

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	4,240	4,400	2,950	304.9	70.0	-
FY10/2018	YoY	9.4%	20.8%	18.8%	3.6%	-	-	-
FY10/2019CoE	YoY	3.6%	9.6%	7.2%	24.4%	-	-	-
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 FY10/2019		42,404	2,150	2,263	1,520	-	-	-
Q3 to Q4 FY10/2019CoE		42,596	2,090	2,137	1,430	-	-	-
Q1 to Q2 FY10/2019	YoY	3.6%	18.0%	16.4%	13.4%	-	-	-
Q3 to Q4 FY10/2019CoE	YoY	3.6%	2.2%	(1.2%)	38.8%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (19 July 2019)

Driven by Construction

SENSHU ELECTRIC or technology-oriented trading house mainly of electric cables is seeing increased sales and increased earnings. Sales of Power Cables are buoyant due to increased demand associated with construction, represented by that of the 2020 Tokyo Olympic and Paralympic Games, although the Company suffers from decreased prices of electric cables in line with decreased prices of copper, i.e., the primary materials for electric cables stocked and sold by the Company. On top of this, sales are favorable also for Non-Cables where the Company sells procured electric cables after own machining. Given negative impacts stemming from China-United States trade war, sales of FA Cables are sluggish, including those of original merchandises, but this is more than compensated for by strengths of construction-related demand and Non-Cables. Meanwhile, decreased prices of copper currently lead to increased earnings and thus improved operating profit margin at the moment. Now, on 7 May 2019, the Company started up utilization of Osaka Distribution Center, while revealing its plant to cope with increased demand in a long-term view with this new facility. At the same time, the Company also reveals its plan to pay commemorative dividend for 70th anniversary as well as positively sharing earnings with shareholders by means of buying back own shares.

IR Representative: Isamu Fukuda, Executive Officer / General Manager

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2.0 Company Profile

Technology-Oriented Trading House Mainly of 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 April 2019)	
No. of Shares	10,800,000 shares, including 977,181 treasury shares (as of the end of April 2019)	
Main Features	<ul style="list-style-type: none"> ● Stocking and selling 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.) 10.1%, BBH for Fidelity Low-priced Stocks F 9.0%, Motohide Nishimura 7.9% (as of the end of April 2019)	
Headquarters	Suita-city, Osaka-prefecture, JAPAN	
No. of Employees	Consolidated: 669, Parent: 523 (as of the end of April 2019)	

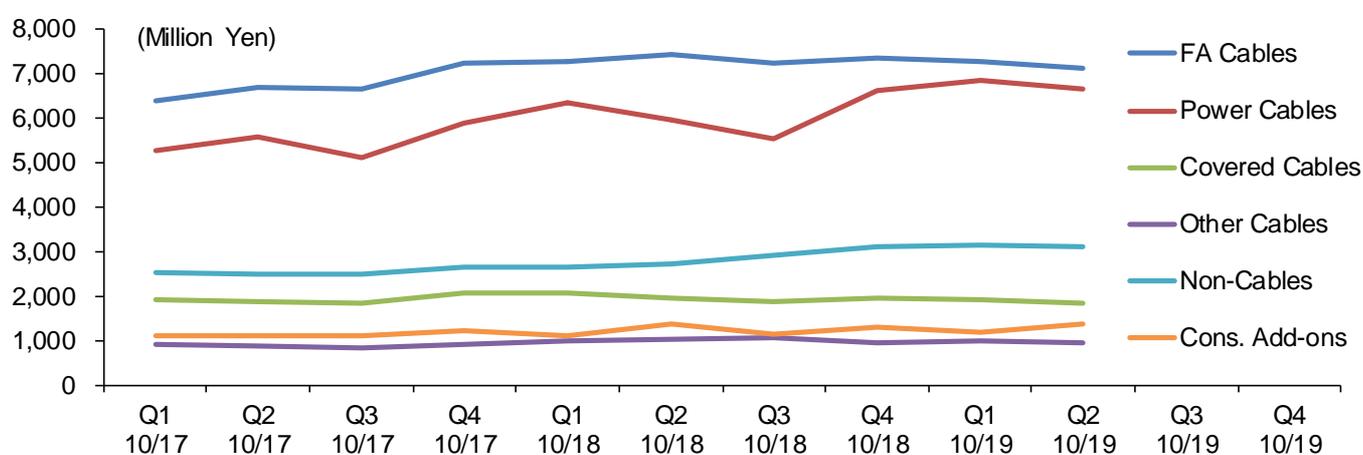
Source: Company Data

3.0 Recent Trading and Prospects

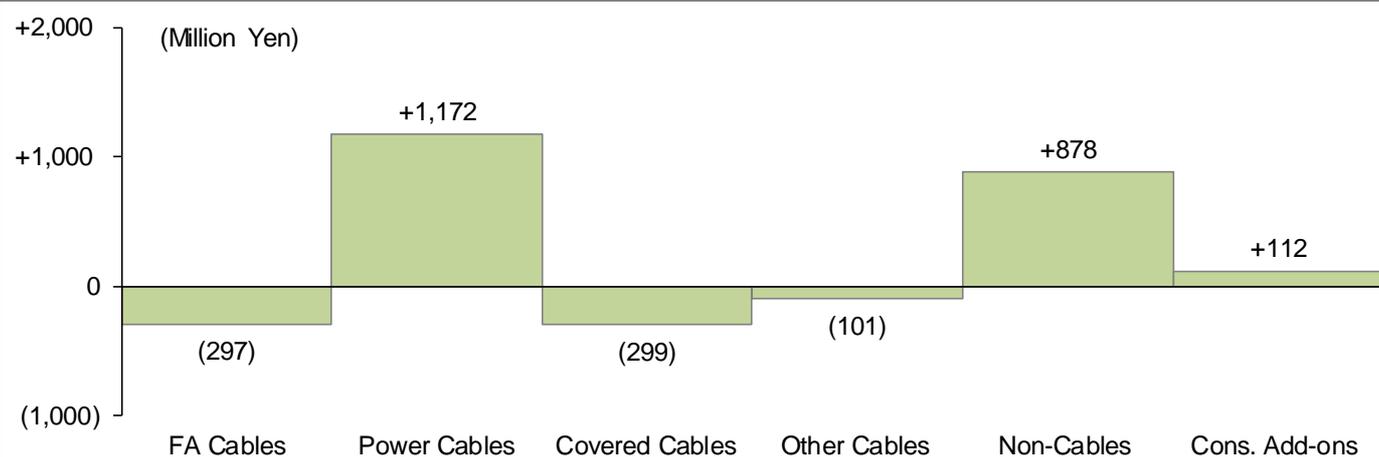
Q1 to Q2 FY10/2019 Results

In Q1 to Q2 FY10/2019, sales came in at ¥42,404m (up 3.6% YoY), operating profit ¥2,150m (up 18.0%), recurring profit ¥2,263m (up 16.4%) and profit attributable to owners of parent ¥1,520m (up 13.4%), while operating profit margin 5.1% (up 0.6% points). Compared with initial Company forecasts, sales were worse by ¥596m (1.4%), operating profit in line, recurring profit better by ¥33m (1.5%) and profit attributable to owners of parent better by ¥30m (2.0%). According to the Company, “sales marginally fell short of initial assumptions due to fall of selling prices for own merchandises in line with fall of prices of copper, i.e., the primary materials for electric cables, but demand associated with private-capex electric cables has remained almost stable and construction-related demand picked up”, having resulted in earnings better than expected.

Sales by Category (Quarterly)



Net Changes Year-on-Year with Sales by Category (Q1 to Q2 FY10/2019)



Source: Company Data, WRJ Calculation

In Q1 to Q2, the average official quotation on copper prices came in at ¥737,000 per ton (down 7.8% YoY), compared with ¥750,000 per ton (down 3.5% YoY), assumed in initial Company forecasts. Due to the said prices lower than expected, the Company procured electric cables with prices lower than initially assumed and thus selling prices with the Company after a time lag. Still, the Company sees increased sales as a whole by 3.6%, implying steadily increased volume for electric cables stocked and sold.

In Japan, the Company stocks and sells electric cable for diverse customers belonging to extensive domains by industry and collectively more than 3,500 in the number. By main customer category, the Company roughly estimates distributors of electric equipment materials account for 46% of sales, direct demand (end users) for 28% and electric work operators for 20%. The number of distributors of electric equipment materials stands at 1,100 in Japan, while mainly supplying major ones in regards to electric work operators standing at more than 60,000 in the number. Thus, it appears that the Company efficiently supplies all those diverse customers with electric cables procured from manufacturers, which is the source of added value created by the Company. Still, the key characteristics with the Company are of involvement with directly supplying business operators of machine tool / industrial machinery, auto facilities and semiconductor / LCD production equipment, i.e., direct demand (end users), where the Company creates added value even more, as far as we could see.

Most recently, demand associated with semiconductor / LCD production equipment is in the phase of adjustment. In particular, demand on the semiconductor side is weak due to China-United States trade war, according to the Company. It appears that this domain includes a lot of original merchandises to be co-developed with manufacturers of electric cables. Meanwhile, demand associated with machine tool / industrial equipment is weak in regards to domain related to China and that of electronics / electric, while remaining buoyant in regards to auto facilities and aircraft-related. As a result, the Company suggests that sales of direct demand (end users) have marginally decreased over the same period in the previous, which is reflected in decreased sales with FA Cables in terms of sales by category as far as we could see.

More importantly, however, the Company is seeing strengths on sales to distributors of electric equipment materials heavily involved with construction demand in Japan and sales of Non-Cables are on the rise, having resulted in increased sales as a whole for the Company. It appears that the strengths of the former are reflected in increased sales with Power Cables. Demand associated with the 2020 Tokyo Olympic and Paralympic Games is picking up and redevelopment in Metropolitan area is thriving. In Kansai region, hotel construction is so active to meet with inbound tourism boom, driving demand for Power Cables a lot. Nation-wise, the Company sees increased straightening of air-conditioning facilities with public elementary and junior high schools, which is another driven for increased demand. At the end of the day, the Company suggests demand here will remain buoyant in the foreseeable future.

Covered Cables are also heavily involved with demand associated with construction. However, while Power Cables are of trunk lines literally for power, it appears that Covered Cables are often of branch lines applied in detached houses, etc. With respect to Other Cables, the Company could create only limited added value, as sales here comprise those of effectively pure trading of raw materials for electric cables in a sense.

Meanwhile, sales of Non-Cables comprise those of merchandises but for electric cables. As mainstay constituents, the Company suggests machined goods that are electric cables after own machining such as that of terminals for electric cables, wiring or putting together with connectors, etc., accounting for one third of sales with Non-Cables. The Company also suggests that sales of Non-Cables are currently driven by those of merchandises associated with photovoltaic power generation.

On top of this, the Company spots that subsidiaries are seeing increased sales and increased earnings as the overall trend. Sales came in at ¥2,859m (up 4.5%), operating profit ¥227m (up 61.0%) and operating profit margin 8.8% (up 3.1% points) in terms of consolidated add-ons comprising those of 6 subsidiaries in Japan and 5 overseas, gained by simply deducting parent data out of consolidated data. Meanwhile, consolidated-addons accounted for 6.1% of sales as a whole for the Company and 10.6% for operating profit. Thus, consolidated add-ons are seeing favorable earnings, but remaining not so significant as constituents out of the Company as a whole.

In Japan, the Company suggests that subsidiary running operations related to telecommunication technology sees favorable business performance and another one associated with auto production lines and assembly of electric equipment too, while sales are sluggish for the other one to manufacture specialty connectors for semiconductor manufacturers due to China-United States trade war.

On the other hand, subsidiaries overseas have been all set up to cope with shift overseas by customers in the first place, basically supplying their local manufacturing bases. However, in Taiwan, the Company has well succeeded in cultivating local customers. Meanwhile, the Company sees consistently increased trading with local manufacturing base of Japanese customer in Thailand and seeing favorable sales on machining of terminals of electric cables in Philippines. On top of all those operations overseas, the Company is to start up operations of new facilities in Vietnam in November 2019 by means of setting up new subsidiary in there. Local populations are on the rise as well as local economic development and thus local demand for autos. Looking to this, Japanese automaker is on the verge of starting up local manufacturing of finished vehicles in there, while the Company being keen on supplying the operations.

Eventually, sales came in at ¥42,404m (up 3.6%) as a whole for the Company, while gross profit ¥6,668m (up 5.9%) and SG&A expenses ¥4,518m (up 0.9%), implying gross profit margin of 15.7% (up 0.3% points) and SGA ratio of 10.7% (down 0.2% points). In other words, gross profit margin is edging up, while SG&A expenses increase just marginally due to successful measures to control expenses, resulting in improved operating profit margin up to 5.1% (up 0.6% points). One of the factors for edging up gross profit margin is that the average official quotation on copper prices is coming down.

In line with the fall of the average official quotation on copper prices, procurement prices of electric cables are also falling as well as selling prices with the Company. However, as mentioned earlier, it needs a time lag for the selling prices to fall after the fall of procurement prices, resulting in short-term gross profit margin improved with the Company to this extent and vice versa. That is to say, when the average official quotation on copper prices is on the rise, short-term gross profit margin with the Company comes down to the extent of time lag. Still, in a long-term view, gross profit margin with the Company should be effectively immune to changes of the average official quotation on copper prices, according to the Company. Meanwhile, sales and gross profit with the Company are directly linked with changes of average official quotation on copper prices, which means increased prices increase sales and gross profit on an absolute value basis with the Company and vice versa. The Company suggests that about half of sales as a whole for the Company equates to cost of copper with electric cables procured by the Company.

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.
	10/2018	10/2018	10/2018	10/2018	10/2019	10/2019	10/2019	10/2019		
Sales	20,470	40,939	60,742	82,038	21,367	42,404	-	-		+1,465
Cost of Sales	17,363	34,641	51,295	69,206	17,972	35,735	-	-		+1,094
Gross Profit	3,107	6,298	9,446	12,831	3,394	6,668	-	-		+370
SG&A Expenses	2,307	4,475	6,701	8,963	2,316	4,518	-	-		+43
Operating Profit	799	1,822	2,745	3,868	1,077	2,150	-	-		+328
Non Operating Balance	77	121	193	237	57	113	-	-		(8)
Recurring Profit	876	1,943	2,938	4,105	1,134	2,263	-	-		+320
Extraordinary Balance	31	76	108	(381)	6	(51)	-	-		(127)
Profit before Income Taxes	907	2,019	3,046	3,724	1,140	2,212	-	-		+193
Total Income Taxes	303	664	1,002	1,332	360	673	-	-		+9
NP Belonging to Non-Controlling SHs	8	13	19	20	12	18	-	-		+5
Profit Attributable to Owners of Parent	595	1,341	2,024	2,371	767	1,520	-	-		+179
Sales YoY	+12.8%	+11.2%	+10.6%	+9.4%	+4.4%	+3.6%	-	-		-
Operating Profit YoY	+3.2%	+13.0%	+18.3%	+20.8%	+34.8%	+18.0%	-	-		-
Recurring Profit YoY	+4.6%	+11.8%	+17.0%	+18.8%	+29.5%	+16.4%	-	-		-
Profit Attributable to Owners of Parent YoY	+6.0%	+15.3%	+20.9%	+3.6%	+28.8%	+13.4%	-	-		-
Gross Profit Margin	15.2%	15.4%	15.6%	15.6%	15.9%	15.7%	-	-		+0.3%
SGA Ratio	11.3%	10.9%	11.0%	10.9%	10.8%	10.7%	-	-		(0.2%)
Operating Profit Margin	3.9%	4.5%	4.5%	4.7%	5.0%	5.1%	-	-		+0.6%
Recurring Profit Margin	4.3%	4.7%	4.8%	5.0%	5.3%	5.3%	-	-		+0.6%
Profit Attributable to Owners of Parent Margin	2.9%	3.3%	3.3%	2.9%	3.6%	3.6%	-	-		+0.3%
Tax Charges etc. / Pretax Profit	33.4%	32.9%	32.9%	35.8%	31.6%	30.4%	-	-		(2.5%)

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.
	10/2018	10/2018	10/2018	10/2018	10/2019	10/2019	10/2019	10/2019		
Sales	20,470	20,469	19,803	21,296	21,367	21,037	-	-		+568
Cost of Sales	17,363	17,278	16,654	17,911	17,972	17,763	-	-		+485
Gross Profit	3,107	3,191	3,148	3,385	3,394	3,274	-	-		+83
SG&A Expenses	2,307	2,168	2,226	2,262	2,316	2,202	-	-		+34
Operating Profit	799	1,023	923	1,123	1,077	1,073	-	-		+50
Non Operating Balance	77	44	72	44	57	56	-	-		+12
Recurring Profit	876	1,067	995	1,167	1,134	1,129	-	-		+62
Extraordinary Balance	31	45	32	(489)	6	(57)	-	-		(102)
Profit before Income Taxes	907	1,112	1,027	678	1,140	1,072	-	-		(40)
Total Income Taxes	303	361	338	330	360	313	-	-		(48)
NP Belonging to Non-Controlling SHs	8	5	6	1	12	6	-	-		+1
Profit Attributable to Owners of Parent	595	746	683	347	767	753	-	-		+7
Sales YoY	+12.8%	+9.7%	+9.4%	+6.2%	+4.4%	+2.8%	-	-		-
Operating Profit YoY	+3.2%	+22.1%	+30.6%	+27.2%	+34.8%	+4.9%	-	-		-
Recurring Profit YoY	+4.6%	+18.4%	+28.6%	+23.8%	+29.5%	+5.8%	-	-		-
Profit Attributable to Owners of Parent YoY	+6.0%	+23.9%	+33.7%	(43.6%)	+28.8%	+0.9%	-	-		-
Gross Profit Margin	15.2%	15.6%	15.9%	15.9%	15.9%	15.6%	-	-		(0.0%)
SGA Ratio	11.3%	10.6%	11.2%	10.6%	10.8%	10.5%	-	-		(0.1%)
Operating Profit Margin	3.9%	5.0%	4.7%	5.3%	5.0%	5.1%	-	-		+0.1%
Recurring Profit Margin	4.3%	5.2%	5.0%	5.5%	5.3%	5.4%	-	-		+0.2%
Profit Attributable to Owners of Parent Margin	2.9%	3.6%	3.4%	1.6%	3.6%	3.6%	-	-		(0.1%)
Tax Charges etc. / Pretax Profit	33.4%	32.9%	32.9%	48.7%	31.6%	30.4%	-	-		(2.5%)

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 Net Chg.
(Million Yen)	10/2018	10/2018	10/2018	10/2018	10/2019	10/2019	10/2019	10/2019	
FA Cables	7,274	14,688	21,921	29,254	7,266	14,391	-	-	(297)
Power Cables	6,350	12,302	17,855	24,480	6,836	13,475	-	-	+1,172
Covered Cables	2,074	4,036	5,925	7,880	1,904	3,736	-	-	(299)
Other Cables	1,014	2,042	3,117	4,078	984	1,940	-	-	(101)
Non-Cables	2,651	5,392	8,306	11,438	3,170	6,271	-	-	+878
Sales (on a Parent basis)	19,365	38,462	57,124	77,131	20,162	39,815	-	-	+1,353
Consolidated Add-ons	1,105	2,477	3,618	4,907	1,205	2,589	-	-	+112
Sales	20,470	40,939	60,742	82,038	21,367	42,404	-	-	+1,465
FA Cables	+13.9%	+12.2%	+11.0%	+8.4%	(0.1%)	(2.0%)	-	-	-
Power Cables	+20.5%	+13.3%	+11.6%	+11.8%	+7.7%	+9.5%	-	-	-
Covered Cables	+7.5%	+6.0%	+4.7%	+1.8%	(8.2%)	(7.4%)	-	-	-
Other Cables	+9.7%	+13.2%	+17.8%	+13.8%	(3.0%)	(5.0%)	-	-	-
Non-Cables	+4.7%	+7.3%	+10.1%	+12.1%	+19.6%	+16.3%	-	-	-
Sales (on a Parent basis)	+13.7%	+11.2%	+10.7%	+9.6%	+4.1%	+3.5%	-	-	-
Consolidated Add-ons	+0.0%	+12.0%	+8.9%	+7.8%	+9.0%	+4.5%	-	-	-
Sales (YoY)	+12.8%	+11.2%	+10.6%	+9.4%	+4.4%	+3.6%	-	-	-
FA Cables	37.6%	38.2%	38.4%	37.9%	36.0%	36.1%	-	-	(2.0%)
Power Cables	32.8%	32.0%	31.3%	31.7%	33.9%	33.8%	-	-	+1.9%
Covered Cables	10.7%	10.5%	10.4%	10.2%	9.4%	9.4%	-	-	(1.1%)
Other Cables	5.2%	5.3%	5.5%	5.3%	4.9%	4.9%	-	-	(0.4%)
Non-Cables	13.7%	14.0%	14.5%	14.8%	15.7%	15.8%	-	-	+1.7%
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%	93.9%	94.0%	94.0%	94.4%	93.9%	-	-	(0.1%)
Consolidated Add-ons	5.4%	6.1%	6.0%	6.0%	5.6%	6.1%	-	-	+0.1%
Sales (Composition Ratio)	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 Net Chg.
(Million Yen)	10/2018	10/2018	10/2018	10/2018	10/2019	10/2019	10/2019	10/2019	
FA Cables	7,274	7,414	7,233	7,333	7,266	7,125	-	-	(289)
Power Cables	6,350	5,952	5,553	6,625	6,836	6,639	-	-	+687
Covered Cables	2,074	1,962	1,889	1,955	1,904	1,832	-	-	(130)
Other Cables	1,014	1,028	1,075	961	984	956	-	-	(72)
Non-Cables	2,651	2,741	2,914	3,132	3,170	3,101	-	-	+360
Sales (on a Parent basis)	19,365	19,097	18,662	20,007	20,162	19,653	-	-	+556
Consolidated Add-ons	1,105	1,372	1,141	1,289	1,205	1,384	-	-	+12
Sales	20,470	20,469	19,803	21,296	21,367	21,037	-	-	+568
FA Cables	+13.9%	+10.5%	+8.7%	+1.4%	(0.1%)	(3.9%)	-	-	-
Power Cables	+20.5%	+6.4%	+8.2%	+12.2%	+7.7%	+11.5%	-	-	-
Covered Cables	+7.5%	+4.4%	+2.2%	(6.2%)	(8.2%)	(6.6%)	-	-	-
Other Cables	+9.7%	+16.8%	+27.7%	+2.6%	(3.0%)	(7.0%)	-	-	-
Non-Cables	+4.7%	+9.9%	+15.7%	+17.6%	+19.6%	+13.1%	-	-	-
Sales (on a Parent basis)	+13.7%	+8.8%	+9.8%	+6.3%	+4.1%	+2.9%	-	-	-
Consolidated Add-ons	+0.0%	+24.1%	+2.6%	+4.9%	+9.0%	+0.9%	-	-	-
Sales (YoY)	+12.8%	+9.7%	+9.4%	+6.2%	+4.4%	+2.8%	-	-	-
FA Cables	37.6%	38.8%	38.8%	36.7%	36.0%	36.3%	-	-	(2.6%)
Power Cables	32.8%	31.2%	29.8%	33.1%	33.9%	33.8%	-	-	+2.6%
Covered Cables	10.7%	10.3%	10.1%	9.8%	9.4%	9.3%	-	-	(1.0%)
Other Cables	5.2%	5.4%	5.8%	4.8%	4.9%	4.9%	-	-	(0.5%)
Non-Cables	13.7%	14.4%	15.6%	15.7%	15.7%	15.8%	-	-	+1.4%
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%	93.3%	94.2%	93.9%	94.4%	93.4%	-	-	+0.1%
Consolidated Add-ons	5.4%	6.7%	5.8%	6.1%	5.6%	6.6%	-	-	(0.1%)
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.
	10/2018	10/2018	10/2018	10/2018	10/2019	10/2019	10/2019	10/2019		
Cash and Deposit	15,301	15,443	14,527	15,432	14,798	14,752	-	-		(691)
Accounts Receivables	23,415	23,882	22,805	23,999	24,387	24,764	-	-		+882
Inventory	4,227	4,229	4,265	4,065	4,378	4,361	-	-		+132
Other	415	610	476	248	234	383	-	-		(227)
Current Assets	43,358	44,164	42,073	43,744	43,797	44,260	-	-		+96
Tangible Assets	16,006	15,713	16,604	17,353	17,433	18,337	-	-		+2,624
Intangible Assets	252	231	226	221	209	193	-	-		(38)
Investments and Other Assets	5,152	5,961	5,909	5,992	5,826	5,764	-	-		(197)
Fixed Assets	21,410	21,906	22,740	23,567	23,469	24,296	-	-		+2,390
Total Assets	64,768	66,071	64,813	67,311	67,267	68,556	-	-		+2,485
Accounts Payables	23,029	23,134	22,248	23,688	24,368	23,818	-	-		+684
Short-Term Debt	120	115	115	115	115	105	-	-		(10)
Other	1,450	2,178	1,641	2,377	1,501	2,607	-	-		+429
Current Liabilities	24,599	25,427	24,004	26,180	25,984	26,530	-	-		+1,103
Long-Term Debt	-	-	-	-	-	-	-	-		-
Other	2,685	2,720	2,747	2,762	2,771	2,762	-	-		+42
Fixed Liabilities	2,685	2,720	2,747	2,762	2,771	2,762	-	-		+42
Total Liabilities	27,285	28,148	26,752	28,943	28,755	29,292	-	-		+1,144
Shareholders' Equity	36,809	37,313	37,514	37,860	38,045	38,716	-	-		+1,403
Other	674	610	547	508	466	547	-	-		(63)
Net Assets	37,483	37,923	38,061	38,368	38,511	39,263	-	-		+1,340
Total Liabilities and Net Assets	64,768	66,071	64,813	67,311	67,267	68,556	-	-		+2,485
Equity Capital	37,387	37,820	37,954	38,263	38,391	39,134	-	-		+1,314
Interest Bearing Debt	120	115	115	115	115	105	-	-		(10)
Net Debt	(15,181)	(15,328)	(14,412)	(15,317)	(14,683)	(14,647)	-	-		+681
Capital Ratio	57.7%	57.2%	58.6%	56.8%	57.1%	57.1%	-	-		(0.2%)
Net Debt Equity Ratio	(40.6%)	(40.5%)	(38.0%)	(40.0%)	(38.2%)	(37.4%)	-	-		+3.1%
ROE (12 months)	6.4%	6.7%	7.1%	6.3%	6.7%	6.6%	-	-		(0.1%)
ROA (12 months)	5.7%	5.8%	6.2%	6.3%	6.6%	6.6%	-	-		+0.8%
Months for Inventory Turnover	0.62	0.62	0.65	0.57	0.61	0.62	-	-		-
Quick Ratio	157%	155%	156%	151%	151%	149%	-	-		-
Current Ratio	176%	174%	175%	167%	169%	167%	-	-		-

Source: Company Data, WRJ Calculation

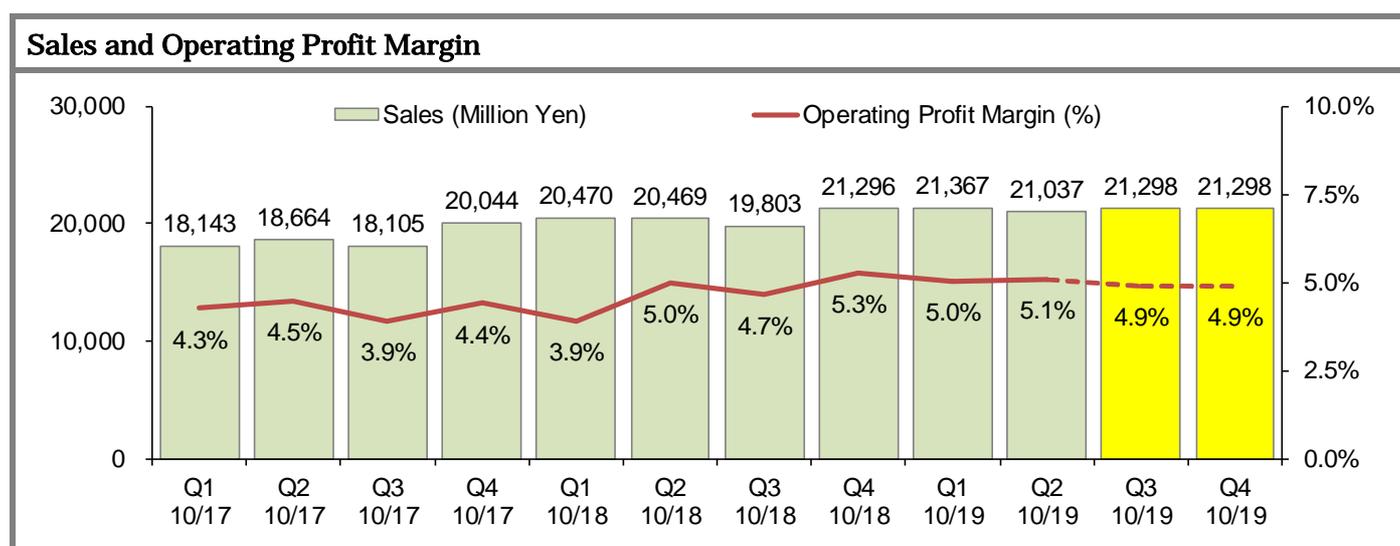
Cash Flow Statement (Cumulative)

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.
	10/2018	10/2018	10/2018	10/2018	10/2019	10/2019	10/2019	10/2019		
Operating Cash Flow	-	1,342	-	3,660	-	839	-	-		(503)
Investing Cash Flow	-	(849)	-	(2,648)	-	(820)	-	-		+29
Operating CF and Investing CF	-	493	-	1,012	-	19	-	-		(474)
Financing Cash Flow	-	(524)	-	(1,032)	-	(748)	-	-		(224)

Source: Company Data, WRJ Calculation

FY10/2019 Company Forecasts

FY10/2019 Company forecasts (released on 4 June 2019) are going for prospective sales of ¥85,000m (up 3.6% YoY), operating profit of ¥4,240m (up 9.6%), recurring profit of ¥4,400m (up 7.2%) and profit attributable to owners of parent of ¥2,950m (up 24.4%), while operating profit margin of 5.0% (up 0.3% points). Compared with initial Company forecasts (released on 10 December 2018), sales have remained unchanged due to unexpected fall of the average quotation on copper prices, but earnings have been upgraded, i.e., by ¥120m (2.9%) in operating profit, by ¥120m (2.8%) in recurring profit and by ¥90m (3.1%) in profit attributable to owners of parent. The Company mentions, “Q1 to Q2 results were better than expected and reviewed prospective earnings in Q3 and Q4 based on recent trading”, which has led to above-mentioned revision for prospective earnings.



Source: Company Data, WRJ Calculation (FY10/2019 Q3 and Q4: H2 Company forecasts pro rata)

The Company to celebrate 70th anniversary (18 November 2019) has revealed to pay commemorative dividend (¥5.0 as of the end of Q2 and ¥5.0 as of the end of Q4) for this at the release of above-mentioned upgrade for earnings. Together with initially planned regular dividend of ¥60.0 (¥30.0 and ¥30.0), the Company is now going for dividend of ¥70.0 (¥35.0 and ¥35.0) per share, implying payout ratio of 23.0%, in FY10/2019. On top of this, it was also disclosed that the Company was to newly buy back own shares at the same time. Through 5 June 2019 to 31 October 2019, the Company is to buy back own shares up to 150,000 in the number (equating to 1.53% of shares outstanding but for treasury shares or ¥500m), having already started buying in the market. Combined with buyback of own shares by the end of Q2, the Company suggests total return ratio of more than 50% in FY10/2019.

The Company has been consistently creating sizeable amount of free cash flow and thus net cash has been accumulated as underlying trend, enabling raise of payout ratio to beef up its measure to share earnings with shareholders. Still, it appears that the Company, trying to get at signaling effect, would like to make progress with its measure to share earnings with shareholders by means of both paying dividend and by buying back own shares at the same time. Based on general economic rationality, it is advantageous to buy anything at prices lower than the intrinsic value and vice versa.

Meanwhile, when based on the current FY10/2019 Company forecasts and Q1 to Q2 results, prospective sales in H2 (May to October 2019) are ¥42,596m (up 3.6% YoY), operating profit ¥2,090m (up 2.2%) and operating profit margin 4.9% (down 0.1% point). Impacts from China-United States trade war are unclear and it cannot be denied that business performance with the Company hinge on the said impacts. Nevertheless, the Company currently estimates demand for electric cables stocked and sold by the Company is likely to remain buoyant going forward, holding its position to positively take in increased demand.

In regards to FA Cables, basically applied in private capital expenditure, the Company spots that potential replacement demand from existing obsolete facilities to new facilities has been accumulated a lot, which is to drive demand going forward. On top of this, the Company is looking to demand to pick up due to investment in labor-saving facilities to cope with shortage of human resources as well as to all sort of projects to create new demand, including that of IOT-related, 5th generation mobile communication system, etc. Meanwhile, with respect to Power Cables heavily involved with construction in Japan, there is a concern that demand associated with the 2020 Tokyo Olympic and Paralympic Games should peel off, but the Company believes demand associated with redevelopment will remain firm as well as looking to lots of future events to drive demand longer term, including Linear Shinkansen (to start up operations in 2027), Expo 2025 Osaka and openings of Integrated Resorts in mid-2020s.

Osaka Distribution Center (Opened on 7 May 2019 / Toyonaka-city, Osaka-prefecture)

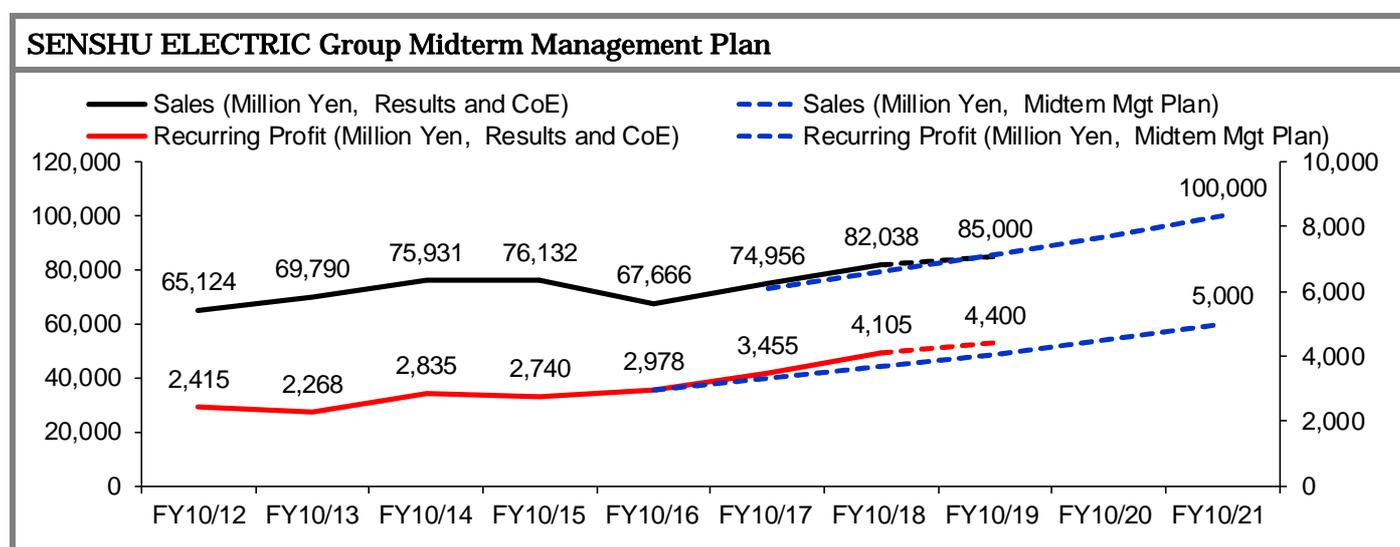


Source: Company Data

In order to cope with all those future factors to drive demand, the Company set up Osaka Distribution Center (Toyonaka-city, Osaka-prefecture) and started up its utilization on 7 May 2019. This is a new facility to replace existing Suita Distribution Center based in Suita-city, Osaka-prefecture, where the Company's headquarters office is based. This existing facility has been surrounded by residential area on every side to date after half a century since its startup of utilization. Anyhow, in the first place, the Company was on the verge of suffering from capacity constraint with the existing one, while the new one holds capacity 1.5 times larger together with new system being capable of cutting back on the number of personnel to manage inventory, etc. for example. Thus, the Company is trying to pursue benefits from just-in-time system even more further than now with this new system, etc. here in the new distribution center.

Long-Term Prospects

At the release of FY10/2016 results on 9 December 2016, the Company released SENSHU ELECTRIC Group Midterm Management Plan. While setting five-year period by FY10/2021 as the term of the plan and 70th anniversary (18 November 2019) as a passing point, 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.



Source: Company Data, WRJ Calculation

When based on FY10/2016 results, the plan is calling for CAGR of 8.1% for sales and 10.9% for earnings over 5-year period ended by FY10/2021. Now, as far as the current FY10/2019 Company forecasts are to be met, the Company is to achieve sales in line and earnings rather better in the first three years.

Meanwhile, the Company saw ROE of 4.6% in FY10/2016, which was followed by ROE of 6.4% in FY10/2017 and ROE of 6.4% in FY10/2018, implying that ROE of more than 6.0% was achieved in the first year and the second and thus that the target of the plan here has been already achieved in a sense. Meanwhile, we estimate ROE of 6.6% over 12-month period by Q2 FY10/2019, implying that ROE of more than 6.0% is persisting, while the Company suggests ROE of 7.6% in FY10/2019 with a condition that the current Company forecasts are to be met.

4.0 Business Model

Technology-Oriented Trading House Mainly of Electric Cables

The Company, being technology-oriented trading house mainly of electric cables, saw changeover of market for own shares to trade to TSE1 from TSE2 on 9 November 2017 and abolished system of providing a bonus to retiring directors, while having introduced restricted-share-based incentive plan instead. 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 TSE1-listed company. Meanwhile, the Company is keen on consistently 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 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. Meanwhile, 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 necessary and sufficient inventory (equating to ¥4,361m as of the end of Q2 FY10/2019) in stocking space of collective 60,000 square meters.

The core parts of inventory are those of b) original merchandises carrying high added value, which are literally “original” in that they are co-developed with manufacturers of electric cables. The Company sometimes being in charge of directly supplying end users gather specific and detailed needs from all those end users and they are reflected with them and thus they are not exposed to price-oriented competition. On top of this, the Company runs facilities for machining in 7 business offices out 17 in Japan and creates added value also by c) machining of terminals for electric cables. In other words, the Company efficiently runs operations of stocking and selling for electric cables based on a) just-in-time system, while being involved with b) original merchandises and c) machining of terminals with own knowhow and expertise, being regarded as Technology-Oriented Trading House Mainly of Electric Cables.

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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