

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)
FY10/2018		82,038	3,868	4,105	2,371	236.4	55.0	3843.6
FY10/2019		83,676	3,979	4,206	2,714	277.0	70.0	4094.8
FY10/2020CoE		88,800	4,210	4,420	2,920	307.3	70.0	-
FY10/2019	YoY	2.0%	2.9%	2.5%	14.5%	-	-	-
FY10/2020CoE	YoY	6.1%	5.8%	5.1%	7.6%	-	-	-
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 FY10/2019		42,404	2,150	2,263	1,520	-	-	-
Q3 to Q4 FY10/2019		41,272	1,829	1,943	1,194	-	-	-
Q1 to Q2 FY10/2020CoE		42,500	1,890	2,000	1,300	-	-	-
Q3 to Q4 FY10/2020CoE		46,300	2,320	2,420	1,620	-	-	-
Q1 to Q2 FY10/2020CoE	YoY	0.2%	(12.1%)	(11.6%)	(14.5%)	-	-	-
Q3 to Q4 FY10/2020CoE	YoY	12.2%	26.8%	24.5%	35.7%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (31 January 2020)

Recovery of Capex-related



SENSHU ELECTRIC, technology-oriented trading house mainly of electric cables, is going for recovery of capex-related demand in H2 (over Q1 to Q2) FY10/2020 and thus business performance as a whole for the Company. FA cables, accounting for the largest part in sales by category (on a parent basis) and presumably carrying gross profit margin the highest, have semiconductor production equipment, machine tool and automotive production facilities as the mainstay applications and are called capex-related. Compared with merchandises in other categories, they have added value higher in the first place, while including original merchandises carrying added value high in particular, resulting in gross profit margin the highest as far as we could see. Recent trading suggests that demand for each has remained sluggish, but the Company has already perceived a favorable omen with respect to semiconductor production equipment for which adjustment has begun earliest. Meanwhile, the Company is going for a startup of recover with respect to machine tool and automotive production facilities at around the middle of CY2020. On top of this, the Company has been moving forward with the relocation and construction of its new operating bases in Japan since FY10/2017, including the mainstay distribution center, having built a system to steadily capture construction-related demand which is expected to continue to perform well. In other words, there is good potential for future growth also in sales of power cables or construction-related.

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)	  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 2019)	
No. of Shares	10,800,000 shares, including 1,127,181 treasury shares (as of the end of Oct. 2019)	
Main Features	<ul style="list-style-type: none"> ● Stocking and selling electric cables more than 50,000 in the number of items ● Capex-related FA cables, the key earning pillar ● Codeveloping original merchandises with manufacturers of electric cables 	
Businesses	I . Electric Cables Business	
Top Management	President: Motohide Nishimura	
Shareholders	Company's Tr. Shares 10.4%, TCSB (Swcc Showa Holdings Others) 10.3%, BBH Fidelity Low Priced Stocks F 9.1%, Motohide Nishimura 8.0% (as of the end of October 2019)	
Headquarters	Suita-city, Osaka-prefecture, JAPAN	
No. of Employees	Consolidated: 691, Parent: 527 (as of the end of October 2019)	

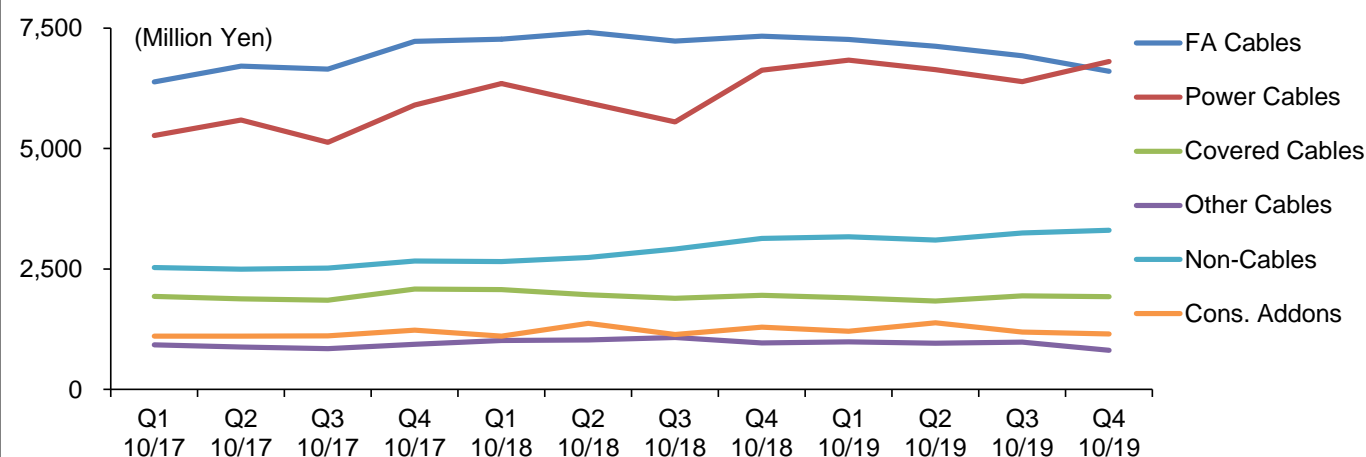
Source: Company Data

3.0 Recent Trading and Prospects

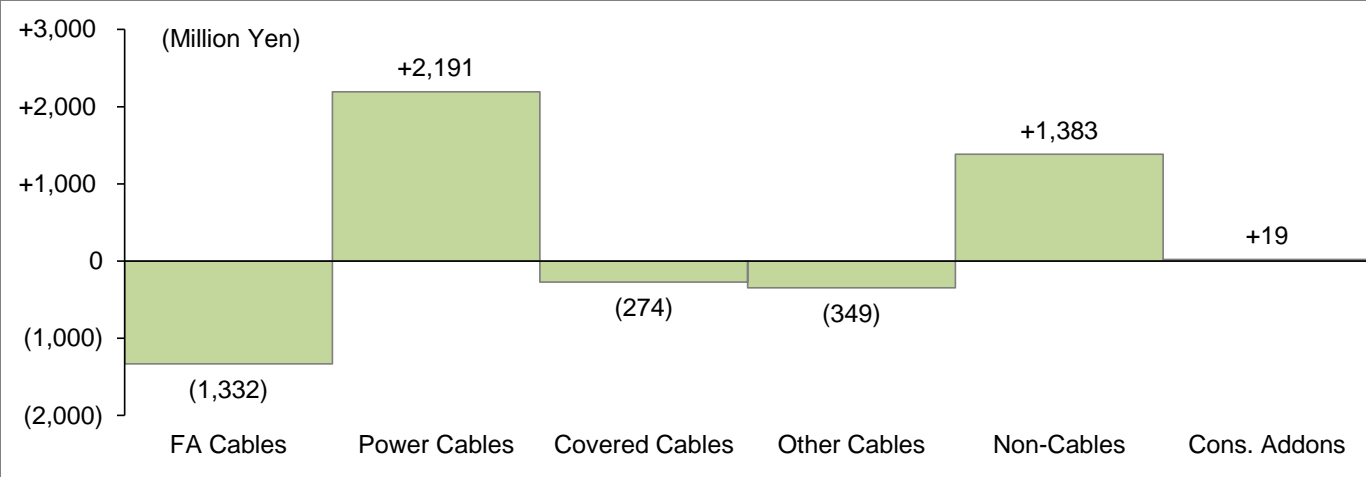
FY10/2019 Results

In FY10/2019, sales came in at ¥83,676m (up 2.0% YoY), operating profit ¥3,979m (up 2.9%), recurring profit ¥4,206m (up 2.5%) and profit attributable to owners of parent ¥2,714m (up 14.5%), while operating profit margin 4.8% (up 0.1% point). Meanwhile, the results were below assumptions of the latest Company forecasts (released on 4 June 2019). Sales were worse by ¥1,324m (1.6%), operating profit by ¥261m (6.2%), recurring profit by ¥194m (4.4%) and profit attributable to owners of parent by ¥236m (8.0%). The main factor behind this is the shortfall in sales for FA cables which are the largest in sales by category (on a parent basis) and presumably carry gross profit margin the highest.

Sales by Category (on a parent basis) and Consolidated Addons



Sales by Category (on a parent basis) and Consolidated Addons: Net Changes (YoY) in FY10/2019



Source: Company Data, WRJ Calculation

In sales by category (on a parent basis), sales of FA cables came in at ¥27,922m (down 4.5%), sales of power cables ¥26,671m (up 9.0%), sales of covered cables ¥7,606m (down 3.5%), sales of other cables ¥3,729m (down 8.6%) and sales of non-cables ¥12,821m (up 12.1%), while consolidated addons ¥4,926m (up 0.4%).

With the Company, sales on a parent basis accounted for 94.1% of sales on a consolidated basis, implying that business performance as a whole for the Company hinges on those on a parent basis. Meanwhile, consolidated add-ons are data based on our estimates by simply subtracting sales on a parent basis from sales on a consolidated basis. Sales as a whole for the Company in FY10/2019 were driven mainly by those of power cables and non-cables, while it is mentioned as the key characteristics of the Company's business performance in FY10/2019 that the strengths with them more than compensated for sluggish sales of FA cables.

In sales by category (on a parent basis), FA cables are regarded as capex-related and power cables as construction-related, having accounted for 35.5% of sales on a parent basis and 33.9%, respectively. Thus, they collectively accounted for 69.4%, i.e., the bulk of sales on a parent basis.

As for FA cables, the Company mentions semiconductor production equipment, machine tool and automotive production facilities as the mainstay applications, all of which are related to capex to a large extent and they are regarded as capex-related. In FY10/2019, sales here were sluggish in Q1 and Q2, which was followed by shortfall of sales in H2, when compared with assumptions of the latest Company forecasts (released on 4 June 2019), in line with delayed new capital expenditures by the major customers. Meanwhile, FA cables have high added value in the first place, while including original merchandises carrying added value high in particular. Thus, the Company suggests they carry gross profit margin the highest out of all the categories in sales by category (on a parent basis).

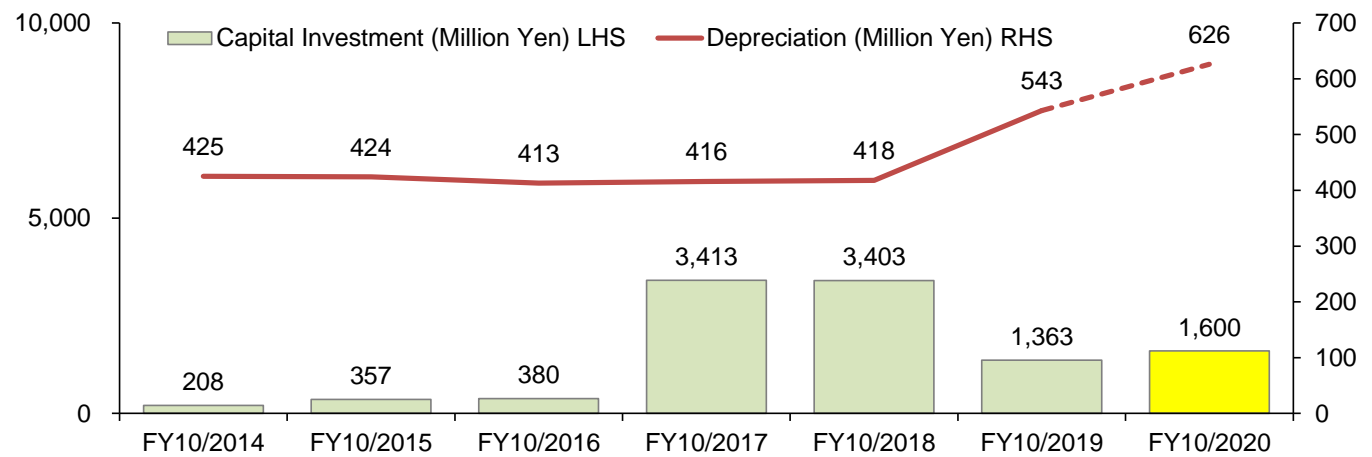
As for power cables, sales increased steadily. Although unit selling prices were under pressure, increased volume was more than compensating. In terms of contribution to the increases of sales as a whole for the Company, they played the most important role out of all the categories in sales by category (on a parent basis). The cost of sales with power cables to be procured by the Company has a large exposure to raw materials, i.e., copper and thus both unit procurement prices and unit selling prices with the Company are supposed to change in line with changes of the copper prices. In FY10/2019, the copper prices came down by 9.1% over the previous year and this was reflected to both after a time lag. Meanwhile, increased volume was attributable to consistent increases in demand for construction in Japan, according to the Company. On top of the advent of demand associated with the Tokyo Olympics (to be held through 24 July to 9 August 2020), the Company perceived that progress has been made in installing air-conditioning facilities in elementary and junior high schools as well as in establishing new hotels to cope with increased inbound demand. On top of this, demand associated with redevelopment in the Tokyo metropolitan area has also remained firm. As a result, the market to which the Company is exposed has remained favorable across the board.

As for non-cables, the Company saw the highest sales growth rate out of all the categories in sales by category (on a parent basis). Although the size of sales is somewhat limited, they contributed to the increases of sales as a whole for the Company most substantially second only to power cables, given the rate of increases high in particular. In non-cables, the Company runs operations to sell merchandises purchased represented by electric cables after processing in line with customer needs using its own facilities of machining for terminals of electric cables, etc. Thus, the business here is characterized by additional creation of added value stemming from the processing, resulting in gross profit margin the highest out of all the categories in sales by category (on a parent basis) second only to FA cables as far as we could gather. In this business, the Company is heavily involved with sales of specialty cables dedicated to industrial photovoltaic power generation facilities, for example, as well as with processing of peripheral connectors for them, while the Company suggests that demand in all those domains are favorable in particular.

Meanwhile, consolidated add-ons comprise 6 subsidiaries based in Japan and four subsidiaries based overseas, having accounted for collective 5.9% of sales out of sales as a whole for the Company. The underlying trends of business performance across the board is rather more favorable than on a parent basis, according to the Company, having contributed to earnings as a whole for the Company more than a certain extent.

In Japan, despite the severe conditions in semiconductor-related NBS co.,Ltd., ASHI ELECTRIC CO., LTD., which is involved with automotive-related business, achieved earnings that were close to record highs due to the replacement of equipment by customers or automakers. At the same time, the Company suggests earnings were also favorable for telecommunication-related STEC CO.,LTD. and taiyo tsushin kogyo Co.,Ltd. With respect to subsidiaries overseas, the Company suggests that they are basically in charge of provision of merchandises for local production bases of own customers based in Japan. The one in China suffers from economic slowdown, which also applies to the one in Philippines. Still, the one in Thailand is seeing favorable sales, according to the Company. Meanwhile, the Company set up a new one in Vietnam in October 2019 and planning to set up the next one in North America.

Capital Investment and Depreciation



Osaka Distribution Center (opened on 7 May 2019: Toyonaka-city, Osaka-prefecture)



Source: Company Data, WRJ Calculation

As a whole for the Company, gross profit came in at ¥13,222m (up 3.1%) and SG&A expenses ¥9,243m (up 3.1%), implying gross profit margin of 15.8% (up 0.2% points) and sales to SG&A expenses ratio of 11.0% (down 0.1% point). Generally speaking, gross profit and SG&A expenses increased at roughly the same rate as sales growth, having resulted in operating profit margin roughly at the same level as the previous year. SG&A expenses saw net increases by ¥280m over the previous year. Advertising expenses and social expenses came down, while this was more than offset by increased depreciation and taxes & dues. Since FY10/2017, the Company has been moving forward with the relocation and construction of its new operating bases represented by Osaka Distribution Center (as well as Takamatsu Branch, Saitama Sales Office, Tokyo-Nishi Sales Office, etc.), having substantially driven capital investment with the Company.

Over the three-year period by FY10/2019, the Company implemented cumulative capital investment of ¥8,179m (mainly land and buildings), while ¥3,645m in Osaka Distribution Center opened on 7 May 2019. In regards to all the projects, acquisitions of land preceded and depreciation had remained almost unchanged over the first two years, while it appears that depreciation of buildings have started up on a full-fledged basis in FY10/2019 or the third year.

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	10/2019	
Sales	20,470	40,939	60,742	82,038	21,367	42,404	63,085	83,676		+1,638
Cost of Sales	17,363	34,641	51,295	69,206	17,972	35,735	53,212	70,453		+1,247
Gross Profit	3,107	6,298	9,446	12,831	3,394	6,668	9,872	13,222		+391
SG&A Expenses	2,307	4,475	6,701	8,963	2,316	4,518	6,895	9,243		+280
Operating Profit	799	1,822	2,745	3,868	1,077	2,150	2,976	3,979		+111
Non Operating Balance	77	121	193	237	57	113	179	228		(9)
Recurring Profit	876	1,943	2,938	4,105	1,134	2,263	3,156	4,206		+101
Extraordinary Balance	31	76	108	(381)	6	(51)	(52)	(187)		+194
Profit before Income Taxes	907	2,019	3,046	3,724	1,140	2,212	3,104	4,019		+295
Total Income Taxes	303	664	1,002	1,332	360	673	968	1,277		(55)
NP Belonging to Non-Controlling SHs	8	13	19	20	12	18	28	28		+8
Profit Attributable to Owners of Parent	595	1,341	2,024	2,371	767	1,520	2,107	2,714		+343
Sales YoY	+12.8%	+11.2%	+10.6%	+9.4%	+4.4%	+3.6%	+3.9%	+2.0%		-
Operating Profit YoY	+3.2%	+13.0%	+18.3%	+20.8%	+34.8%	+18.0%	+8.4%	+2.9%		-
Recurring Profit YoY	+4.6%	+11.8%	+17.0%	+18.8%	+29.5%	+16.4%	+7.4%	+2.5%		-
Profit Attributable to Owners of Parent YoY	+6.0%	+15.3%	+20.9%	+3.6%	+28.8%	+13.4%	+4.1%	+14.5%		-
Gross Profit Margin	15.2%	15.4%	15.6%	15.6%	15.9%	15.7%	15.6%	15.8%		+0.2%
SGA Ratio	11.3%	10.9%	11.0%	10.9%	10.8%	10.7%	10.9%	11.0%		+0.1%
Operating Profit Margin	3.9%	4.5%	4.5%	4.7%	5.0%	5.1%	4.7%	4.8%		+0.1%
Recurring Profit Margin	4.3%	4.7%	4.8%	5.0%	5.3%	5.3%	5.0%	5.0%		+0.0%
Profit Attributable to Owners of Parent Margin	2.9%	3.3%	3.3%	2.9%	3.6%	3.6%	3.3%	3.2%		+0.3%
Tax Charges etc. / Pretax Profit	33.4%	32.9%	32.9%	35.8%	31.6%	30.4%	31.2%	31.8%		(4.0%)

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.
	10/2018	10/2018	10/2018	10/2018	10/2019	10/2019	10/2019	10/2019	10/2019	
Sales	20,470	20,469	19,803	21,296	21,367	21,037	20,681	20,591		(705)
Cost of Sales	17,363	17,278	16,654	17,911	17,972	17,763	17,477	17,241		(670)
Gross Profit	3,107	3,191	3,148	3,385	3,394	3,274	3,204	3,350		(35)
SG&A Expenses	2,307	2,168	2,226	2,262	2,316	2,202	2,377	2,348		+86
Operating Profit	799	1,023	923	1,123	1,077	1,073	826	1,003		(120)
Non Operating Balance	77	44	72	44	57	56	66	49		+5
Recurring Profit	876	1,067	995	1,167	1,134	1,129	893	1,050		(117)
Extraordinary Balance	31	45	32	(489)	6	(57)	(1)	(135)		+354
Profit before Income Taxes	907	1,112	1,027	678	1,140	1,072	892	915		+237
Total Income Taxes	303	361	338	330	360	313	295	309		(21)
NP Belonging to Non-Controlling SHs	8	5	6	1	12	6	10	0		(1)
Profit Attributable to Owners of Parent	595	746	683	347	767	753	587	607		+260
Sales YoY	+12.8%	+9.7%	+9.4%	+6.2%	+4.4%	+2.8%	+4.4%	(3.3%)		-
Operating Profit YoY	+3.2%	+22.1%	+30.6%	+27.2%	+34.8%	+4.9%	(10.5%)	(10.7%)		-
Recurring Profit YoY	+4.6%	+18.4%	+28.6%	+23.8%	+29.5%	+5.8%	(10.3%)	(10.0%)		-
Profit Attributable to Owners of Parent YoY	+6.0%	+23.9%	+33.7%	(43.6%)	+28.8%	+0.9%	(14.1%)	+74.9%		-
Gross Profit Margin	15.2%	15.6%	15.9%	15.9%	15.9%	15.6%	15.5%	16.3%		+0.4%
SGA Ratio	11.3%	10.6%	11.2%	10.6%	10.8%	10.5%	11.5%	11.4%		+0.8%
Operating Profit Margin	3.9%	5.0%	4.7%	5.3%	5.0%	5.1%	4.0%	4.9%		(0.4%)
Recurring Profit Margin	4.3%	5.2%	5.0%	5.5%	5.3%	5.4%	4.3%	5.1%		(0.4%)
Profit Attributable to Owners of Parent Margin	2.9%	3.6%	3.4%	1.6%	3.6%	3.6%	2.8%	2.9%		+1.3%
Tax Charges etc. / Pretax Profit	33.4%	32.9%	32.9%	48.7%	31.6%	30.4%	33.1%	33.8%		(14.9%)

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	21,318	27,922	(1,332)
Power Cables	6,350	12,302	17,855	24,480	6,836	13,475	19,865	26,671	+2,191
Covered Cables	2,074	4,036	5,925	7,880	1,904	3,736	5,680	7,606	(274)
Other Cables	1,014	2,042	3,117	4,078	984	1,940	2,921	3,729	(349)
Non-Cables	2,651	5,392	8,306	11,438	3,170	6,271	9,520	12,821	+1,383
Sales (on a Parent basis)	19,365	38,462	57,124	77,131	20,162	39,815	59,306	78,750	+1,619
Consolidated Addons	1,105	2,477	3,618	4,907	1,205	2,589	3,779	4,926	+19
Sales	20,470	40,939	60,742	82,038	21,367	42,404	63,085	83,676	+1,638
FA Cables	+13.9%	+12.2%	+11.0%	+8.4%	(0.1%)	(2.0%)	(2.8%)	(4.6%)	-
Power Cables	+20.5%	+13.3%	+11.6%	+11.8%	+7.7%	+9.5%	+11.3%	+9.0%	-
Covered Cables	+7.5%	+6.0%	+4.7%	+1.8%	(8.2%)	(7.4%)	(4.1%)	(3.5%)	-
Other Cables	+9.7%	+13.2%	+17.8%	+13.8%	(3.0%)	(5.0%)	(6.3%)	(8.6%)	-
Non-Cables	+4.7%	+7.3%	+10.1%	+12.1%	+19.6%	+16.3%	+14.6%	+12.1%	-
Sales (on a Parent basis)	+13.7%	+11.2%	+10.7%	+9.6%	+4.1%	+3.5%	+3.8%	+2.1%	-
Consolidated Addons	+0.0%	+12.0%	+8.9%	+7.8%	+9.0%	+4.5%	+4.4%	+0.4%	-
Sales (YoY)	+12.8%	+11.2%	+10.6%	+9.4%	+4.4%	+3.6%	+3.9%	+2.0%	-
FA Cables	37.6%	38.2%	38.4%	37.9%	36.0%	36.1%	35.9%	35.5%	-
Power Cables	32.8%	32.0%	31.3%	31.7%	33.9%	33.8%	33.5%	33.9%	-
Covered Cables	10.7%	10.5%	10.4%	10.2%	9.4%	9.4%	9.6%	9.7%	-
Other Cables	5.2%	5.3%	5.5%	5.3%	4.9%	4.9%	4.9%	4.7%	-
Non-Cables	13.7%	14.0%	14.5%	14.8%	15.7%	15.8%	16.1%	16.2%	-
Sales (on a Parent basis)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-
Sales (on a Parent basis)	94.6%	93.9%	94.0%	94.0%	94.4%	93.9%	94.0%	94.1%	-
Consolidated Addons	5.4%	6.1%	6.0%	6.0%	5.6%	6.1%	6.0%	5.9%	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

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	6,927	6,604	(729)
Power Cables	6,350	5,952	5,553	6,625	6,836	6,639	6,390	6,806	+181
Covered Cables	2,074	1,962	1,889	1,955	1,904	1,832	1,944	1,926	(29)
Other Cables	1,014	1,028	1,075	961	984	956	981	808	(153)
Non-Cables	2,651	2,741	2,914	3,132	3,170	3,101	3,249	3,301	+169
Sales (on a Parent basis)	19,365	19,097	18,662	20,007	20,162	19,653	19,491	19,444	(563)
Consolidated Addons	1,105	1,372	1,141	1,289	1,205	1,384	1,190	1,147	(142)
Sales	20,470	20,469	19,803	21,296	21,367	21,037	20,681	20,591	(705)
FA Cables	+13.9%	+10.5%	+8.7%	+1.4%	(0.1%)	(3.9%)	(4.2%)	(9.9%)	-
Power Cables	+20.5%	+6.4%	+8.2%	+12.2%	+7.7%	+11.5%	+15.1%	+2.7%	-
Covered Cables	+7.5%	+4.4%	+2.2%	(6.2%)	(8.2%)	(6.6%)	+2.9%	(1.5%)	-
Other Cables	+9.7%	+16.8%	+27.7%	+2.6%	(3.0%)	(7.0%)	(8.7%)	(15.9%)	-
Non-Cables	+4.7%	+9.9%	+15.7%	+17.6%	+19.6%	+13.1%	+11.5%	+5.4%	-
Sales (on a Parent basis)	+13.7%	+8.8%	+9.8%	+6.3%	+4.1%	+2.9%	+4.4%	(2.8%)	-
Consolidated Addons	+0.0%	+24.1%	+2.6%	+4.9%	+9.0%	+0.9%	+4.3%	(11.0%)	-
Sales (YoY)	+12.8%	+9.7%	+9.4%	+6.2%	+4.4%	+2.8%	+4.4%	(3.3%)	-
FA Cables	37.6%	38.8%	38.8%	36.7%	36.0%	36.3%	35.5%	34.0%	-
Power Cables	32.8%	31.2%	29.8%	33.1%	33.9%	33.8%	32.8%	35.0%	-
Covered Cables	10.7%	10.3%	10.1%	9.8%	9.4%	9.3%	10.0%	9.9%	-
Other Cables	5.2%	5.4%	5.8%	4.8%	4.9%	4.9%	5.0%	4.2%	-
Non-Cables	13.7%	14.4%	15.6%	15.7%	15.7%	15.8%	16.7%	17.0%	-
Sales (on a Parent basis)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-
Sales (on a Parent basis)	94.6%	93.3%	94.2%	93.9%	94.4%	93.4%	94.2%	94.4%	-
Consolidated Addons	5.4%	6.7%	5.8%	6.1%	5.6%	6.6%	5.8%	5.6%	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 10/2018	Q2 10/2018	Q3 10/2018	Q4 10/2018	Q1 10/2019	Q2 10/2019	Q3 10/2019	Q4 10/2019		
Cash and Deposit	15,301	15,443	14,527	15,432	14,798	14,752	13,996	15,972	+540	
Accounts Receivables	23,415	23,882	22,805	23,999	24,387	24,764	24,540	24,207	+208	
Inventory	4,227	4,229	4,265	4,065	4,378	4,361	4,411	4,128	+63	
Other	415	610	476	248	234	383	272	205	(43)	
Current Assets	43,358	44,164	42,073	43,744	43,797	44,260	43,219	44,512	+768	
Tangible Assets	16,006	15,713	16,604	17,353	17,433	18,337	18,327	18,052	+699	
Intangible Assets	252	231	226	221	209	193	187	175	(46)	
Investments and Other Assets	5,152	5,961	5,909	5,992	5,826	5,764	5,620	5,849	(143)	
Fixed Assets	21,410	21,906	22,740	23,567	23,469	24,296	24,135	24,077	+510	
Total Assets	64,768	66,071	64,813	67,311	67,267	68,556	67,355	68,589	+1,278	
Accounts Payables	23,029	23,134	22,248	23,688	24,368	23,818	23,651	23,537	(151)	
Short-Term Debt	120	115	115	115	115	105	105	105	(10)	
Other	1,450	2,178	1,641	2,377	1,501	2,607	1,755	2,407	+30	
Current Liabilities	24,599	25,427	24,004	26,180	25,984	26,530	25,511	26,049	(131)	
Long-Term Debt	-	-	-	-	-	-	-	-	-	
Other	2,685	2,720	2,747	2,762	2,771	2,762	2,787	2,790	+28	
Fixed Liabilities	2,685	2,720	2,747	2,762	2,771	2,762	2,787	2,790	+28	
Total Liabilities	27,285	28,148	26,752	28,943	28,755	29,292	28,298	28,840	(103)	
Shareholders' Equity	36,809	37,313	37,514	37,860	38,045	38,716	38,551	39,158	+1,298	
Other	674	610	547	508	466	547	505	591	+83	
Net Assets	37,483	37,923	38,061	38,368	38,511	39,263	39,056	39,749	+1,381	
Total Liabilities and Net Assets	64,768	66,071	64,813	67,311	67,267	68,556	67,355	68,589	+1,278	
Equity Capital	37,387	37,820	37,954	38,263	38,391	39,134	38,917	39,608	+1,345	
Interest Bearing Debt	120	115	115	115	115	105	105	105	(10)	
Net Debt	(15,181)	(15,328)	(14,412)	(15,317)	(14,683)	(14,647)	(13,891)	(15,867)	(550)	
Capital Ratio	57.7%	57.2%	58.6%	56.8%	57.1%	57.1%	57.8%	57.7%	-	
Net Debt Equity Ratio	(40.6%)	(40.5%)	(38.0%)	(40.0%)	(38.2%)	(37.4%)	(35.7%)	(40.1%)	-	
ROE (12 months)	6.4%	6.7%	7.1%	6.3%	6.7%	6.6%	6.4%	7.0%	-	
ROA (12 months)	5.7%	5.8%	6.2%	6.3%	6.6%	6.6%	6.5%	6.2%	-	
Months for Inventory Turnover	0.62	0.62	0.65	0.57	0.61	0.62	0.64	0.60	-	
Quick Ratio	157%	155%	156%	151%	151%	149%	151%	154%	-	
Current Ratio	176%	174%	175%	167%	169%	167%	169%	171%	-	

Source: Company Data, WRJ Calculation

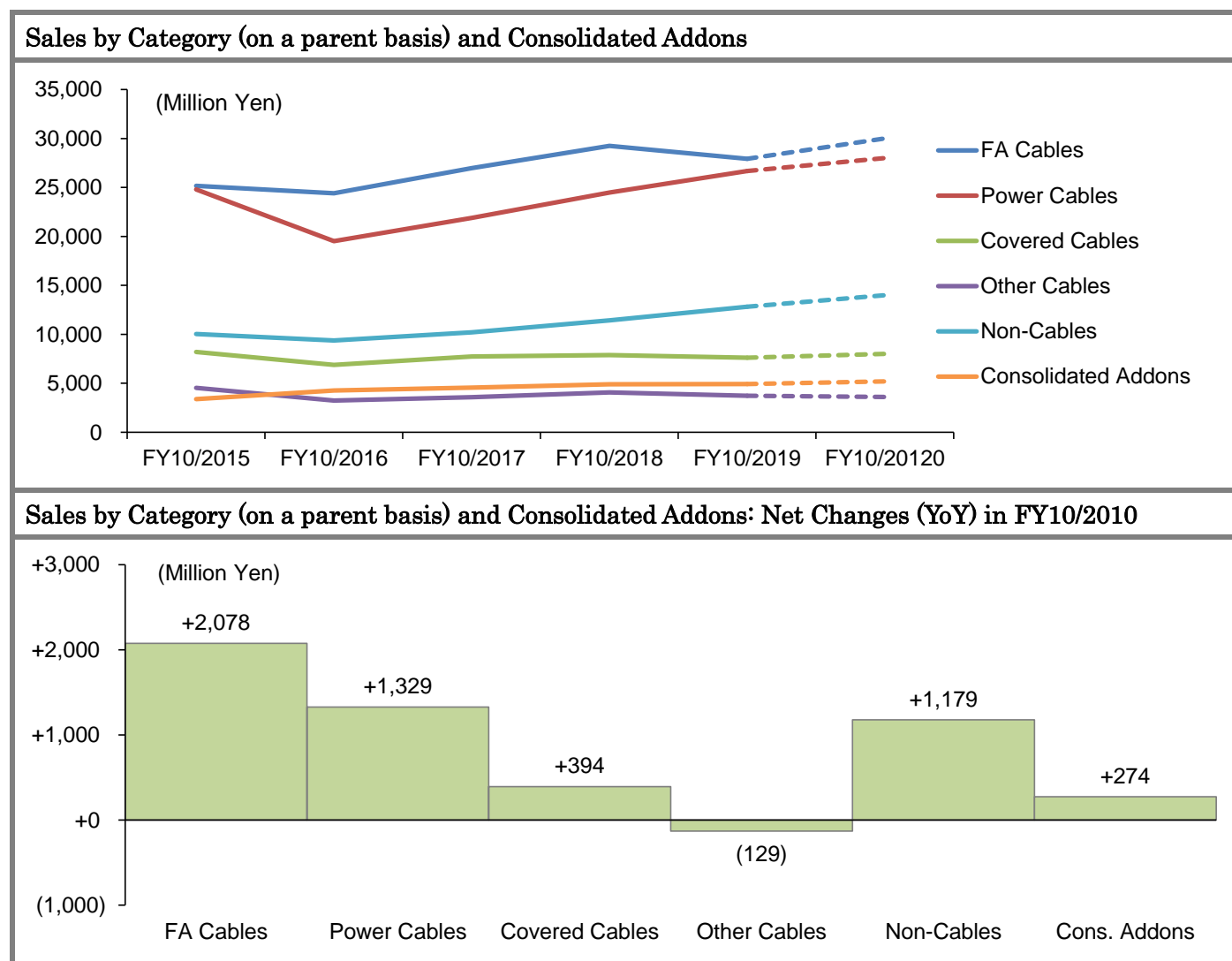
Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 10/2018	Q1 to Q2 10/2018	Q1 to Q3 10/2018	Q1 to Q4 10/2018	Q1 10/2019	Q1 to Q2 10/2019	Q1 to Q3 10/2019	Q1 to Q4 10/2019		
Operating Cash Flow	-	1,342	-	3,660	-	839	-	3,349	(311)	
Investing Cash Flow	-	(849)	-	(2,648)	-	(820)	-	(1,199)	+1,449	
Operating Cash Flow and Investing Cash Flow	-	493	-	1,012	-	19	-	2,150	+1,138	
Financing Cash Flow	-	(524)	-	(1,032)	-	(748)	-	(1,525)	(493)	

Source: Company Data, WRJ Calculation

FY10/2020 Company Forecasts

FY10/2020 Company forecasts are going for prospective sales of ¥88,800m (up 6.1% YoY), operating profit of ¥4,210m (up 5.8%), recurring profit of ¥4,420m (up 5.1%) and profit attributable to owners of parent of ¥2,920m (up 7.6%), while operating profit margin of 4.74% (down 0.01% point). For Q1 to Q2, Company forecasts are going for prospective sales of ¥42,500m (up 0.2% YoY), operating profit of ¥1,890m (down 12.1%) and operating profit margin of 4.4% (down 0.7% points) and sales of ¥46,300m (up 12.2%), operating profit of ¥2,320m (up 26.8%) and operating profit margin of 5.0% (up 0.6% points) in H2. In other word, decreased earnings in Q1 to Q2 are expected to be more than compensated for by increased earnings in H2, resulting in increased earnings on a full-year basis.



Source: Company Data, WRJ Calculation

The trends of recent trading have basically remained unchanged from those of H2 FY10/2019 and are likely to remain unchanged all through the period in Q1 to Q2 FY10/2020, according to the Company. Meanwhile, in H2 over Q1 to Q2, sales are expected to increase and thus operating profit margin. The Company mentions as the key factor for this that sales of FA cables or capex-related, accounting for the largest part of sales in sales by category (on a parent basis) and presumably carrying gross profit margin the highest, are to recover. On a full-year basis, prospective sales here are ¥30,000m (up 7.4%) and are to drive sales as a whole for the Company most significantly.

With respect to semiconductor production equipment, as adjustment started to take place earliest, signs of recovery are now being recognized, according to the Company, while Company forecasts for H2 appear to incorporate this to realize in H2. Adjustment of machine tool is expected to be completed at around the middle of CY2020 and the same applies to automobile production facilities. In the past trend of machine tool, there is a cycle in which adjustment persists for about one year after favorable business conditions for about three years. Based on this, Company is going for the current adjustment to complete also in about one year, which is adopted in assumptions of Company forecasts.

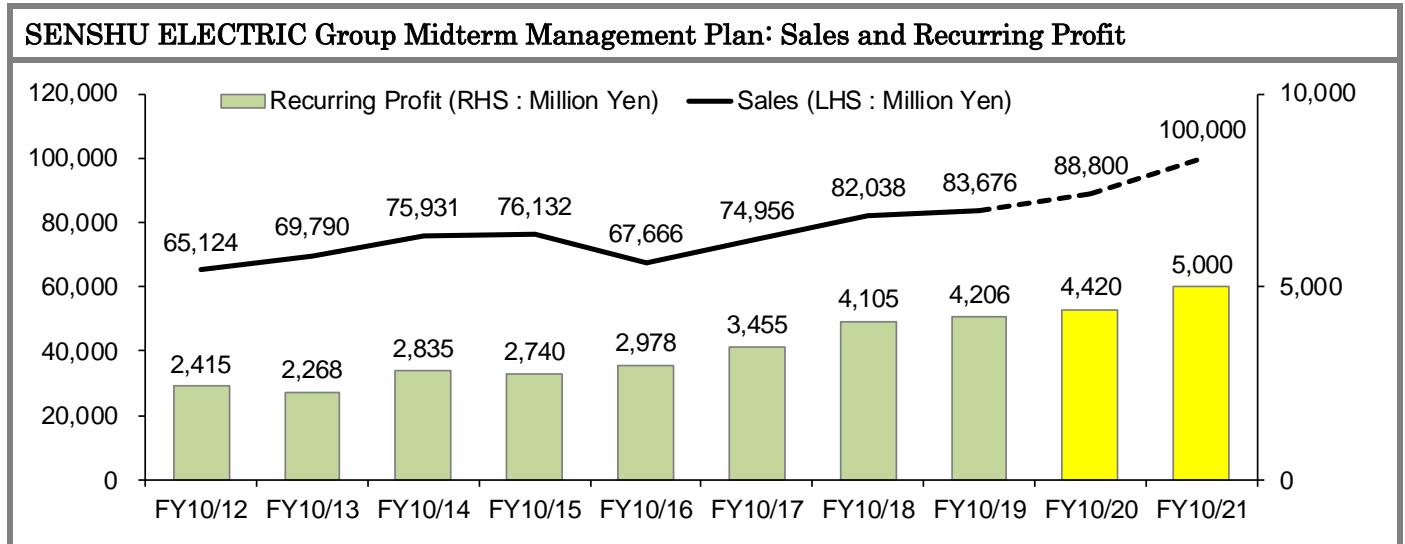
As for power cables, demand associated with the Tokyo Olympics (to be held through 24 July to 9 August 2020) had already disappeared and thus sales in FY10/2020 are to suffer from decreases roughly as much as increases stemming from here in FY10/2019. However, the Company spots that further progress will be made in installing air-conditioning facilities in elementary and junior high schools as well as in establishing new hotels to cope with increased inbound demand and redevelopment in the Tokyo metropolitan area. On top of this, it is said that there is a high possibility that demand for power cables will rise due to implementation of infrastructure toughening policy to be a part of disaster countermeasures for which a supplementary budget has already been formulated, including those of underground installation of electric cables. To date, the Company has considerably enhanced its facilities for distribution and delivery in Japan and has put in place a structure that can respond quickly and actively to the emergence of such demand.

For FY10/2020, the Company is to pay dividend of ¥70.0 per share (¥35.0 as of the end of Q2 and ¥35.0 as of the end of Q4), implying payout ratio of 22.8%. Compared with FY10/2019 dividend of ¥70.0 per share (¥35.0 as of the end of Q2 and ¥35.0 as of the end of Q4), implying payout ratio of 25.3%, the absolute amount of dividend remains unchanged and payout ratio declines slightly. However, while dividend of ¥70.0 for FY10/2019 comprises ordinary dividend of ¥60.0 (¥30.0 as of the end of Q2 and ¥30.0 as of the end of Q4) and commemorative dividend of ¥10.0 (¥5.0 as of the end of Q2 and ¥5.0 as of the end of Q4) for the 70th anniversary of the Company's establishment, FY10/2020 Company forecasts are going for ordinary dividend of ¥70.0 per share (¥35.0 as of the end of Q2 and ¥35.0 as of the end of Q4), effectively going for increased dividend.

On top of paying dividend, the Company also continues to buy back own shares as part of its proactive measures to return earnings to shareholders. As of the end of FY10/2019, the number of treasury shares stood at 1,127 thousand versus the number of shares outstanding of 10,800 thousand and thus the former accounted for 10.4% of the latter. Then, so far in FY10/2020, the Company has bought back 146 thousand shares or some ¥500m, which equates to 17.1% of prospective profit attributable to owners of parent of ¥2,920m in FY10/2020. Simply combined with prospective payout ratio of 22.8% in FY10/2020, the Company is consequently going for total return ratio of 39.9%.

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 5-year period by FY10/2021 as the term of the plan, the Company is calling for prospective sales of ¥100,000m, recurring profit of ¥5,000m and ROE of 6.0% or more in FY10/2021, i.e., the last year of the plan.

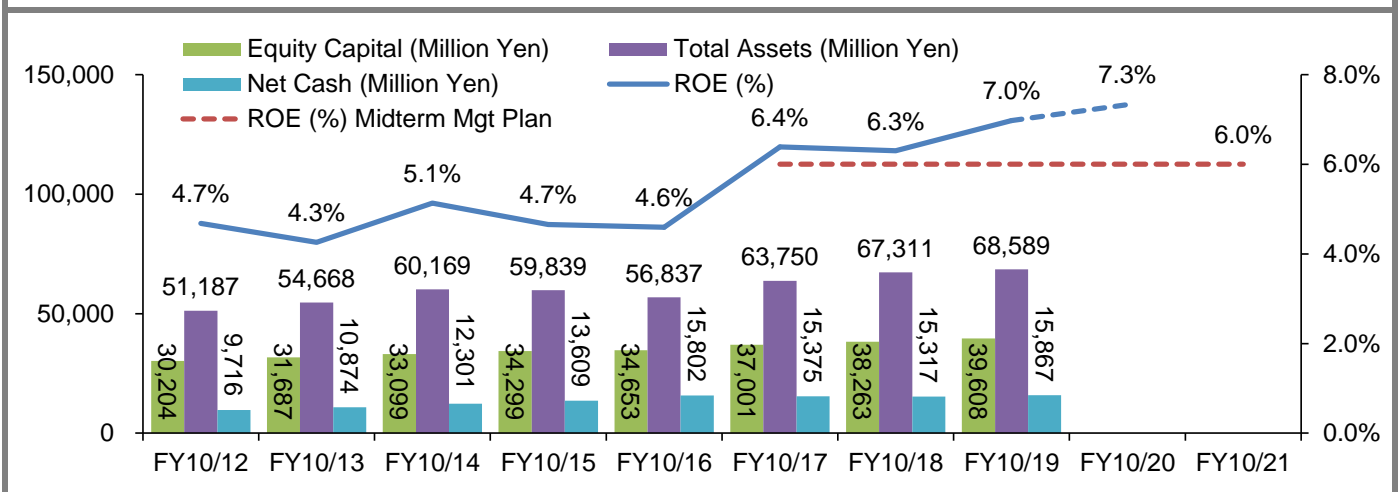


Source: Company Data, WRJ Calculation

When based on the FY10/2016 results, the plan is calling for CAGR of 8.1% in sales and 10.9% in earnings over the 5-year period by FY10/2021. On the other hand, in the first three years, i.e., through FY10/2017 to FY10/2019, the Company saw CAGR of 7.3% in sales and 12.2% in earnings, basically in line with assumptions of the midterm management plan. During the same period, sales were marginally below expectations, when speaking strictly, but earnings were rather better. Given the gist of the plan that the Company should achieve stable growth in sales and earnings over the long term, we feel that the target business performance has been just achieved so far.

Meanwhile, FY10/2020 Company forecasts are going for prospective sales of ¥88,800m (up 6.1% YoY) and recurring profit of ¥4,420m (up 5.1%). In light of this, the plan assumes prospective sales of ¥100,000m (up 12.6%) and recurring profit of ¥5,000m (up 13.1%) in FY10/2021, while the Company suggests that it will be essential to beef up sales of FA cables more than the current levels in order to achieve this target.

SENSHU ELECTRIC Group Midterm Management Plan: ROE



Source: Company Data, WRJ Calculation

As of the end of FY10/2019, total assets stood at ¥68,589m and equity capital ¥39,608m, implying capital ratio of 57.7% and thus a solid financial background. Given net cash of ¥15,867m, it can be considered that investment to promote long-term growth are not enough, but the Company's business model, based on stocking and selling, is of seeing returns more than a certain extent with limited investment in the first place. For example, the Company saw ROE of 6.4% in FY10/2017 (the first year of the plan) and thus has already achieved the target of 6.0% or more for ROE in FY10/2021. At the moment, the Company is going for ROE of 7.3% in FY10/2020.

4.0 Business Model

Technology-Oriented Trading House Mainly of Electric Cables

The Company, technology-oriented trading house mainly of electric cables, having seen changeover of the market for own shares to trade to 1st section from 2nd section in Tokyo Stock Exchange on 9 November 2017, while 70th anniversary on 18 November 2019, consistently creates added value together with a) just-in-time system, b) original merchandises and c) machining for terminals of electric cables.



Source: Company Data

The Company well realizes a) just-in-time system to “deliver necessary merchandises with necessary quantity in necessary timing”, running coherent operations of accepting and ordering for delivery of merchandises most efficiently in the market. Meanwhile, the Company, running collective 17 operating bases in Japan across Hokkaido to Okinawa, deals in items of electric cables more than 50,000 in the number of items, which is one of the largest in the market, while always stocking necessary and sufficient inventory (equating to ¥3,617m as of the end of FY10/2019) in stocking spaces of collective 60,000 square meters.

The core parts of the inventory are those of b) original merchandises carrying high added value, which are literally “original” in that they are codeveloped with manufacturers of electric cables or the supplier for the Company. The Company sometimes being in charge of directly supplying final users gather specific and detailed needs from all those final users and they are reflected in original merchandises which are not exposed to price-oriented competition as they are actually original. On top of this, the Company runs facilities for machining in 7 operating bases out 17 in Japan and creates added value also by c) machining for terminals of 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 for terminals with own knowhow and expertise, being regarded as technology-oriented trading house mainly of electric cables with all those factors.

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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