

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)
FY10/2017		74,956	3,202	3,455	2,289	226.6	45.0	3661.7
FY10/2018		82,038	3,868	4,105	2,371	236.4	55.0	3843.6
FY10/2019CoE		85,000	4,120	4,280	2,860	291.7	60.0	-
FY10/2018	YoY	9.4%	20.8%	18.8%	3.6%	-	-	-
FY10/2019CoE	YoY	3.6%	6.5%	4.3%	20.6%	-	-	-
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 FY10/2018		40,939	1,822	1,943	1,341	-	-	-
Q3 to Q4 FY10/2018		41,099	2,046	2,162	1,030	-	-	-
Q1 to Q2 FY10/2019CoE		43,000	2,150	2,230	1,490	-	-	-
Q3 to Q4 FY10/2019CoE		42,000	1,970	2,050	1,370	-	-	-
Q1 to Q2 FY10/2019CoE	YoY	5.0%	18.0%	14.7%	11.1%	-	-	-
Q3 to Q4 FY10/2019CoE	YoY	2.2%	(3.7%)	(5.2%)	33.0%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (14 February 2019)


Expanding Private Capex

SENSHU ELECTRIC, running the operations as technology-oriented trading house on electric cables, suggests that sales and earnings are to continue increasing with stability due mainly to expanding private capex. "SENSHU ELECTRIC Group Midterm Management Plan" for the 5-year period ended by FY10/2021 is calling for CAGR of 8.1% for sales and 10.9% for earnings during the same period, while recent trading suggests that earnings are running ahead and thus the target earnings are now likely to be achievable earlier than expected. In regards to FA (Factory Automation) Cables to drive earnings as a whole for the Company to a large extent, although semiconductor-production-equipment-related is rather slowing down most recently, private-capex-related represented by automotive production lines and machine tools is still expanding, driving sales and earnings with the Company. On top of this, consolidated add-ons stemming from overseas subsidiaries are on the rise and this trend may accelerate in the foreseeable future. Meanwhile, the Company is currently in the process of setting up Osaka Distribution Center based in Toyonaka-city, Osaka-prefecture, whose completion is expected to further beef up efficiency of distribution, while relocations of existing business offices are going on for the same purpose. Eventually, spending on all those projects suppresses increases of excess cash. On top of this, the Company is keen on sharing earnings with shareholders by means of buying back own shares. As far as we could see, the Company saw total return ratio as high as 43.1% in FY10/2018, while going for 38.1% in FY10/2019.

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

2.0 Company Profile

Technology-Oriented Trading House on Electric Cables

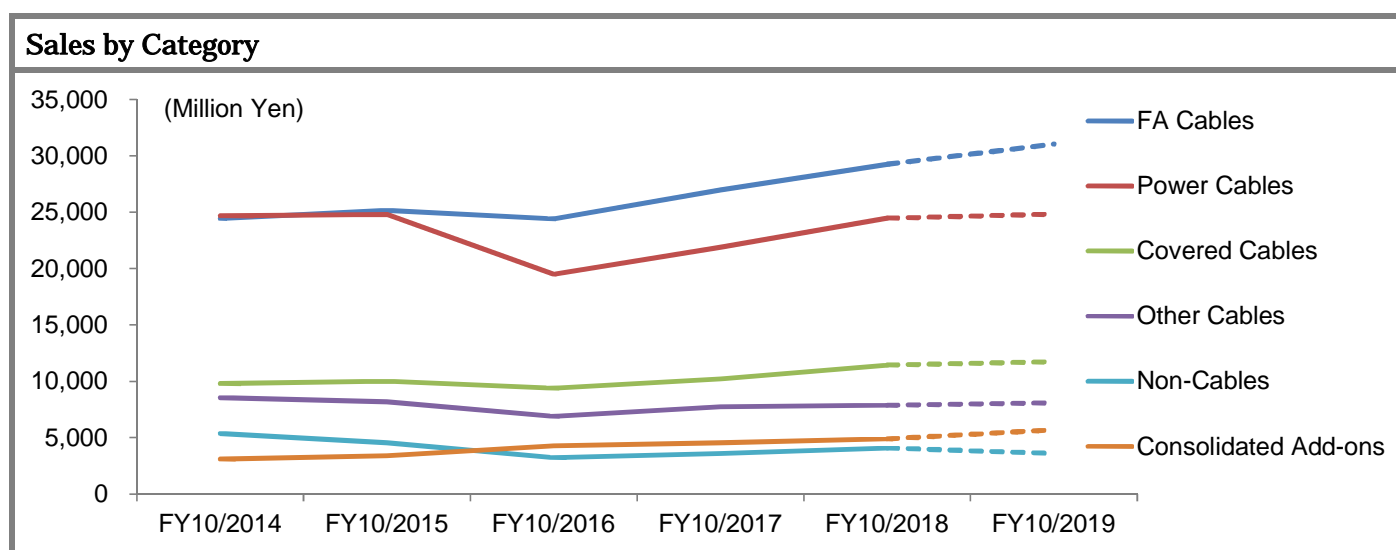
Company Name	SENSHU ELECTRIC CO., LTD. Company Website (Japanese Only) IR Information (Japanese Only) Share Price (Japanese)	 泉州電業株式会社 SENSHU ELECTRIC CO.,LTD.
Established	18 November 1949	
Listing	9 November 2017: Tokyo Stock Exchange 1st Section (ticker: 9824) 8 November 2002: Tokyo Stock Exchange 2nd Section 24 June 1991: Osaka Stock Exchange 2nd Section	
Capital	¥2,575m (as of the end of October 2018)	
No. of Shares	10,800,000 shares, including 844,967 treasury shares (as of the end of Oct. 2018)	
Main Features	<ul style="list-style-type: none"> ● Stocking and selling of electric cables more than 50,000 items ● FA Cables mainly for industrial equipment, the key earnings pillar ● Co-developing original merchandises with manufacturers of electric cables 	
Businesses	. Electric Cables Business	
Top Management	President: Motohide Nishimura	
Shareholders	Trust account (SWCC SHOWA HD, etc.) 10.04%, BBH for Fidelity Low-priced Stocks F 8.98%, Motohide Nishimura 7.82% (as of the end of October 2018)	
Headquarters	Suita-city, Osaka-prefecture, JAPAN	
No. of Employees	Consolidated: 691, Parent: 511 (as of the end of October 2018)	

Source: Company Data

3.0 Recent Trading and Prospects

FY10/2018 Results

In FY10/2018, sales came in at ¥82,038m (up 9.4% YoY), operating profit ¥3,868m (up 20.8%), recurring profit ¥4,105m (up 18.8%) and profit attributable to owners of parent ¥2,371m (up 3.6%), while operating profit margin 4.7% (up 0.4% points). Compared with initial Company forecasts, sales were better by ¥4,038m (5.2%), operating profit by ¥318m (9.0%), recurring profit by ¥385m (10.3%), but worse by ¥159m (6.3%) for profit attributable to owners of parent. This is due mainly to booking of impairment loss of ¥488m as extraordinary loss. The Company implemented relocation of business office in Saitama as well as of Takamatsu branch, having evaluated the sites of existing buildings on a market value basis versus on a book value basis prior to this.



Source: Company Data, WRJ Calculation

The Company basically runs operations of stocking and selling of electric cables incorporating copper as the key raw materials and changes of official quotation on copper price to be determined by trading price disclosed by London Metal Exchange gives direct impacts to sales with the Company as well as to cost of sales. Procurement price from suppliers, i.e., manufacturers of electric cables, is supposed to change in line with changes here and are reflected to selling price although it lags. Meanwhile, the Company roughly implies that half of the changes of the quotation is directly reflected in sales with the Company as a whole.

In FY10/2018, the average official quotation on copper price came in at ¥777,000 (up 9.6% YoY) per ton, having resulted in increases of procurement price and then those of selling price. The latter increased sales as a whole for the Company by 5%, according to the Company, while gross profit margin came in at 15.6% (down 0.4% points) due mainly to lag between the former and the latter. In a midterm view, gross profit margin is supposed to be immune to changes of the quotation. However, when the quotation is on the rise, gross profit margin is inevitably under pressure as increases of selling price lag against those of procurement price and vice versa.

Still, it was the case that buoyant sales of FA (Factory Automation) Cables being least exposed to changes of the quotation led to gross profit of ¥12,831m (up 6.8%) as a whole for the Company. Meanwhile, SG&A expenses saw just marginal increases, having resulted in operating profit of ¥3,868m (up 20.8%) as above-mentioned. Personnel expenses, accounting for the bulk of SG&A expenses, increased by no more than 0.6% over the previous year. Wages for employees favorably increased, while retirement benefit cost came down, according to the Company. On top of this, the Company suggests freight was also on the rise. Anyhow, SG&A expenses came in at ¥8,963m (up 1.7%) at the end of the day.

Meanwhile, non-operating balance has remained effectively unchanged over the same period in the previous year, having resulted in recurring profit of ¥4,105m (up 18.8%) versus operating profit of ¥3,868m (up 20.8%). A topic raised by the Company is that real estate property for rent based in Kawasaki-city was completed in January 2018. Stemming from here, the Company saw rent income of ¥25m at the non-operating level, while having seen depreciation of ¥25m associated with this also at the non-operating level.

In sales by category, FA Cables saw sales of ¥29,254m (up 8.4%), Power Cables ¥24,480m (up 11.8%), Covered Cables ¥7,880m (up 1.8%), Other Cables ¥4,078m (up 13.8%) and Non-Cables ¥11,438m (up 12.1%). On top of this, sales of consolidated add-ons came in at ¥4,908m (up 7.8%). Meanwhile, FY10/2019 Company forecasts are going for prospective sales of ¥31,040m (up 6.1%) for FA Cables, implying this category will remain the key driver for sales as a whole for the Company also in the following year. Secondly, Company forecasts are looking to consolidated add-ons as another driver.

FA Cables is category mainly comprising electric cables adopted in industrial equipment, including those of so-called original merchandises, accounting for almost half of sales here. Given that demand mainly comes from capex associated with automotive production lines, semiconductor production equipment, machine tools, etc., it is the case that the Company here stocks and sells electric cables mainly for private capex. In other words, the Company argues that sales of this category were buoyant as private capex was buoyant. In the first place, the Company creates high added value with FA Cables and thus carries high gross profit margin, being exposed to the quotation least. In particular, it appears original merchandises to be co-developed with suppliers of cables carry high gross profit margin with no exposure to competition with peers as they are literally “original”. Sales of FA Cables accounted for 37.9% of sales on a parent basis, equating to 94.0% of sales on a consolidated basis, implying this is the key category in terms of sales for the Company. Given high gross profit margin on top of this, sales and earnings as a whole for the Company hinge on this category to a large extent, as far as we could see.

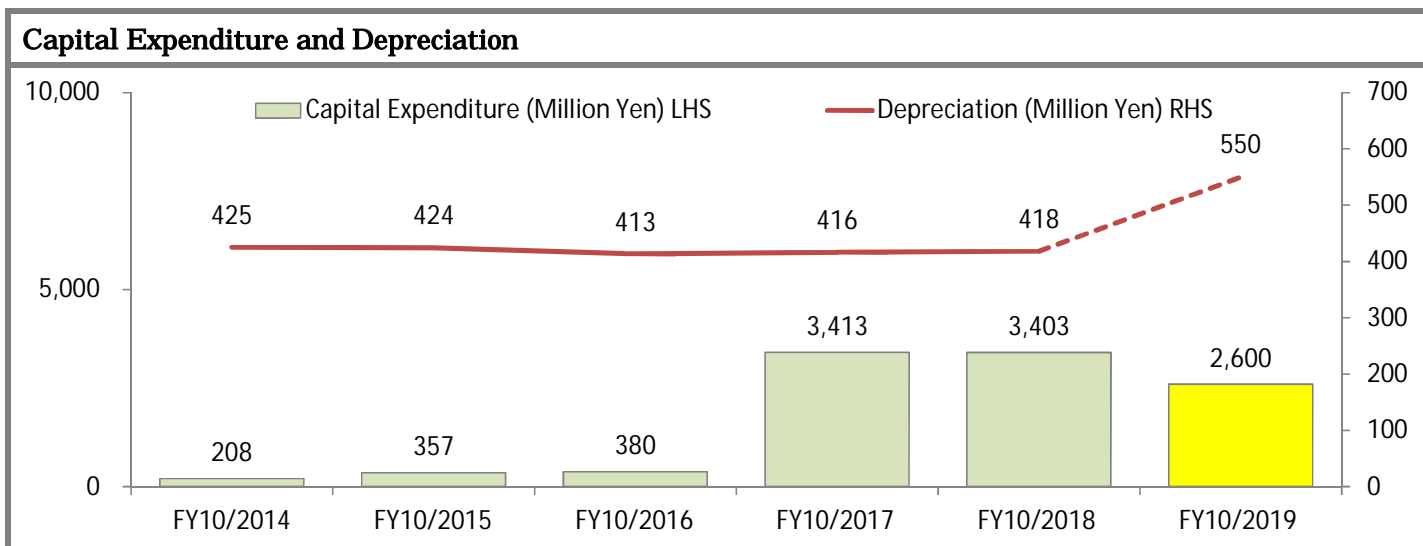
Power Cables is category mainly comprising construction-related electric cables and so is Covered Cables. Both are in charge of power supply in buildings, while the former is of trunk lines and the latter of branch lines. The other factor in common is that both create added value less than FA Cables, while sales are inclined to be driven by changes of the quotation. Still, it appears that volume was on the rise, given robust demand associated with construction. Meanwhile, Other Cables is of stoking and selling of raw materials for electric cables for small-sized manufacturers of electric cables, creating limited added value. It appears that this category is also exposed to changes of the quotation to a large extent.

Non-Cables is category to book sales not belonging to above-mentioned categories. The bulk of sales here are of those stemming from selling of stocked electric cables after processing or so-called machining of terminals, while harness division accounting for one third of sales here is in charge of processing of FA Cables for manufacturers of machinery and production equipment. So, just like category of FA Cables, harness division benefited from buoyant private capex, according to the Company. In regards to Non-Cables, the Company sees added value stemming from machining of terminals for electric cables and thus carrying high gross profit margin second only to FA Cables.

On top of this, we compute Consolidated Add-ons by means of just simply deducting sales on a parent basis out of those on a consolidated basis. Applying the same means for operating profit, Consolidated Add-ons were ¥4,907m (up 7.8%) in sales and ¥238m (up 266.2%) in operating profit. Meanwhile, FY10/2019 Company forecasts are going for prospective Consolidated Add-ons of ¥5,700m (up 16.2%) and ¥340m (up 42.9%), respectively, suggesting that strengths of sales and earnings here are to persist and thus further driving sales and earnings as a whole for the Company,

Above-mentioned Consolidated Add-ons are of 6 subsidiaries based in Japan and 4 subsidiaries overseas, comprising those based in China, Taiwan, Thailand and Philippines. Meanwhile, those based in Taiwan, Thailand and Philippines are the three main contributors to earnings with Consolidated Add-ons in FY10/2018.

In the first place, all those overseas subsidiaries were set up in order to cope with shift overseas by customers, basically selling to their local operation bases. However, in Taiwan, the Company well succeeded in cultivating local customers and this appears to drive earnings in there. Meanwhile, the Company sees consistently increasing trading with local operation bases of Japanese customers in Thailand, while seeing favorable sales on machining of terminals for electric cables in Philippines where local technology to cope with this has improved a lot to date. Meanwhile, the market capacity in Japan for this operation is running short because of shortage of workforce, implying a high potential for the Company's operation in Philippines to see increasing sales going forward. According to the Company, customers are happy to pay as much as for the domestic operations in Japan as far as quality is secured as in Japan.



Source: Company Data, WRJ Calculation

Meanwhile, the Company has implemented high level of capex in FY10/2018, which was preceded by high level in FY10/2017, respectively, ¥3,403m and ¥3,413m, far higher than those by then. On top of this, the Company is going for capex of ¥2,600m in FY10/2019 and thus capex will remain so high three years in a row. Collectively, capex over the three-year period equates to ¥9,416m on a simple calculation basis, while some 35% (¥3,300n) of total is of land, building, etc. of Osaka Distribution Center based in Toyonaka-city, Osaka-prefecture, to be completed in May 2019. This also accounts for some 35% of capex in every year during the three-year period at the same time. According to the Company, the rest of capex during the same period mainly comprise that of aforementioned relocation of business office in Saitama, of another one for Takamatsu branch and of construction for real estate property for rent based in Kawasaki-city.

For example, the Company is proud of its high efficiency of distribution based on a just-in-time system, which is in charge of mainly by Suita Distribution Center. Meanwhile, above-mentioned Osaka Distribution Center is to replace this to further improve efficiency and thus competitiveness. At the same time, this is true of relocation of business office in Saitama and of another one for Takamatsu branch. Meanwhile, real estate property for rent based in Kawasaki-city completed in January 2018 is to generate stable rental income in FY10/2019 and onward. The Company used to suffer from consistent increases of excess cash prior to all those capex projects, while the increases of excess cash are now rather suspended.

Contents of capex in FY10/2017 and FY10/2018 are basically of lands procured for all those projects and thus depreciation during the same period has remained roughly unchanged. Meanwhile, the Company is to see capex in buildings in FY10/2019 and thus going for increasing depreciation.

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	10/2018	
Sales	18,143	36,807	54,912	74,956	20,470	40,939	60,742	82,038		+7,082
Cost of Sales	15,130	30,778	45,988	62,942	17,363	34,641	51,295	69,206		+6,264
Gross Profit	3,012	6,029	8,923	12,014	3,107	6,298	9,446	12,831		+817
SG&A	2,237	4,416	6,604	8,812	2,307	4,475	6,701	8,963		+151
Operating Profit	774	1,612	2,319	3,202	799	1,822	2,745	3,868		+666
Non Operating Balance	63	126	193	253	77	121	193	237		(16)
Recurring Profit	837	1,738	2,512	3,455	876	1,943	2,938	4,105		+650
Extraordinary Balance	19	22	26	13	31	76	108	(381)		(394)
Profit before Income Taxes	856	1,760	2,538	3,468	907	2,019	3,046	3,724		+256
Total Income Taxes	294	597	863	1,176	303	664	1,002	1,332		+156
NP Belonging to Non-Controlling SHs	-	-	-	2	8	13	19	20		+18
Profit Attributable to Owners of Parent	561	1,163	1,674	2,289	595	1,341	2,024	2,371		+82
Sales YoY	+2.7%	+4.6%	+8.0%	+10.8%	+12.8%	+11.2%	+10.6%	+9.4%		-
Operating Profit YoY	+18.6%	+12.6%	+12.2%	+14.2%	+3.2%	+13.0%	+18.3%	+20.8%		-
Recurring Profit YoY	+19.5%	+14.2%	+14.2%	+16.0%	+4.6%	+11.8%	+17.0%	+18.8%		-
Profit Attributable to Owners of Parent YoY	+46.1%	+27.4%	+28.5%	+44.5%	+6.0%	+15.3%	+20.9%	+3.6%		-
Gross Profit Margin	16.6%	16.4%	16.2%	16.0%	15.2%	15.4%	15.6%	15.6%		(0.4%)
(SG&A / Sales)	12.3%	12.0%	12.0%	11.8%	11.3%	10.9%	11.0%	10.9%		(0.8%)
Operating Profit Margin	4.3%	4.4%	4.2%	4.3%	3.9%	4.5%	4.5%	4.7%		+0.4%
Recurring Profit Margin	4.6%	4.7%	4.6%	4.6%	4.3%	4.7%	4.8%	5.0%		+0.4%
Profit Attributable to Owners of Parent Margin	3.1%	3.2%	3.0%	3.1%	2.9%	3.3%	3.3%	2.9%		(0.2%)
Tax Charges etc. / Pretax Profit	34.3%	33.9%	34.0%	33.9%	33.4%	32.9%	32.9%	35.8%		+1.9%

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.
	10/2017	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	19,803	21,296		+1,252
Cost of Sales	15,130	15,648	15,210	16,954	17,363	17,278	16,654	17,911		+957
Gross Profit	3,012	3,017	2,894	3,091	3,107	3,191	3,148	3,385		+294
SG&A	2,237	2,179	2,188	2,208	2,307	2,168	2,226	2,262		+54
Operating Profit	774	838	707	883	799	1,023	923	1,123		+240
Non Operating Balance	63	63	67	60	77	44	72	44		(16)
Recurring Profit	837	901	774	943	876	1,067	995	1,167		+224
Extraordinary Balance	19	3	4	(13)	31	45	32	(489)		(476)
Profit before Income Taxes	856	904	778	930	907	1,112	1,027	678		(252)
Total Income Taxes	294	303	266	313	303	361	338	330		+17
NP Belonging to Non-Controlling SHs	-	-	-	2	8	5	6	1		(1)
Profit Attributable to Owners of Parent	561	602	511	615	595	746	683	347		(268)
Sales YoY	+2.7%	+6.4%	+15.6%	+19.2%	+12.8%	+9.7%	+9.4%	+6.2%		-
Operating Profit YoY	+18.6%	+7.7%	+11.2%	+20.1%	+3.2%	+22.1%	+30.6%	+27.2%		-
Recurring Profit YoY	+19.5%	+9.7%	+14.2%	+21.1%	+4.6%	+18.4%	+28.6%	+23.8%		-
Profit Attributable to Owners of Parent YoY	+46.1%	+13.8%	+31.0%	+118.1%	+6.0%	+23.9%	+33.7%	(43.6%)		-
Gross Profit Margin	16.6%	16.2%	16.0%	15.4%	15.2%	15.6%	15.9%	15.9%		+0.5%
(SG&A / Sales)	12.3%	11.7%	12.1%	11.0%	11.3%	10.6%	11.2%	10.6%		(0.4%)
Operating Profit Margin	4.3%	4.5%	3.9%	4.4%	3.9%	5.0%	4.7%	5.3%		+0.9%
Recurring Profit Margin	4.6%	4.8%	4.3%	4.7%	4.3%	5.2%	5.0%	5.5%		+0.8%
Profit Attributable to Owners of Parent Margin	3.1%	3.2%	2.8%	3.1%	2.9%	3.6%	3.4%	1.6%		(1.4%)
Tax Charges etc. / Pretax Profit	34.3%	33.9%	34.2%	33.7%	33.4%	32.9%	32.9%	48.7%		+15.0%

Source: Company Data, WRJ Calculation

Sales by Category (Cumulative, Quarterly)

Sales by Category	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1 to Q3	Cons.Act Q1 to Q4	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1 to Q3	Cons.Act Q1 to Q4	YoY
(Million Yen)	10/2017	10/2017	10/2017	10/2017	10/2018	10/2018	10/2018	10/2018	Net Chg.
FA Cables	6,384	13,095	19,747	26,976	7,274	14,688	21,921	29,254	+2,278
Power Cables	5,269	10,861	15,992	21,895	6,350	12,302	17,855	24,480	+2,585
Covered Cables	1,930	3,809	5,657	7,742	2,074	4,036	5,925	7,880	+138
Other Cables	924	1,804	2,646	3,583	1,014	2,042	3,117	4,078	+495
Non-Cables	2,531	5,025	7,544	10,207	2,651	5,392	8,306	11,438	+1,231
Sales (on a Parent)	17,038	34,596	51,589	70,404	19,365	38,462	57,124	77,131	+6,727
Consolidated Add-ons	1,105	2,211	3,323	4,552	1,105	2,477	3,618	4,907	+355
Sales	18,143	36,807	54,912	74,956	20,470	40,939	60,742	82,038	+7,082
FA Cables	+2.7%	+5.2%	+7.7%	+10.5%	+13.9%	+12.2%	+11.0%	+8.4%	-
Power Cables	(4.9%)	+0.7%	+7.3%	+12.2%	+20.5%	+13.3%	+11.6%	+11.8%	-
Covered Cables	+5.2%	+6.0%	+9.2%	+12.6%	+7.5%	+6.0%	+4.7%	+1.8%	-
Other Cables	+6.9%	+6.4%	+6.3%	+10.8%	+9.7%	+13.2%	+17.8%	+13.8%	-
Non-Cables	+12.7%	+10.4%	+10.3%	+8.9%	+4.7%	+7.3%	+10.1%	+12.1%	-
Sales (on a Parent)	+2.0%	+4.6%	+8.0%	+11.0%	+13.7%	+11.2%	+10.7%	+9.6%	-
Consolidated Add-ons	+15.7%	+4.9%	+7.3%	+6.7%	+0.0%	+12.0%	+8.9%	+7.8%	-
Sales (YoY)	+2.8%	+4.6%	+8.0%	+10.8%	+12.8%	+11.2%	+10.6%	+9.4%	-
FA Cables	37.5%	37.9%	38.3%	38.3%	37.6%	38.2%	38.4%	37.9%	(0.4%)
Power Cables	30.9%	31.4%	31.0%	31.1%	32.8%	32.0%	31.3%	31.7%	+0.6%
Covered Cables	11.3%	11.0%	11.0%	11.0%	10.7%	10.5%	10.4%	10.2%	(0.8%)
Other Cables	5.4%	5.2%	5.1%	5.1%	5.2%	5.3%	5.5%	5.3%	+0.2%
Non-Cables	14.9%	14.5%	14.6%	14.5%	13.7%	14.0%	14.5%	14.8%	+0.3%
Sales (on a Parent)	100.0%	100.0%	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%	94.0%	94.0%	+0.1%
Consolidated Add-ons	6.1%	6.0%	6.1%	6.1%	5.4%	6.1%	6.0%	6.0%	(0.1%)
Sales (Composition ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	+0.0%
Sales by Category	Cons.Act Q1	Cons.Act Q2	Cons.Act Q3	Cons.Act Q4	Cons.Act Q1	Cons.Act Q2	Cons.Act Q3	Cons.Act Q4	YoY
(Million Yen)	10/2017	10/2017	10/2017	10/2017	10/2018	10/2018	10/2018	10/2018	Net Chg.
FA Cables	6,384	6,711	6,652	7,229	7,274	7,414	7,233	7,333	+104
Power Cables	5,269	5,592	5,131	5,903	6,350	5,952	5,553	6,625	+722
Covered Cables	1,930	1,879	1,848	2,085	2,074	1,962	1,889	1,955	(130)
Other Cables	924	880	842	937	1,014	1,028	1,075	961	+24
Non-Cables	2,531	2,494	2,519	2,663	2,651	2,741	2,914	3,132	+469
Sales (on a Parent)	17,038	17,558	16,993	18,815	19,365	19,097	18,662	20,007	+1,192
Consolidated Add-ons	1,105	1,106	1,112	1,229	1,105	1,372	1,141	1,289	+60
Sales	18,143	18,664	18,105	20,044	20,470	20,469	19,803	21,296	+1,252
FA Cables	+2.7%	+7.6%	+13.0%	+19.1%	+13.9%	+10.5%	+8.7%	+1.4%	-
Power Cables	(4.9%)	+6.6%	+24.6%	+28.4%	+20.5%	+6.4%	+8.2%	+12.2%	-
Covered Cables	+5.2%	+6.9%	+16.4%	+22.9%	+7.5%	+4.4%	+2.2%	(6.2%)	-
Other Cables	+6.9%	+5.8%	+6.0%	+26.1%	+9.7%	+16.8%	+27.7%	+2.6%	-
Non-Cables	+12.7%	+8.1%	+10.1%	+5.0%	+4.7%	+9.9%	+15.7%	+17.6%	-
Sales (on a Parent)	+2.0%	+7.2%	+15.8%	+20.3%	+13.7%	+8.8%	+9.8%	+6.3%	-
Consolidated Add-ons	+15.7%	(4.1%)	+12.4%	+5.0%	+0.0%	+24.1%	+2.6%	+4.9%	-
Sales (YoY)	+2.8%	+6.4%	+15.6%	+19.2%	+12.8%	+9.7%	+9.4%	+6.2%	-
FA Cables	37.5%	38.2%	39.1%	38.4%	37.6%	38.8%	38.8%	36.7%	(1.8%)
Power Cables	30.9%	31.8%	30.2%	31.4%	32.8%	31.2%	29.8%	33.1%	+1.7%
Covered Cables	11.3%	10.7%	10.9%	11.1%	10.7%	10.3%	10.1%	9.8%	(1.3%)
Other Cables	5.4%	5.0%	5.0%	5.0%	5.2%	5.4%	5.8%	4.8%	(0.2%)
Non-Cables	14.9%	14.2%	14.8%	14.2%	13.7%	14.4%	15.6%	15.7%	+1.5%
Sales (on a Parent)	100.0%	100.0%	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%	94.2%	93.9%	+0.1%
Consolidated Add-ons	6.1%	5.9%	6.1%	6.1%	5.4%	6.7%	5.8%	6.1%	(0.1%)
Sales (Composition ratio)	100.0%	100.0%	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	10/2018	
Cash and Deposit	15,111	16,936	14,815	15,495	15,301	15,443	14,527	15,432	15,432	(63)
Accounts Receivables	20,268	20,971	20,853	22,670	23,415	23,882	22,805	23,999	23,999	+1,329
Inventory	3,841	3,937	4,091	3,845	4,227	4,229	4,265	4,065	4,065	+220
Other	607	466	355	517	415	610	476	623	623	+106
Current Assets	39,827	42,310	40,114	42,527	43,358	44,164	42,073	44,119	44,119	+1,592
Tangible Assets	13,248	13,513	14,934	15,802	16,006	15,713	16,604	17,353	17,353	+1,551
Intangible Assets	267	253	289	263	252	231	226	221	221	(42)
Investments and Other Assets	4,769	5,027	5,168	5,158	5,152	5,961	5,909	5,624	5,624	+466
Fixed Assets	18,286	18,794	20,392	21,223	21,410	21,906	22,740	23,200	23,200	+1,977
Total Assets	58,114	61,105	60,506	63,750	64,768	66,071	64,813	67,319	67,319	+3,569
Accounts Payables	18,884	20,414	20,039	21,577	23,029	23,134	22,248	23,688	23,688	+2,111
Short-Term Debt	120	120	120	120	120	115	115	115	115	(5)
Other	1,271	2,001	1,376	2,306	1,450	2,178	1,641	2,377	2,377	+71
Current Liabilities	20,275	22,535	21,535	24,003	24,599	25,427	24,004	26,180	26,180	+2,177
Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Other	2,598	2,634	2,626	2,661	2,685	2,720	2,747	2,770	2,770	+109
Fixed Liabilities	2,598	2,634	2,626	2,661	2,685	2,720	2,747	2,770	2,770	+109
Total Liabilities	22,873	25,170	24,161	26,664	27,285	28,148	26,752	28,950	28,950	+2,286
Shareholders' Equity	34,940	35,542	35,851	36,466	36,809	37,313	37,514	37,860	37,860	+1,394
Other	301	392	493	620	674	610	547	508	508	(112)
Net Assets	35,241	35,934	36,344	37,086	37,483	37,923	38,061	38,368	38,368	+1,282
Total Liabilities and Net Assets	58,114	61,105	60,506	63,750	64,768	66,071	64,813	67,319	67,319	+3,569
Equity Capital	35,166	35,854	36,264	37,001	37,387	37,820	37,954	38,263	38,263	+1,262
Interest Bearing Debt	120	120	120	120	120	115	115	115	115	(5)
Net Debt	(14,991)	(16,816)	(14,695)	(15,375)	(15,181)	(15,328)	(14,412)	(15,317)	(15,317)	+58
Capital Ratio	60.5%	58.7%	59.9%	58.0%	57.7%	57.2%	58.6%	56.8%	56.8%	(1.2%)
Net Debt Equity Ratio	(42.6%)	(46.9%)	(40.5%)	(41.6%)	(40.6%)	(40.5%)	(38.0%)	(40.0%)	(40.0%)	+1.5%
ROE (12 months)	5.1%	5.2%	5.5%	6.4%	6.4%	6.7%	7.1%	6.3%	6.3%	(0.1%)
ROA (12 months)	5.4%	5.4%	5.7%	5.7%	5.7%	5.8%	6.2%	6.3%	6.3%	+0.5%
Months for Inventory Turnover	0.64	0.63	0.68	0.58	0.62	0.62	0.65	0.57	0.57	-
Quick Ratio	174%	168%	166%	159%	157%	155%	156%	151%	151%	-
Current Ratio	196%	188%	186%	177%	176%	174%	175%	169%	169%	-

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	10/2018	
Operating Cash Flow	-	1,791	-	3,035	-	1,342	-	3,660	3,660	+625
Investing Cash Flow	-	(738)	-	(3,248)	-	(849)	-	(2,648)	(2,648)	+600
Operating CF and Investing CF	-	1,053	-	(213)	-	493	-	1,012	1,012	+1,225
Financing Cash Flow	-	(179)	-	(407)	-	(524)	-	(1,032)	(1,032)	(625)

Source: Company Data, WRJ Calculation

FY10/2019 Company Forecasts

FY10/2019 Company forecasts are going for prospective sales of ¥85,000m (up 3.6% YoY), operating profit of ¥4,120m (up 6.5%), recurring profit of ¥4,280m (up 4.3%) and profit attributable to owners of parent of ¥2,860m (up 20.6%), while operating profit margin of 4.8% (up 0.1% point). At the same time, Company forecasts assume the average official quotation on copper price of ¥750,000 (down 3.5%) per ton. In regards to profit attributable to owners of parent, Company forecasts are going for high increases over the previous year due to non-reappearance of aforementioned extraordinary loss in FY10/2018. Given this as a factor, Company forecasts are going for increases of dividend in FY10/2019, but payout ratio is to come down, albeit not much.

Total Return Ratio		
	FY10/2018	FY10/2019
Profit Attributable to Owners of Parent (million yen): A	2,371	2,860
Dividend Paid (million yen): B	549	588
Purchase of Own Shares (million yen): C	473	500
Total Return Ratio (%): (B + C) / A	43.1%	38.1%
EPS (yen) :A	236.36	291.69
DPS (yen) : B	55.00	60.00
Payout Ratio (%) : B / C	23.3%	20.6%
FY-end No. of Shares Outstanding: A	10,800,000	10,800,000
FY-end No. of Treasury Shares: B	844,976	994,976
B / A	7.8%	9.2%
FY-end No. of Shares Outstanding (but for Treasury Shares)	9,955,024	9,805,024

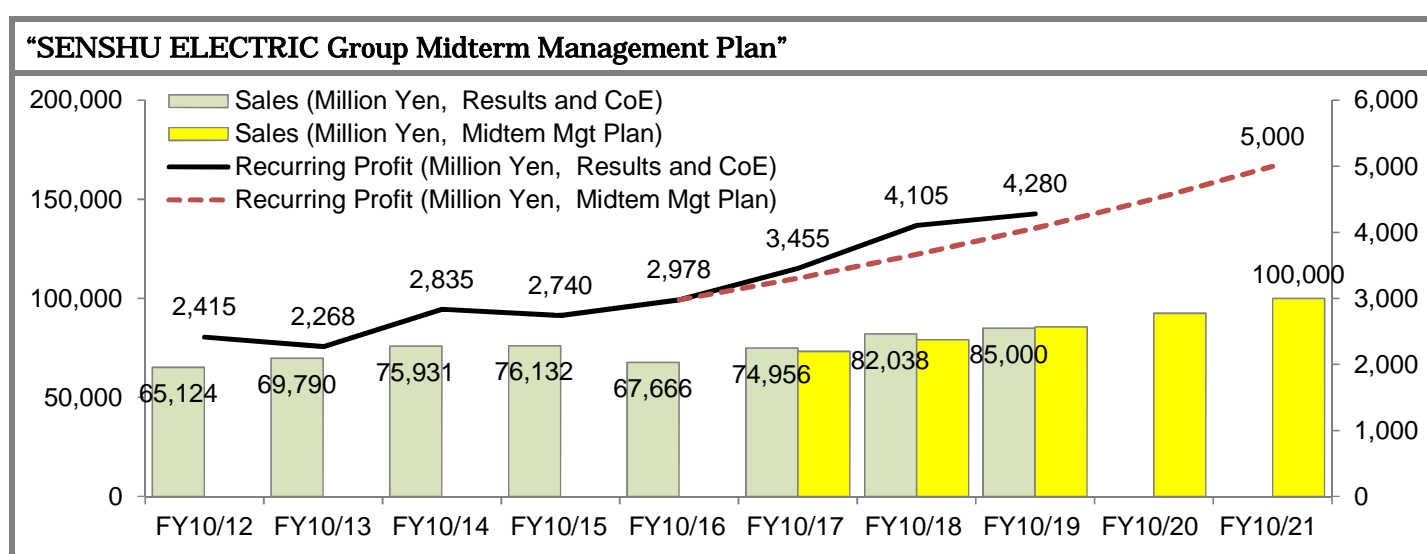
Source: Company Data, WRJ Calculation

The Company pays annual dividend of ¥55.0 per share, implying payout ratio of 23.3%, in FY10/2018, while going for ¥60.0, implying payout ratio of 20.6%, in FY10/2019. Meanwhile, we estimate total return ratio is, 43.1% and 38.1%, respectively. The Company, suffering from excess cash staying, appears trying to aggressively share earnings with shareholders.

As of the end of FY10/2018, total assets stood at ¥67,319m versus equity capital of ¥38,263m, implying capital ratio of 56.8%, while net cash having stood at ¥15,317m. Over the past three years, net cash has roughly remained unchanged, i.e., ¥15,375m as of end of FY10/2017 and ¥15,802m as of the end of FY10/2016. Meanwhile, total return ratio in FY10/2019 is based on an assumption that the upper limit is accomplished in time in regards to details disclosed on 10 December 2018, i.e., buying back 150,000 common shares at ¥3,333 per share on average or ¥500m in total by 30 April 2019.

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”. While setting the 70th anniversary (18 November 2019) as a passing point and the 5 years ended by FY10/2021 as the period, the Company is calling for prospective sales of ¥100,000m, recurring profit of ¥5,000m and ROE of more than 6.0% in FY10/2021, i.e., the last year of the plan. Meanwhile, The Japanese Electric Wire & Cable Maker’s Association established “Day of Electric Wire & Cable” to have started in 2018, whose date is “18 November”, coinciding with the date of establishment for the Company by chance. Based on the concept that “Electric wire & cable adopted across the board in our daily lives are so to speak something essential for modern society”, the Association claims three “ones” of the date (one out of 18 and two ones out of November, i.e., “11-gatsu” in Japanese) represent diverse electric wire & cable to support our lives and the remaining “eight” (implying infinity in Japanese and/or Chinese) represents limitless possibility to connect to anything like nerves and/or blood vessels.



Source: Company Data, WRJ Calculation

Meanwhile, when based on FY10/2016 results, i.e., sales of ¥67,666m and recurring profit of ¥2,978m, the Company is calling for CAGR of 8.1% for sales and 10.9% for earnings over the 5-year period ended by FY10/2021. Three-year trading so far, comprising the results and FY10/2019 Company forecasts suggests that sales are roughly in line while earnings are rather running ahead. In regards to ROE, the Company saw 6.4% in FY10/2017 versus 4.6% in FY10/2016, having exceeded the target in the first year, which was followed by 6.3% in FY10/2018. Given all those factors, the Company is now heading for achieving prospective sales and recurring profit in FY10/2021 earlier than initially planned.

4.0 Business Model

Technology-Oriented Trading House on Electric Cables

SENSHU ELECTRIC is technology-oriented trading house on electric cables. The Company, having seen changeover of market for own shares to trade to TSE1 from TSE2 on 9 November 2017, revealed to abolish system of providing a bonus to retiring directors, while introducing restricted-share-based incentive plan instead on 10 December 2018 or in about one year. On top of this, the Company has been making efforts to try coping with IFRS (International Financial Reporting Standards) as well as with other reformations to fulfill features as the TSE1-listed company. Meanwhile, the Company is keen on creating added value by means of heavily involved with a) just-in-time system, b) original merchandises and c) machining of terminals for electric cables.



Source: Company Data

The Company, running collective 17 business offices in Japan across Hokkaido to Okinawa, 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 mainly comprising b) original merchandises, equating to ¥4,065m as of the end of FY10/2018, in stocking space of collective 60,000 square meters in the 17 business offices. Meanwhile, the Company well materializes a) just-in-time system to “deliver necessary merchandises with necessary quantity at necessary timing”, running coherent operations of accepting and ordering for delivery of goods most efficiently in the market. Given that suppliers, i.e., manufacturers of electric cables, cannot cope with all those operations, this is primary *raison d'être* for the Company. On top of this, the Company runs facilities for processing in 7 business offices out of 17 and can create added value not only by stocking and selling as trading house, but also by c) machining of terminals for electric cables at the same time.

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 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 maintenance would be far 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-oriented trading house on electric cables”. Meanwhile, the Company discloses that management is solidly based on ESG, as found in [2017 Environmental Report \(in Japanese\)](#), etc. for example.

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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