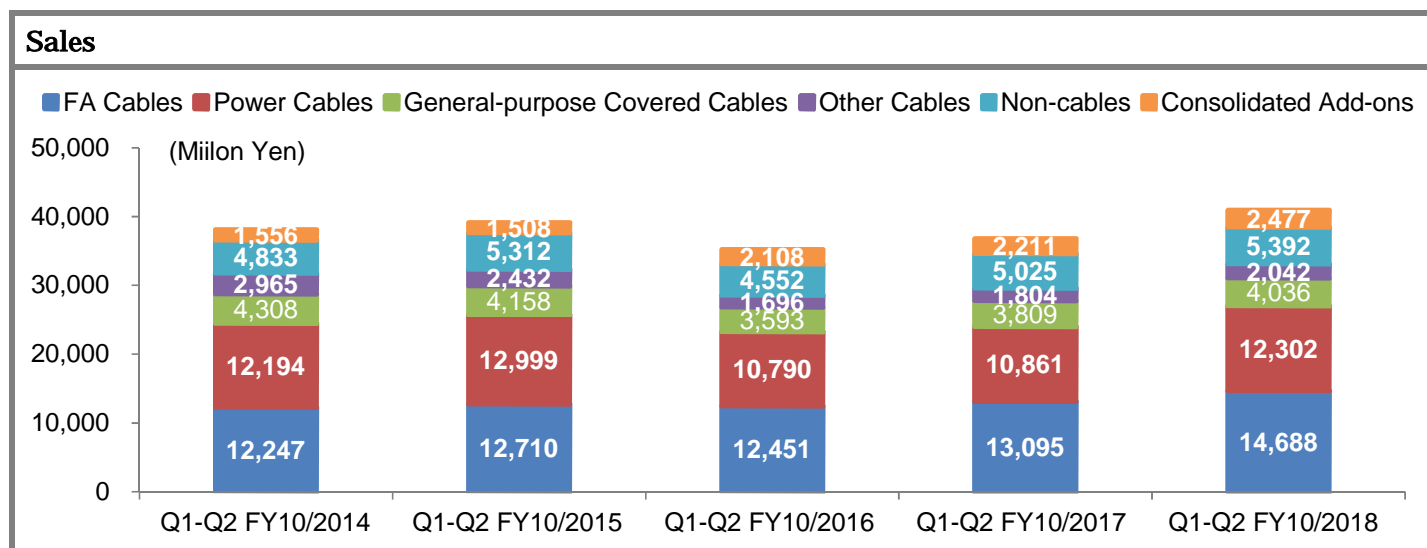
Company Name	SENSHU ELECTRIC CO., LTD. Company Website (Japanese Only) IR Information (Japanese Only) Share Price (Japanese)	 泉州電業株式会社 SENSHU ELECTRIC CO.,LTD.
Established	18 November 1949	
Listing	9 November 2017: Tokyo Stock Exchange 1st Section (ticker: 9824) 8 November 2002: Tokyo Stock Exchange 2nd Section 24 June 1991: Osaka Stock Exchange 2nd Section	
Capital	¥2,575m (as of the end of April 2018)	
No. of Shares	10,800,000 shares, including 774,917 treasury shares (as of the end of April 2018)	
Main Features	<ul style="list-style-type: none"> ● Stocking and selling of electric cables more than 50,000 items ● FA Cables for industrial equipment, the key earnings pillar ● Co-development of original merchandises with manufacturers of electric cables 	
Businesses	. Electric Cables Business	
Top Management	President: Motohide Nishimura	
Shareholders	Trust account (SWCC SHOWA HD, etc.) 9.3%, BBH for Fidelity Low-priced Stocks F 8.3%, Motohide Nishimura 7.2% (as of the end of April 2018)	
Headquarters	Suita-city, Osaka, JAPAN	
No. of Employees	Consolidated: 696, Parent: 521 (as of the end of April 2018)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q2 FY10/2018 Results

In Q1 to Q2 FY10/2018, sales came in at ¥40,939m (up 11.2% YoY), operating profit ¥1,822m (up 13.0%), recurring profit ¥1,943m (up 11.8%) and profit attributable to owners of parent ¥1,341m (up 15.3%), while operating profit margin 4.5% (up 0.1% point).



Source: Company Data, WRJ Calculation

On a parent basis, sales came in at ¥38,462m (up 11.2%) and consolidated add-ons ¥2,477m (up 12.0%). Both increased steadily over the same period in the previous year. Meanwhile, by category on a parent basis, FA Cables saw sales of ¥14,688m (up 12.2%), Power Cables ¥12,302m (up 13.3%), General-purpose Covered Cables ¥4,036m (up 6.0%), Other Cables ¥2,042m (up 13.2%) and Non-cables ¥5,392m (up 7.3%).

FA Cables are a category mainly comprising electric cables adopted in industrial equipment, including those of so-called “original merchandises”. Demand is driven by ongoing firmness on machine tools and on capital expenditure associated with automotive production lines, while customers on the semiconductor production equipment side are placing order steadily increasing with the Company at the same time. Thus, sales of this category are increasing favorably. FA Cables have the least exposure to copper in procurement costs out of all the categories and thus have added value higher than other categories as well as gross profit margin rather higher too. In particular, original merchandises to be co-developed with manufacturers of cables appear carrying high gross profit margin in that they are not exposed to competition as they are just simply “original”. On a parent basis, FA Cables accounted for 38.2% of total sales, having been the largest out of all the categories, while they should be important even more as the constituent for gross profit as a whole for the Company.

Power Cables are a category mainly comprising construction-related electric cables. Sales here are also firm with increasing volume and hiking prices. Still, electric cables stocked and sold here have fairly high exposure to copper in procurement costs, suggesting limited creation of added value and thus low gross profit margin. Meanwhile, hiking prices of Power Cables come from those of copper, which hardly affects to gross profit margin, consequently in a long-term view.

General-purpose Covered Cables are a category mainly comprising electric cables for household use, while Other Cables represents stocking and selling of materials for electric cables with small-sized manufacturers of electric cables as customers. Sales increased for both, but they have limited impacts to earnings as a whole for the Company.

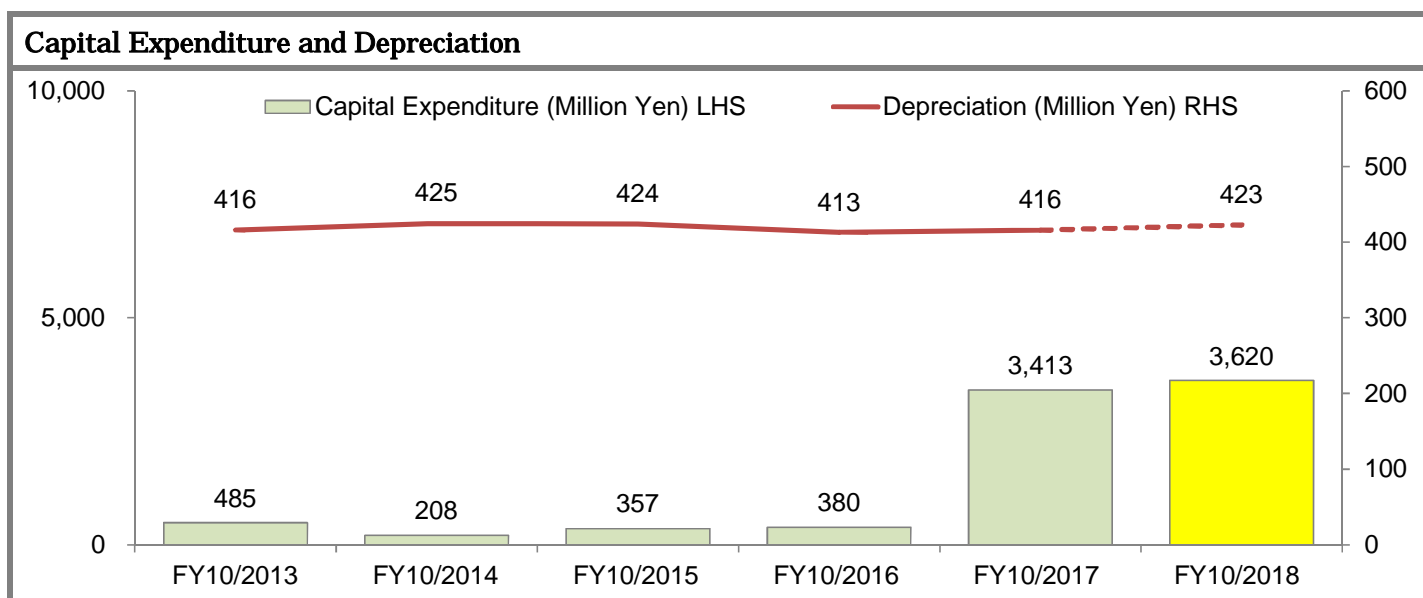
Non-cables are a category to book sales stemming from stocking and selling of electric cables combined with operations of processing or machining terminals of electric cables. Sales of harness division, accounting for some one third of sales, are firm in particular, according to the Company. This is in line with increasing demand from customers on the semiconductor production equipment side aforementioned as well as that of machine tools, creating a thriving sentiment at the moment. However, sales associated with solar photovoltaic generation, having had driven sales of this category for years, are now on the decreases. Thus, the Company sees rather limited increases of sales for this category as a whole. Still, it has remained unchanged that this category carries high gross profit margin with involvements with processing or machining terminals of electric cables. Out of all the categories, this category has the highest gross profit margin second only to FA Cables, as far as we could gather.

Meanwhile, the Company, having seen effect on increased productivity due to increasing sales in each category and consolidated add-ons, saw operating profit margin improving albeit not much. This is a result of gross profit margin having been under pressure and SG&A expenses having increased just marginally.

Gross profit came in at ¥6,298m (up 4.5%) and gross profit margin 15.4% (down 1.0%). During the period of copper prices being on the rise just like now, procurement costs of electric cables mainly comprising copper are inevitably on the rise too. Meanwhile, it takes a while to pass on to selling prices of those sold by the Company, generating a tendency that gross profit margin being under pressure during the period of copper prices being on the rise. In Q1 to Q2, the prices of copper came in at ¥799,000 per ton (up 16.5%). On top of this, sales mix as a whole for the Company got rather worsened due to firm sales of Power Cables carrying gross profit margin relatively low.

Meanwhile, SG&A expenses came in at ¥4,475m (up 1.3%), having increased just marginally, suggesting the ratio of SG&A expenses to sales of 10.9% (down 1.1% points). Over the same period in the previous year, freight on merchandises and administrative expenses increased, but personnel expenses came down. On top of this, provision of allowance for doubtful accounts almost disappeared. Given consistent natural wastage of high-aged employees having reached retirement age, the Company compensates for this by means of increasing low-aged ones, resulting in some decreases of personnel expenses, according to the Company.

At the non-operating level, the Company saw net gains of ¥121m versus 126m during the same period in the previous year and ¥76m versus ¥22m for extraordinary level. Thus, both have remained roughly unchanged over the same period in the previous year, while so has tax rate. As a result, the Company saw increases of profit attributable to owners of parent basically in line with those of operating profit. A topic mentioned in regards to the gains at the non-operating level is that the Company has started to see increasing rent income due to startup of operations of real estate for rent newly built in Kawasaki-city, Kanagawa. Still, the Company has started to see depreciation charges stemming from here at the same time.



Source: Company Data, WRJ Calculation

As of the end of Q2, total assets stood at ¥66,071m (¥61,105m as of the end of Q2 in the previous year) versus equity capital of ¥37,820m (¥35,584m), having resulted in equity capital ratio of 57.2% (58.7%). Both total assets and equity capital have increased and equity capital ratio has not changed very much. Meanwhile, excess cash has been reasonably cut back. Net cash stood at ¥15,328m (¥16,816m). This has a lot to do with capital expenditure of ¥1,012m (depreciation of ¥200m) having been implemented in Q1 to Q2.

Going forward, the Company is to implement capital expenditure of ¥3,620m (depreciation of ¥423m) in FY10/2018 to be preceded by capital expenditure of ¥3,413m (depreciation of ¥416m) in FY10/2017, far larger than the levels prior to the said two years. Meanwhile, depreciation is to remain not significant. This is because of the fact that the Company has been investing mainly in land so far, while the investment in building is on the verge of taking off on a full-fledged basis.

Meanwhile, the Company discloses that capital expenditure in Q1 to Q2 mainly comprised that of ¥281m associated with above-mentioned real estate for rent newly built in Kawasaki-city, Kanagawa, ¥278m on Osaka Distribution Center, ¥235m on Takamatsu branch and ¥192m on Saitama sales office. With respect to real estate for rent newly built in Kawasaki-city, Kanagawa, the Company made a changeover to investment property from tangible fixed assets for title of account on balance sheet.

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.
	10/2017	10/2017	10/2017	10/2017	10/2018	10/2018	10/2018	10/2018		
Sales	18,143	36,807	54,912	74,956	20,470	40,939	-	-	-	+4,132
Cost of Sales	15,130	30,778	45,988	62,942	17,363	34,641	-	-	-	+3,863
Gross Profit	3,012	6,029	8,923	12,014	3,107	6,298	-	-	-	+269
SG&A	2,237	4,416	6,604	8,812	2,307	4,475	-	-	-	+59
Operating Profit	774	1,612	2,319	3,202	799	1,822	-	-	-	+210
Non Operating Balance	63	126	193	253	77	121	-	-	-	(5)
Recurring Profit	837	1,738	2,512	3,455	876	1,943	-	-	-	+205
Extraordinary Balance	19	22	26	13	31	76	-	-	-	+54
Profit before Income Taxes	856	1,760	2,538	3,468	907	2,019	-	-	-	+259
Total Income Taxes	294	597	863	1,176	303	664	-	-	-	+67
NP Belonging to Non-Controlling SHs	-	-	-	2	8	13	-	-	-	+13
Profit Attributable to Owners of Parent	561	1,163	1,674	2,289	595	1,341	-	-	-	+178
Sales YoY	+2.7%	+4.6%	+8.0%	+10.8%	+12.8%	+11.2%	-	-	-	-
Operating Profit YoY	+18.6%	+12.6%	+12.2%	+14.2%	+3.2%	+13.0%	-	-	-	-
Recurring Profit YoY	+19.5%	+14.2%	+14.2%	+16.0%	+4.6%	+11.8%	-	-	-	-
Profit Attributable to Owners of Parent YoY	+46.1%	+27.4%	+28.5%	+44.5%	+6.0%	+15.3%	-	-	-	-
Gross Profit Margin	16.6%	16.4%	16.2%	16.0%	15.2%	15.4%	-	-	-	(1.0%)
(SG&A / Sales)	12.3%	12.0%	12.0%	11.8%	11.3%	10.9%	-	-	-	(1.1%)
Operating Profit Margin	4.3%	4.4%	4.2%	4.3%	3.9%	4.5%	-	-	-	+0.1%
Recurring Profit Margin	4.6%	4.7%	4.6%	4.6%	4.3%	4.7%	-	-	-	+0.0%
Profit Attributable to Owners of Parent Margin	3.1%	3.2%	3.0%	3.1%	2.9%	3.3%	-	-	-	+0.1%
Tax Charges etc. / Pretax Profit	34.3%	33.9%	34.0%	33.9%	33.4%	32.9%	-	-	-	(1.0%)

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.
	10/2017	10/2017	10/2017	10/2017	10/2018	10/2018	10/2018	10/2018	10/2018	
Sales	18,143	18,664	18,105	20,044	20,470	20,469	-	-	-	+1,805
Cost of Sales	15,130	15,648	15,210	16,954	17,363	17,278	-	-	-	+1,630
Gross Profit	3,012	3,017	2,894	3,091	3,107	3,191	-	-	-	+174
SG&A	2,237	2,179	2,188	2,208	2,307	2,168	-	-	-	(11)
Operating Profit	774	838	707	883	799	1,023	-	-	-	+185
Non Operating Balance	63	63	67	60	77	44	-	-	-	(19)
Recurring Profit	837	901	774	943	876	1,067	-	-	-	+166
Extraordinary Balance	19	3	4	(13)	31	45	-	-	-	+42
Profit before Income Taxes	856	904	778	930	907	1,112	-	-	-	+208
Total Income Taxes	294	303	266	313	303	361	-	-	-	+58
NP Belonging to Non-Controlling SHs	-	-	-	2	8	5	-	-	-	+5
Profit Attributable to Owners of Parent	561	602	511	615	595	746	-	-	-	+144
Sales YoY	+2.7%	+6.4%	+15.6%	+19.2%	+12.8%	+9.7%	-	-	-	-
Operating Profit YoY	+18.6%	+7.7%	+11.2%	+20.1%	+3.2%	+22.1%	-	-	-	-
Recurring Profit YoY	+19.5%	+9.7%	+14.2%	+21.1%	+4.6%	+18.4%	-	-	-	-
Profit Attributable to Owners of Parent YoY	+46.1%	+13.8%	+31.0%	+118.1%	+6.0%	+23.9%	-	-	-	-
Gross Profit Margin	16.6%	16.2%	16.0%	15.4%	15.2%	15.6%	-	-	-	(0.6%)
(SG&A / Sales)	12.3%	11.7%	12.1%	11.0%	11.3%	10.6%	-	-	-	(1.1%)
Operating Profit Margin	4.3%	4.5%	3.9%	4.4%	3.9%	5.0%	-	-	-	+0.5%
Recurring Profit Margin	4.6%	4.8%	4.3%	4.7%	4.3%	5.2%	-	-	-	+0.4%
Profit Attributable to Owners of Parent Margin	3.1%	3.2%	2.8%	3.1%	2.9%	3.6%	-	-	-	+0.4%
Tax Charges etc. / Pretax Profit	34.3%	33.9%	34.2%	33.7%	33.4%	32.9%	-	-	-	(1.0%)

Source: Company Data, WRJ Calculation

Sales by Category (Cumulative, Quarterly)

Sales by Category	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.
	10/2017	10/2017	10/2017	10/2017	10/2018	10/2018	10/2018	10/2018		
FA Cables	6,384	13,095	19,747	26,976	7,274	14,688	-	-	-	+1,593
Power Cables	5,269	10,861	15,992	21,895	6,350	12,302	-	-	-	+1,441
General-purpose Covered Cables	1,930	3,809	5,657	7,742	2,074	4,036	-	-	-	+227
Other Cables	924	1,804	2,646	3,583	1,014	2,042	-	-	-	+238
Non-cables	2,531	5,025	7,544	10,207	2,651	5,392	-	-	-	+367
Sales (on a Parent)	17,038	34,596	51,589	70,404	19,365	38,462	-	-	-	+3,866
Consolidated Add-ons	1,105	2,211	3,323	4,552	1,105	2,477	-	-	-	+266
Sales	18,143	36,807	54,912	74,956	20,470	40,939	-	-	-	+4,132
FA Cables	+2.7%	+5.2%	+7.7%	+10.5%	+13.9%	+12.2%	-	-	-	-
Power Cables	(4.9%)	+0.7%	+7.3%	+12.2%	+20.5%	+13.3%	-	-	-	-
General-purpose Covered Cables	+5.2%	+6.0%	+9.2%	+12.6%	+7.5%	+6.0%	-	-	-	-
Other Cables	+6.9%	+6.4%	+6.3%	+10.8%	+9.7%	+13.2%	-	-	-	-
Non-cables	+12.7%	+10.4%	+10.3%	+8.9%	+4.7%	+7.3%	-	-	-	-
Sales (on a Parent)	+2.0%	+4.6%	+8.0%	+11.0%	+13.7%	+11.2%	-	-	-	-
Consolidated Add-ons	+15.7%	+4.9%	+7.3%	+6.7%	+0.0%	+12.0%	-	-	-	-
Sales (YoY)	+2.8%	+4.6%	+8.0%	+10.8%	+12.8%	+11.2%	-	-	-	-
FA Cables	37.5%	37.9%	38.3%	38.3%	37.6%	38.2%	-	-	-	+0.3%
Power Cables	30.9%	31.4%	31.0%	31.1%	32.8%	32.0%	-	-	-	+0.6%
General-purpose Covered Cables	11.3%	11.0%	11.0%	11.0%	10.7%	10.5%	-	-	-	(0.5%)
Other Cables	5.4%	5.2%	5.1%	5.1%	5.2%	5.3%	-	-	-	+0.1%
Non-cables	14.9%	14.5%	14.6%	14.5%	13.7%	14.0%	-	-	-	(0.5%)
Sales (on a Parent)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	+0.0%
Sales (on a Parent)	93.9%	94.0%	93.9%	93.9%	94.6%	93.9%	-	-	-	(0.0%)
Consolidated Add-ons	6.1%	6.0%	6.1%	6.1%	5.4%	6.1%	-	-	-	+0.0%
Sales (Composition ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	+0.0%
Sales by Category	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.
	10/2017	10/2017	10/2017	10/2017	10/2018	10/2018	10/2018	10/2018		
FA Cables	6,384	6,711	6,652	7,229	7,274	7,414	-	-	-	+703
Power Cables	5,269	5,592	5,131	5,903	6,350	5,952	-	-	-	+360
General-purpose Covered Cables	1,930	1,879	1,848	2,085	2,074	1,962	-	-	-	+83
Other Cables	924	880	842	937	1,014	1,028	-	-	-	+148
Non-cables	2,531	2,494	2,519	2,663	2,651	2,741	-	-	-	+247
Sales (on a Parent)	17,038	17,558	16,993	18,815	19,365	19,097	-	-	-	+1,539
Consolidated Add-ons	1,105	1,106	1,112	1,229	1,105	1,372	-	-	-	+266
Sales	18,143	18,664	18,105	20,044	20,470	20,469	-	-	-	+1,805
FA Cables	+2.7%	+7.6%	+13.0%	+19.1%	+13.9%	+10.5%	-	-	-	-
Power Cables	(4.9%)	+6.6%	+24.6%	+28.4%	+20.5%	+6.4%	-	-	-	-
General-purpose Covered Cables	+5.2%	+6.9%	+16.4%	+22.9%	+7.5%	+4.4%	-	-	-	-
Other Cables	+6.9%	+5.8%	+6.0%	+26.1%	+9.7%	+16.8%	-	-	-	-
Non-cables	+12.7%	+8.1%	+10.1%	+5.0%	+4.7%	+9.9%	-	-	-	-
Sales (on a Parent)	+2.0%	+7.2%	+15.8%	+20.3%	+13.7%	+8.8%	-	-	-	-
Consolidated Add-ons	+15.7%	(4.1%)	+12.4%	+5.0%	+0.0%	+24.1%	-	-	-	-
Sales (YoY)	+2.8%	+6.4%	+15.6%	+19.2%	+12.8%	+9.7%	-	-	-	-
FA Cables	37.5%	38.2%	39.1%	38.4%	37.6%	38.8%	-	-	-	+0.6%
Power Cables	30.9%	31.8%	30.2%	31.4%	32.8%	31.2%	-	-	-	(0.7%)
General-purpose Covered Cables	11.3%	10.7%	10.9%	11.1%	10.7%	10.3%	-	-	-	(0.4%)
Other Cables	5.4%	5.0%	5.0%	5.0%	5.2%	5.4%	-	-	-	+0.4%
Non-cables	14.9%	14.2%	14.8%	14.2%	13.7%	14.4%	-	-	-	+0.1%
Sales (on a Parent)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	+0.0%
Sales (on a Parent)	93.9%	94.1%	93.9%	93.9%	94.6%	93.3%	-	-	-	(0.8%)
Consolidated Add-ons	6.1%	5.9%	6.1%	6.1%	5.4%	6.7%	-	-	-	+0.8%
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.
	10/2017	10/2017	10/2017	10/2017	10/2018	10/2018	10/2018	10/2018		
Cash and Deposit	15,111	16,936	14,815	15,495	15,301	15,443	-	-		(1,493)
Accounts Receivables	20,268	20,971	20,853	22,670	23,415	23,882	-	-		+2,911
Inventory	3,841	3,937	4,091	3,845	4,227	4,229	-	-		+292
Other	607	466	355	517	415	610	-	-		+144
Current Assets	39,827	42,310	40,114	42,527	43,358	44,164	-	-		+1,854
Tangible Assets	13,248	13,513	14,934	15,802	16,006	15,713	-	-		+2,200
Intangible Assets	267	253	289	263	252	231	-	-		(22)
Investments and Other Assets	4,769	5,027	5,168	5,158	5,152	5,961	-	-		+934
Fixed Assets	18,286	18,794	20,392	21,223	21,410	21,906	-	-		+3,112
Total Assets	58,114	61,105	60,506	63,750	64,768	66,071	-	-		+4,966
Accounts Payables	18,884	20,414	20,039	21,577	23,029	23,134	-	-		+2,720
Short-Term Debt	120	120	120	120	120	115	-	-		(5)
Other	1,271	2,001	1,376	2,306	1,450	2,178	-	-		+177
Current Liabilities	20,275	22,535	21,535	24,003	24,599	25,427	-	-		+2,892
Long-Term Debt	-	-	-	-	-	-	-	-		-
Other	2,598	2,634	2,626	2,661	2,685	2,720	-	-		+86
Fixed Liabilities	2,598	2,634	2,626	2,661	2,685	2,720	-	-		+86
Total Liabilities	22,873	25,170	24,161	26,664	27,285	28,148	-	-		+2,978
Shareholders' Equity	34,940	35,542	35,851	36,466	36,809	37,313	-	-		+1,771
Other	301	392	493	620	674	610	-	-		+218
Net Assets	35,241	35,934	36,344	37,086	37,483	37,923	-	-		+1,989
Total Liabilities and Net Assets	58,114	61,105	60,506	63,750	64,768	66,071	-	-		+4,966
Equity Capital	35,166	35,854	36,264	37,001	37,387	37,820	-	-		+1,966
Interest Bearing Debt	120	120	120	120	120	115	-	-		(5)
Net Debt	(14,991)	(16,816)	(14,695)	(15,375)	(15,181)	(15,328)	-	-		+1,488
Capital Ratio	60.5%	58.7%	59.9%	58.0%	57.7%	57.2%	-	-		(1.4%)
Net Debt Equity Ratio	(42.6%)	(46.9%)	(40.5%)	(41.6%)	(40.6%)	(40.5%)	-	-		+6.4%
ROE (12 months)	5.1%	5.2%	5.5%	6.4%	6.4%	6.7%	-	-		+1.5%
ROA (12 months)	5.4%	5.4%	5.7%	5.7%	5.7%	5.8%	-	-		+0.4%
Months for Inventory Turnover	0.64	0.63	0.68	0.58	0.62	0.62	-	-		-
Quick Ratio	174%	168%	166%	159%	157%	155%	-	-		-
Current Ratio	196%	188%	186%	177%	176%	174%	-	-		-

Source: Company Data, WRJ Calculation

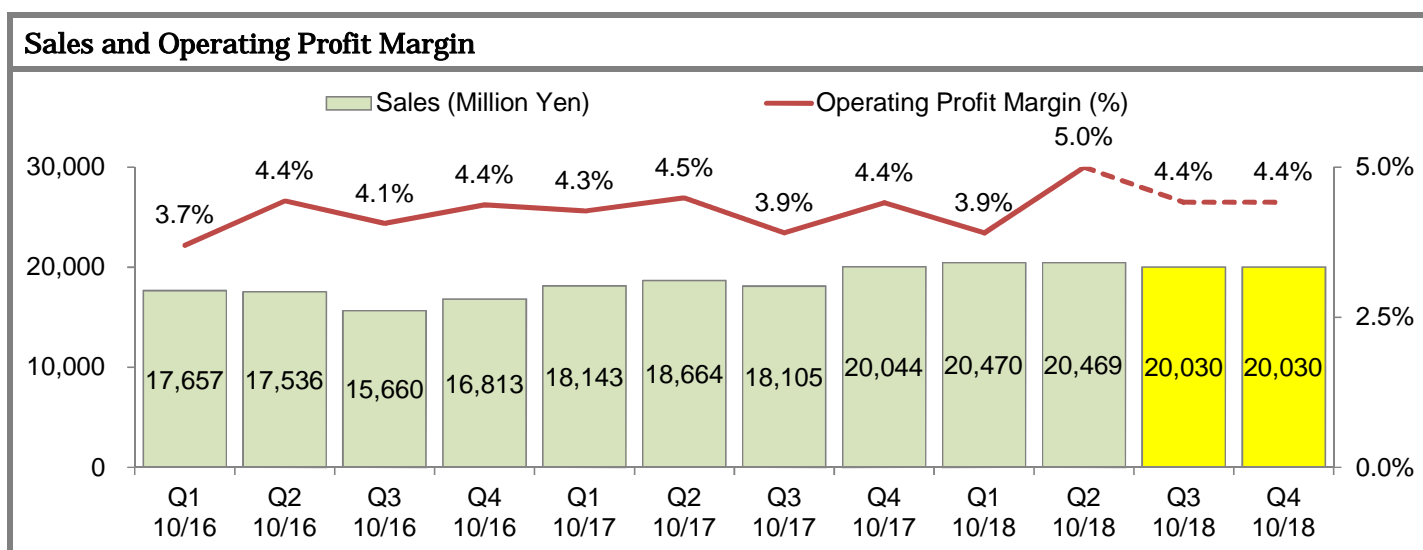
Cash Flow Statement (Cumulative)

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.
	10/2017	10/2017	10/2017	10/2017	10/2018	10/2018	10/2018	10/2018		
Operating Cash Flow	-	1,791	-	3,035	-	1,342	-	-		(449)
Investing Cash Flow	-	(738)	-	(3,248)	-	(849)	-	-		(111)
Operating CF and Investing CF	-	1,053	-	(213)	-	493	-	-		(560)
Financing Cash Flow	-	(179)	-	(407)	-	(524)	-	-		(345)

Source: Company Data, WRJ Calculation

FY10/2018 Company Forecasts

FY10/2018 Company forecasts are going for prospective sales of ¥81,000m (up 8.1% YoY), operating profit of ¥3,590m (up 12.1%), recurring profit of ¥3,820m (up 10.6%) and profit attributable to owners of parent of ¥2,570m (up 12.2%), while operating profit margin of 4.4% (up 0.2% points).



Source: Company Data, WRJ Calculation (Q3 and Q4 FY10/2018 forecasts: H2 Company forecasts, pro rata)

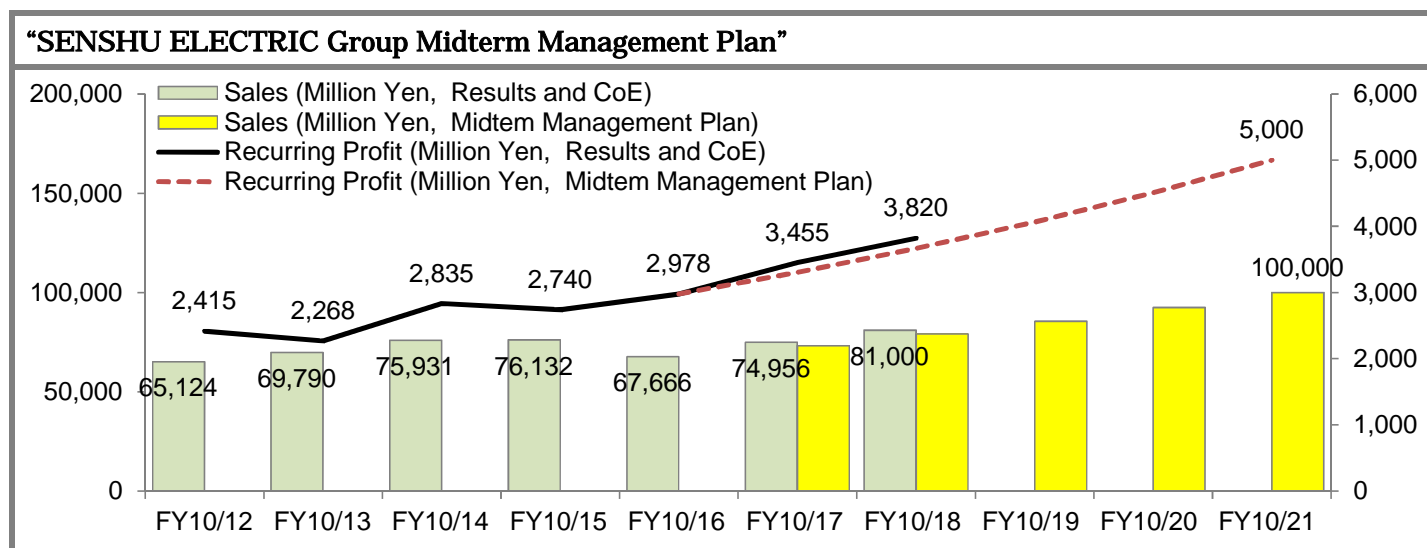
Above-mentioned Company forecasts are after revision made at the release of Q2 results on 4 June 2018. Prospective sales have been upgraded by ¥3,000m (3.8%) and operating profit by no more than ¥40m (1.1%). As far as we could gather, this is due basically to changes of assumptions for prices of copper to ¥775,000 per ton from ¥750,000 per ton, given the prices higher than initially assumed in Q1 to Q2.

Meanwhile, the Company pays dividend of ¥25.0 per share as of the end of Q2, which is expected to be followed by ¥25.0 as of the end of Q4, collectively paying ¥50.0 on an annual basis, implying payout ratio of 19.4%. Compared with ¥45.0 in FY10/2017, including ¥5.0 of commemorative dividend on TSE1 listing, implying payout ratio of 19.9%, this is up by ¥5.0. In spite of this, payout ratio appears to remain low for the Company with excess cash.

More importantly, however, the Company is keen on sharing earnings with shareholders by means of buying back own shares on top of directly paying dividend to shareholders. In Q1 to Q2, the Company has bought back shares worth no less than ¥242m, while this is a part of the scheme to buy back shares worth ¥500m (150,000 in the number of shares) to be completed through 6 March 2018 to 31 July 2018. As far as assuming the scheme fully completed, the Company is to see total premium redemption to shareholders equating to 38.9% out of prospective profit attributable to owner of parent in FY10/2018.

Long-Term Prospects

At the release of FY10/2016 results on 9 December 2016, the Company came up with “SENSHU ELECTRIC Group Midterm Management Plan (FY10/2017 to FY10/2021)”. While setting the 70th anniversary (18 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 more than 6.0% in FY10/2021, i.e., the last year of the plan.



Source: Company Data, WRJ Calculation

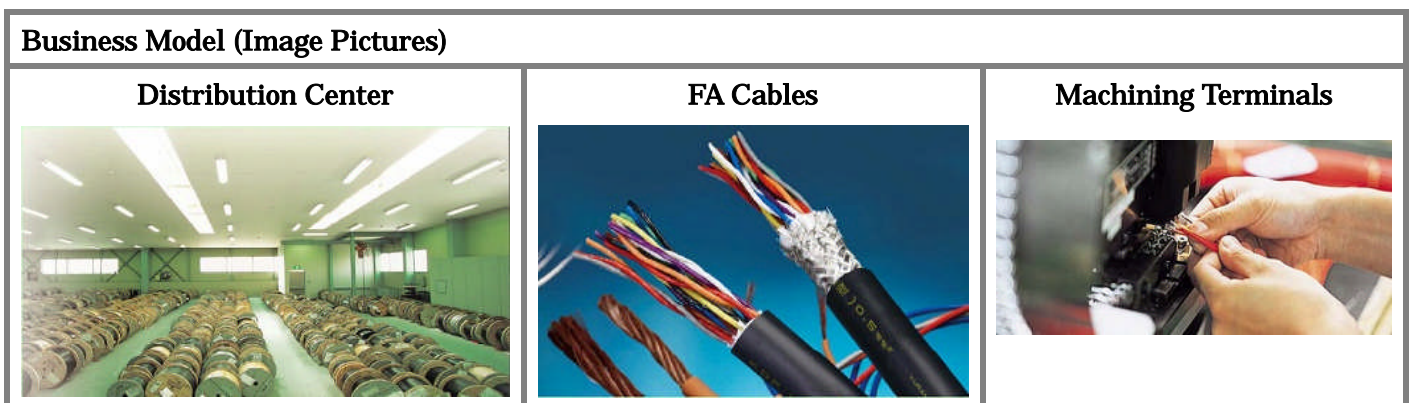
During the said period, the Company is calling for CAGR of 8.1% for sales and 10.9% for earnings. At the same time, recurring profit margin is expected to improve by 0.6% points in FY10/2021 over FY10/2016 results and up 1.4% points or more for ROE. Meanwhile, the Company saw ROE of 6.4% in FY10/2017, i.e., the first year of the plan, having had already achieved the target and currently trying to get at ROE even higher. In Q1 to Q2 FY10/2018, the Company saw ROE of 6.7% (over the past 12 months).

Meanwhile, the Company now suggests that it is trying to get at the target earnings in the last year of the plan rather earlier than initially assumed. In fact, recent trading suggests that assumptions have been somewhat exceeded.

4.0 Business Model

Technology Trading House with Electric Cables as the Mainstay Merchandises

SENSHU ELECTRIC, i.e., technology trading house with electric cables as the mainstay merchandises, is to celebrate 70th anniversary on 18 November 2019, having just made a changeover to TSE1 from TSE2 for its listed stock market on 9 November 2017. The Company is heavily involved with a) just-in-time distribution, b) original merchandises and c) machining terminals of electric cables, while all those involvements are the source to create added value to a larger extent. Meanwhile, the bulk of sales as a whole for the Company is currently of those to sell electric cables to domestic bridgeheads of Japanese customers, but making progress to sell to their bridgeheads overseas through own subsidiaries overseas based in Thailand, Philippines, China and Taiwan in line with their shift to overseas manufacturing at the same time. On top of this, the Company has started to locally cultivate new customers overseas too most recently.



Source: Company Data

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The Company, running collective 16 bridgeheads across Hokkaido to Okinawa in Japan, deals in items of electric cables more than 50,000 in the number of types, which is one of the largest in the market, while always stocking inventory worth some ¥3,700m in stocking space of collective 50,000 square meters of the 16 bridgeheads. Meanwhile, the Company well materializes a) just-in-time distribution to “deliver necessary merchandises with necessary quantity at necessary timing”, running coherent operations of accepting and ordering to delivery of goods most efficiently in the market. Given the fact that this is what the suppliers, i.e., manufacturers of electric cables, cannot cope with, this is primary raison d’etre for the Company in our view.

The Company has suppliers of electric cables more than 250 in the number, including more than half of the major 8 suppliers comprising SUMITOMO, FURUKAWA, HITACHI, SHOWA, MITSUBISHI, TATSUTA and YAZAKI, while SWCC SHOWA HOLDINGS CO., LTD., which used to be the parent for the Company, is the largest supplier. On the other hand, the number of customers stands at 3,500 or more, comprising vendors of electric facilities materials (some 46% of sales), end users (30%), electric constructors (20%) and other (4%). The number of vendors of electric facilities materials stands at some 1,100 in terms of large ones joined with the industry association, while customers on the end users side are associated with machine tools, industrial equipment and automotive production lines as well as including manufactures of semiconductor (and/or LCD) production equipment. In regards to electric constructors, the number stands at some 60,000 across Japan, while the Company basically sells to the largest ones.

Sales on the end users side often relate to those of FA Cables, including b) original merchandises to be co-developed with the suppliers, i.e., manufacturers of electric cables, being developed in line with needs of specific final products of each customer, which are acquired through no less than 200 sales representatives with the Company based in the 16 bridgeheads across Japan. Thus, they are literally “original” and thus not exposed to competition, giving the Company good opportunities to create high added value.

In the same way, Non-cables are exposed to the end users side a lot, where the Company runs operations of c) machining terminals of electric cables. Here, the Company is in charge of machining on a consignment basis for customers, seeing add-on opportunities to create added value to this extent. The Company has facilities for this machining terminals of electric cables in 7 bridgeheads out of total 16, trying to further beef up sales going forward.

Meanwhile, the Company is developing new business domains with electric cables as the core merchandises. As the most recent example, the Company mentions entrance into agriculture-related business, having started to book sales in Q1 to Q2 FY10/2018. Specifically, the Company provides agricultural houses with merchandises to directly warm up soil by means of using “ABIL heater” (patent pending), a new heat element made of stainless steel thin film after special impregnation treatment. A new technology to “directly warm up soil” is said to materialize cost efficiency superior to that of existing facilities for heating and heat retention. Under the same conditions, the Company suggests that expenses for both startup and those of maintenance would be far too lower than those of the existing schemes.

As have been mentioned so far, the Company provides customers with solutions rather comprehensively together with own proprietary technology, etc. on top of running basic operations as trading house. Meanwhile, the Company makes steady progress in developing new business domains with electric cables as the mainstay merchandises too, which is the reason why the Company is called “technology trading house with electric cables as the mainstay merchandises”. Meanwhile, the Company discloses that management is solidly based on ESG, for example, as found in [2017 Environmental Report \(in Japanese\)](#), etc.

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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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