

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)
FY10/2020		74,288	3,124	3,382	2,351	247.02	70.00	4,295.79
FY10/2021		92,463	4,743	5,004	3,583	387.50	90.00	4,685.18
FY10/2022CoE		97,000	4,800	5,100	3,600	399.15	100.00	-
FY10/2021	YoY	24.5%	51.8%	47.9%	52.4%	-	-	-
FY10/2022CoE	YoY	4.9%	1.2%	1.9%	0.5%	-	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY10/2021		42,973	1,905	2,090	1,442	-	-	-
Q3 to Q4 FY10/2021		49,490	2,838	2,914	2,141	-	-	-
Q1 to Q2 FY10/2022CoE		48,500	2,450	2,600	1,850	-	-	-
Q3 to Q4 FY10/2022CoE		48,500	2,350	2,500	1,750	-	-	-
Q1 to Q2 FY10/2022CoE	YoY	12.9%	28.6%	24.4%	28.3%	-	-	-
Q3 to Q4 FY10/2022CoE	YoY	(2.0%)	(17.2%)	(14.2%)	(18.3%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (31 January 2022)

Performance Target Raised


SENSHU ELECTRIC, technology-oriented trading house mainly of electric cables, has raised its performance target from a long-term perspective. The Company is now calling for CAGR of 4.3% for sales and 8.0% for recurring profit during a three-year period by FY10/2024, setting the FY10/2021 results as the point of origin. For FA cables or so-called private-sector-capex-related, which is the key earnings pillar for the Company as a whole, the Company is looking to increasing business opportunities driven by progress to be made in push of decarbonizing and technological innovations associated with AI, IoT and 5G. On the occasion of progress in push of decarbonizing, for example, the Company suggests that capital expenditure in electric vehicle production line (manufacturing robots) will be consistently enhanced, while that of manufacturing cutting-edge semiconductors in line with progress of technological innovations. More importantly, the Company also suggests that such capital expenditure requires lots of FA cables based on the Company's expertise, which is the reason why they are so-called private-sector-capex-related in the first place. Meanwhile, on top of planning to increase dividend for the ninth consecutive year for FY10/2022, the Company has been continuously buying back own shares for a while and recently retired some for the first time. Thus, the Company's policy to proactively return earnings to shareholders is now further accelerating, while being keen on ESG-based management and SDGs initiatives at the same time.

IR Representative: Isamu Fukuda, Director and Executive Officer, General Manager,

Corporate Planning Office (81-(0)6-6192-8588 / kikaku-ir1118@senden.co.jp)

2.0 Company Profile

Technology-Oriented Trading House Mainly of Electric Cables

Company Name	SENSHU ELECTRIC CO.,LTD. Company Website 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 2021)	
No. of Shares	10,800,000 shares, including 1,680,806 treasury shares (as of the end of Oct. 2021)	
Main Features	<ul style="list-style-type: none"> ● Stocking and selling electric cables more than 50,000 in the number of items ● FA cables or so-called private-sector-capex-related, the key earnings pillar ● Co-developing original products with smaller manufacturers of electric cables 	
Business Segment	I . Electric Cables Business	
Representative	Representative Director, President: Motohide Nishimura	
Shareholders	Custody Bank of Japan, T. (Swcc Showa Holdings) 10.96%, BBH Fidelity LowPriced Stocks F 9.51%, Motohide Nishimura 8.67% (as of the end of October 2021, but for treasury shares)	
Head Office	Suita-city, Osaka-prefecture, JAPAN	
No. of Personnel	Consolidated: 712, Parent: 526 (as of the end of October 2021)	

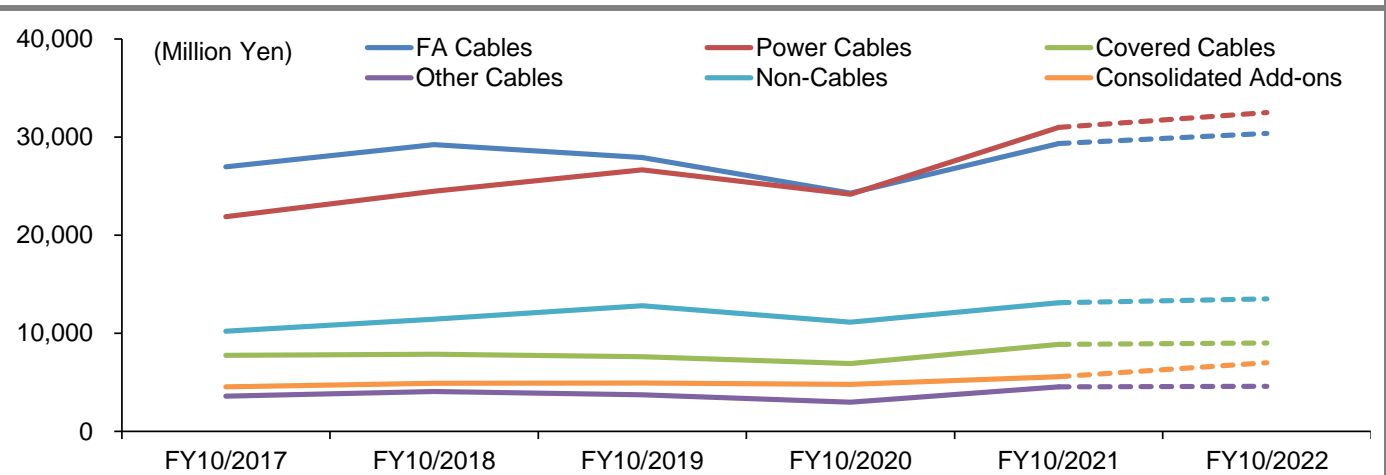
Source: Company Data

3.0 Recent Trading and Prospects

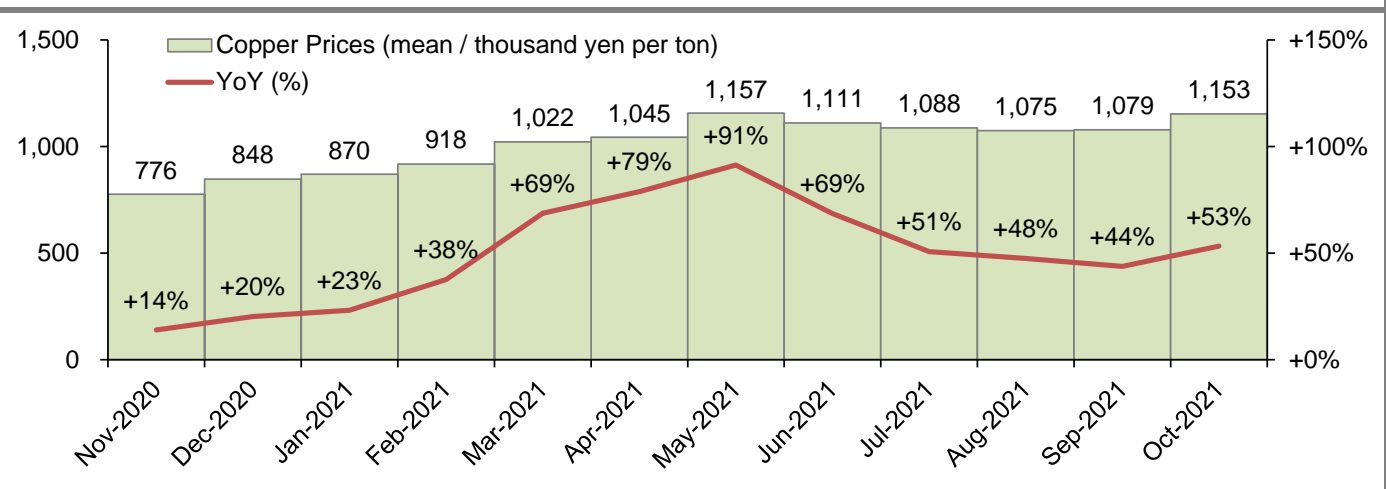
FY10/2021

In FY10/2021, sales came in at ¥92,463m (up 24.5% YoY), operating profit ¥4,743m (up 51.8%), recurring profit ¥5,004m (up 47.9%) and profit attributable to owners of parent ¥3,583m (up 52.4%), while operating profit margin 5.1% (up 0.9% points). The Company saw profit attributable to owners of parent renewed the record high versus the latest high of ¥3,545m in FY10/2007.

Sales by Category (on a parent basis) and Sales of Consolidated Add-ons



Copper Prices (mean)



Source: Company Data, [JX Nippon Mining & Metals Corporation](#), WRJ Calculation

Meanwhile, gross profit came in at ¥13,921m (up 15.3%) and SG&A expenses ¥9,177m (up 2.5%), implying gross profit margin of 15.1% (down 1.2% points) and sales to SG&A expenses ratio of 9.9% (down 2.1% points). Gross profit margin was rather under pressure, which was compensated for by restrained increase in SG&A expenses, having resulted in a steady improvement in operating profit margin. The Company did see increase in freightage and personnel expenses, while decrease in travelling expenses, etc. due to impacts of the Corona crisis. Consequently, the rise in SG&A expenses was rather limited.

The Company saw sales and earnings substantially increased due mainly to those of FA cables, the key earnings pillar for the Company as a whole. For FA cables or so-called private-sector-capex-related, sales increased as the Company successfully captured a recovery in demand associated with semiconductors, machine tools and automobiles. It was also contributing that subsidiaries in Japan and overseas brought in consolidated add-ons increased. Meanwhile, with respect to sales substantially increased for the Company as a whole, it was also contributing that power cables or so-called construction-related saw sales substantially increased in line with the recent hike of Copper Prices. The same also applies to covered cables and other cables at the same time.

Copper Prices represents standard value of three nines electrolyte copper after electrolyte refining, i.e., market prices of copper decided and quoted in terms of yen by JX Nippon Mining & Metals Corporation (wholly-owned by ENEOS Holdings, Inc.) and/or its trades, based on transaction prices of copper quoted by London Metal Exchange in terms of local currency. The Company says that it saw Copper Prices (mean) of ¥1,012,000 per ton in FY10/2021 versus ¥680,000 in the FY10/2020 results, having risen by no less than 48.8% from FY10/2020 to FY10/2021. Meanwhile, FY10/2022 Company forecasts are going for ¥1,050,000, implying an assumption that the prices will rise by no more than 3.8%. For power cables, which are made mainly from copper, the Company sees purchasing prices being changed almost in line with change in Copper Prices. In light of this, the Company has set up a scheme for Copper Prices to be passed on to unit selling prices, while the same also applies to covered cables and other cables, having resulted in a hike for their unit selling prices.

The Company adopts moving average cost method in evaluating inventory (purchased merchandise) and thus increased purchasing prices are immediately passed on to cost of sales and the same applies to change in Copper Prices to purchasing prices as far as we could see. Meanwhile, it takes a while to pass that on to the Company's unit selling prices, implying that power cables, etc. see gross profit margin being under pressure when Copper Prices is rising. For example, the Company saw surging Copper Prices and thus surging sales for power cables for FY10/2021, while gross profit margin must have declined to an extent of corresponding to a delay of "passing on" to the Company's unit selling prices.

In fact, this has created an impact on performance for the Company as a whole. In other words, as noted above, gross profit was on the increase in response to significant increase in sales, but gross profit margin was trending downward. More importantly, this is true and vice versa, meaning that power cables, etc. see increase in gross profit margin when Copper Prices is trending downward, according to the Company. Thus, it is unavoidable to see short-term variations in gross profit margin, but power cables, etc. have a stability in gross profit margin from a long-term perspective as the impacts are offsetting one another. Still, they only carry gross profit margin relatively lower in the first place.

FA Cables

Sales of FA cables came in at ¥29,353m (up 20.8%), while FY10/2022 Company forecasts are going for prospective sales of ¥30,400m (up 3.6%). FA cables are so-called private-sector-capex-related, being used in the domains of machine tools, industrial machines, automotive facilities, semiconductor & LCD facilities, etc. Amongst others, FA cables are often used in areas surrounding factory automation (FA) within the facilities and thus they are named after this feature.

Meanwhile, due to the fact that FA cables are often delivered directly to end users represented by manufacturers of semiconductor production equipment and/or those of automobiles as well as the fact that the Company is deeply involved with original products that meet the needs of each end user, they carry gross profit margin relatively higher than in other categories, according to the Company. At the same time, they have a high added value (the least exposure to copper in cost of sales) in the first place, leading to the least impacts stemming from change in Copper Prices, which also characterizes FA cables.

Power Cables

Sales of power cables came in at ¥30,995m (up 28.2%), while FY10/2022 Company forecasts are going for prospective sales of ¥32,500m (up 4.9%). Power cables or so-called construction-related are used to supply electric power for all types of architecture. The share of copper in cost of sales is said to be as high as some 80% and the recent rise in Copper Prices is considered to have significant impacts on the increase in sales of power cables. However, as they carry gross profit margin relatively lower in the first place, the impacts on earnings for the Company as a whole appear to have been rather limited.

Covered Cables

Sales of covered cables came in at ¥8,872m (up 28.5%), while FY10/2022 Company forecasts are going for prospective sales of ¥9,000m (up 1.4%). Covered cables are also of construction-related as in above-mentioned power cables. The difference between the two is whether they are applied for trunk lines or branch lines (and/or for housings), respectively, power cables and covered cables. Thus, the Company suggests that the recent rise in Copper Prices has driven sales of covered cables a lot as in power cables. However, the same applies to them that gross profit margin is relatively lower in the first place.

Other Cables

Sales of other cables came in at ¥4,552m (up 52.4%), while FY10/2022 Company forecasts are going for prospective sales of ¥4,600m (up 1.1%). Other cables are of stocking and selling for so-called bare electric cables, purchasing them from major manufacturers of electric cables to sell to smaller ones. Effectively, the Company simply trades copper itself in a sense, creating exceptionally low added value and/or gross profit margin. On top of this, the size of sales is small and thus they have almost nothing to do with performance for the Company as a whole.

Non-Cables

Sales of non-cables came in at ¥13,126m (up 17.8%), while FY10/2022 Company forecasts are going for prospective sales of ¥13,500m (up 2.8%). For non-cables, the Company literally sees all the rest of sales but for those of stocking and selling for above-mentioned electric cables. The Company suggests that sales of non-cables comprise those of merchandise related to natural energy (e.g., photovoltaics), merchandise related to processing, merchandise related to harness, cable accessories and materials to process terminals, for example.

For non-cables, the Company places the utmost emphasis on development and sales reinforcement under its own brand for “Abil heater” or underground heating vinyl wires for agricultural greenhouse. There is an aspect that the Company is currently in the process of making progress with its hands-on experiment and thus sales have been limited to date. Nevertheless, the Company points out that they have excellent features in a view of decarbonizing and energy saving as well as those of contributing to SDGs, revealing its eagerness to aggressively propel the operations for the future.

Consolidated Add-ons

For consolidated add-ons, sales came in at ¥5,563m (up 16.4%), operating profit ¥741m (up 87.6%) and operating profit margin 13.3% (up 5.1% points), while FY10/2022 Company forecasts are going for prospective sales of ¥7,000m (up 25.8%). By the way, consolidated add-ons are data based on our estimates in light of the fact that the Company saw sales of ¥86,900m (up 25.0%), operating profit of ¥4,002m (up 46.6%) and operating profit margin of 4.6% (up 0.7% points) on a parent basis. Sales and operating profit on a parent basis accounted for 94.0% and 84.4%, respectively, out of consolidated equivalents, implying that performance for the Company as a whole hinges on that of parent basis to a significant extent. Still, it should be noted that consolidated add-ons saw surging earnings for FY10/2021.

The Company runs operations of consolidated add-ons, stemming from 5 subsidiaries in Japan and 6 subsidiaries overseas in China, Taiwan, Thailand, the Philippines, Vietnam and the United States. For the ones in Japan mainly acquired by mergers, the Company suggests the operations associated with semiconductors, automobiles and telecommunications saw improved earnings in particular. Meanwhile, for the ones overseas mainly set up in line with shift to overseas production by customers in Japan, the Company suggests the operations in China, Taiwan and Thailand saw improved earnings in particular.

Income Statement (Cumulative/Quarterly)

Income 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 10/2020	Q1 to Q2 10/2020	Q1 to Q3 10/2020	Q1 to Q4 10/2020	Q1 10/2021	Q1 to Q2 10/2021	Q1 to Q3 10/2021	Q1 to Q4 10/2021		
Sales	20,091	38,399	55,389	74,288	20,353	42,973	66,568	92,463	+18,175	
Cost of Sales	16,850	32,010	46,182	62,210	17,331	36,514	56,522	78,542	+16,332	
Gross Profit	3,240	6,388	9,206	12,078	3,021	6,458	10,045	13,921	+1,843	
SG&A Expenses	2,421	4,584	6,804	8,953	2,300	4,553	6,801	9,177	+224	
Operating Profit	818	1,804	2,401	3,124	720	1,905	3,243	4,743	+1,619	
Non Operating Balance	62	107	199	258	99	185	263	261	+3	
Recurring Profit	880	1,911	2,600	3,382	819	2,090	3,506	5,004	+1,622	
Extraordinary Balance	47	40	40	40	0	0	0	104	+64	
Profit before Income Taxes	928	1,951	2,640	3,422	819	2,090	3,506	5,109	+1,687	
Total Income Taxes	304	623	844	1,065	270	641	984	1,500	+435	
NP Belonging to Non-Controlling SHs	6	6	8	4	0	6	17	24	+20	
Profit Attributable to Owners of Parent	616	1,320	1,787	2,351	549	1,442	2,503	3,583	+1,232	
Sales YoY	(6.0%)	(9.4%)	(12.2%)	(11.2%)	+1.3%	+11.9%	+20.2%	+24.5%	-	
Operating Profit YoY	(24.0%)	(16.1%)	(19.3%)	(21.5%)	(12.0%)	+5.6%	+35.1%	+51.8%	-	
Recurring Profit YoY	(22.4%)	(15.5%)	(17.6%)	(19.6%)	(7.0%)	+9.3%	+34.8%	+47.9%	-	
Profit Attributable to Owners of Parent YoY	(19.7%)	(13.1%)	(15.2%)	(13.4%)	(10.9%)	+9.2%	+40.1%	+52.4%	-	
Gross Profit Margin	16.1%	16.6%	16.6%	16.3%	14.8%	15.0%	15.1%	15.1%	(1.2%)	
SGA Ratio	12.1%	11.9%	12.3%	12.1%	11.3%	10.6%	10.2%	9.9%	(2.1%)	
Operating Profit Margin	4.1%	4.7%	4.3%	4.2%	3.5%	4.4%	4.9%	5.1%	+0.9%	
Recurring Profit Margin	4.4%	5.0%	4.7%	4.6%	4.0%	4.9%	5.3%	5.4%	+0.9%	
Profit Attributable to Owners of Parent Margin	3.1%	3.4%	3.2%	3.2%	2.7%	3.4%	3.8%	3.9%	0.7%	
Tax Charges etc. / Pretax Profit	32.8%	31.9%	32.0%	31.1%	33.0%	30.7%	28.1%	29.4%	(1.8%)	

Income 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 10/2020	Q2 10/2020	Q3 10/2020	Q4 10/2020	Q1 10/2021	Q2 10/2021	Q3 10/2021	Q4 10/2021		
Sales	20,091	18,308	16,990	18,899	20,353	22,620	23,595	25,895	+6,996	
Cost of Sales	16,850	15,160	14,172	16,028	17,331	19,183	20,008	22,020	+5,992	
Gross Profit	3,240	3,148	2,818	2,872	3,021	3,437	3,587	3,876	+1,004	
SG&A Expenses	2,421	2,163	2,220	2,149	2,300	2,253	2,248	2,376	+227	
Operating Profit	818	986	597	723	720	1,185	1,338	1,500	+777	
Non Operating Balance	62	45	92	59	99	86	78	(2)	(61)	
Recurring Profit	880	1,031	689	782	819	1,271	1,416	1,498	+716	
Extraordinary Balance	47	(7)	0	0	0	0	0	104	+104	
Profit before Income Taxes	928	1,023	689	782	819	1,271	1,416	1,603	+821	
Total Income Taxes	304	319	221	221	270	371	343	516	+295	
NP Belonging to Non-Controlling SHs	6	0	2	(4)	0	6	11	7	+11	
Profit Attributable to Owners of Parent	616	704	467	564	549	893	1,061	1,080	+516	
Sales YoY	(6.0%)	(13.0%)	(17.8%)	(8.2%)	+1.3%	+23.6%	+38.9%	+37.0%	-	
Operating Profit YoY	(24.0%)	(8.1%)	(27.7%)	(27.9%)	(12.0%)	+20.2%	+124.1%	+107.5%	-	
Recurring Profit YoY	(22.4%)	(8.7%)	(22.8%)	(25.5%)	(7.0%)	+23.3%	+105.5%	+91.6%	-	
Profit Attributable to Owners of Parent YoY	(19.7%)	(6.5%)	(20.4%)	(7.1%)	(10.9%)	+26.8%	+127.2%	+91.5%	-	
Gross Profit Margin	16.1%	17.2%	16.6%	15.2%	14.8%	15.2%	15.2%	15.0%	(0.2%)	
SGA Ratio	12.1%	11.8%	13.1%	11.4%	11.3%	10.0%	9.5%	9.2%	(2.2%)	
Operating Profit Margin	4.1%	5.4%	3.5%	3.8%	3.5%	5.2%	5.7%	5.8%	+2.0%	
Recurring Profit Margin	4.4%	5.6%	4.1%	4.1%	4.0%	5.6%	6.0%	5.8%	+1.6%	
Profit Attributable to Owners of Parent Margin	3.1%	3.8%	2.7%	3.0%	2.7%	3.9%	4.5%	4.2%	+1.2%	
Tax Charges etc. / Pretax Profit	32.8%	31.9%	32.1%	28.3%	33.0%	30.7%	24.2%	32.2%	+3.9%	

Source: Company Data, WRJ Calculation

Sales by Category (Cumulative/Quarterly)

Sales by Category (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	YoY Net Chg.
	Q1 10/2020	Q1 to Q2 10/2020	Q1 to Q3 10/2020	Q1 to Q4 10/2020	Q1 10/2021	Q1 to Q2 10/2021	Q1 to Q3 10/2021	Q1 to Q4 10/2021		
FA Cables	6,465	12,709	18,346	24,299	6,259	13,422	21,010	29,353	+5,054	
Power Cables	6,920	12,583	17,761	24,173	6,921	14,421	22,136	30,995	+6,822	
Covered Cables	1,783	3,444	5,087	6,906	1,956	4,147	6,387	8,872	+1,966	
Other Cables	869	1,621	2,245	2,987	931	2,030	3,328	4,552	+1,565	
Non-Cables	2,847	5,538	8,198	11,140	3,053	6,208	9,427	13,126	+1,986	
Sales (on a Parent basis)	18,884	35,898	51,637	69,507	19,122	40,230	62,288	86,900	+17,393	
Consolidated Add-ons	1,207	2,501	3,752	4,781	1,231	2,743	4,280	5,563	+782	
Sales	20,091	38,399	55,389	74,288	20,353	42,973	66,568	92,463	+18,175	
FA Cables	(11.0%)	(11.7%)	(13.9%)	(13.0%)	(3.2%)	+5.6%	+14.5%	+20.8%	-	
Power Cables	+1.2%	(6.6%)	(10.6%)	(9.4%)	+0.0%	+14.6%	+24.6%	+28.2%	-	
Covered Cables	(6.4%)	(7.8%)	(10.4%)	(9.2%)	+9.7%	+20.4%	+25.6%	+28.5%	-	
Other Cables	(11.7%)	(16.4%)	(23.1%)	(19.9%)	+7.1%	+25.2%	+48.2%	+52.4%	-	
Non-Cables	(10.2%)	(11.7%)	(13.9%)	(13.1%)	+7.2%	+12.1%	+15.0%	+17.8%	-	
Sales (on a Parent basis)	(6.3%)	(9.8%)	(12.9%)	(11.7%)	+1.3%	+12.1%	+20.6%	+25.0%	-	
Consolidated Add-ons	+0.2%	(3.4%)	(0.7%)	(2.9%)	+2.0%	+9.7%	+14.1%	+16.4%	-	
Sales (YoY)	(6.0%)	(9.4%)	(12.2%)	(11.2%)	+1.3%	+11.9%	+20.2%	+24.5%	-	
FA Cables	34.2%	35.4%	35.5%	35.0%	32.7%	33.4%	33.7%	33.8%	-	
Power Cables	36.6%	35.1%	34.4%	34.8%	36.2%	35.8%	35.5%	35.7%	-	
Covered Cables	9.4%	9.6%	9.9%	9.9%	10.2%	10.3%	10.3%	10.2%	-	
Other Cables	4.6%	4.5%	4.3%	4.3%	4.9%	5.0%	5.3%	5.2%	-	
Non-Cables	15.1%	15.4%	15.9%	16.0%	16.0%	15.5%	15.1%	15.1%	-	
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)	94.0%	93.5%	93.2%	93.6%	94.0%	93.6%	93.6%	94.0%	-	
Consolidated Add-ons	6.0%	6.5%	6.8%	6.4%	6.0%	6.4%	6.4%	6.0%	-	
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	

Sales by Category (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	YoY Net Chg.
	Q1 10/2021	Q2 10/2020	Q3 10/2020	Q4 10/2020	Q1 10/2021	Q2 10/2021	Q3 10/2021	Q4 10/2021		
FA Cables	6,465	6,244	5,637	5,953	6,259	7,163	7,588	8,343	+2,390	
Power Cables	6,920	5,663	5,178	6,412	6,921	7,500	7,715	8,859	+2,447	
Covered Cables	1,783	1,661	1,643	1,819	1,956	2,191	2,240	2,485	+666	
Other Cables	869	752	624	742	931	1,099	1,298	1,224	+482	
Non-Cables	2,847	2,691	2,660	2,942	3,053	3,155	3,219	3,699	+757	
Sales (on a Parent basis)	18,884	17,014	15,739	17,870	19,122	21,108	22,058	24,612	+6,742	
Consolidated Add-ons	1,207	1,294	1,251	1,029	1,231	1,512	1,537	1,283	+254	
Sales	20,091	18,308	16,990	18,899	20,353	22,620	23,595	25,895	+6,996	
FA Cables	(11.0%)	(12.4%)	(18.6%)	(9.9%)	(3.2%)	+14.7%	+34.6%	+40.1%	-	
Power Cables	+1.2%	(14.7%)	(19.0%)	(5.8%)	+0.0%	+32.4%	+49.0%	+38.2%	-	
Covered Cables	(6.4%)	(9.3%)	(15.5%)	(5.6%)	+9.7%	+31.9%	+36.3%	+36.6%	-	
Other Cables	(11.7%)	(21.3%)	(36.4%)	(8.2%)	+7.1%	+46.1%	+108.0%	+65.0%	-	
Non-Cables	(10.2%)	(13.2%)	(18.1%)	(10.9%)	+7.2%	+17.2%	+21.0%	+25.7%	-	
Sales (on a Parent basis)	(6.3%)	(13.4%)	(19.2%)	(8.1%)	+1.3%	+24.1%	+40.1%	+37.7%	-	
Consolidated Add-ons	+0.2%	(6.5%)	+5.1%	(10.3%)	+2.0%	+16.8%	+22.9%	+24.7%	-	
Sales (YoY)	(6.0%)	(13.0%)	(17.8%)	(8.2%)	+1.3%	+23.6%	+38.9%	+37.0%	-	
FA Cables	34.2%	36.7%	35.8%	33.3%	32.7%	33.9%	34.4%	33.9%	-	
Power Cables	36.6%	33.3%	32.9%	35.9%	36.2%	35.5%	35.0%	36.0%	-	
Covered Cables	9.4%	9.8%	10.4%	10.2%	10.2%	10.4%	10.2%	10.1%	-	
Other Cables	4.6%	4.4%	4.0%	4.2%	4.9%	5.2%	5.9%	5.0%	-	
Non-Cables	15.1%	15.8%	16.9%	16.5%	16.0%	14.9%	14.6%	15.0%	-	
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)	94.0%	92.9%	92.6%	94.6%	94.0%	93.3%	93.5%	95.0%	-	
Consolidated Add-ons	6.0%	7.1%	7.4%	5.4%	6.0%	6.7%	6.5%	5.0%	-	
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	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.	
	10/2020	10/2020	10/2020	10/2020	10/2021	10/2021	10/2021	10/2021		
Cash and Deposit	16,187	17,323	15,938	18,461	18,651	23,778	23,805	26,335		+7,874
Accounts Receivables	23,292	21,259	20,151	21,155	22,498	24,215	26,263	28,852		+7,697
Inventory	4,354	4,186	4,173	3,847	4,324	4,534	4,956	4,916		+1,069
Other	104	247	270	201	217	288	245	230		+29
Current Assets	43,937	43,015	40,532	43,664	45,690	52,815	55,269	60,333		+16,669
Tangible Assets	17,986	17,929	17,847	17,774	17,664	17,568	17,457	17,287		(487)
Intangible Assets	160	146	132	120	110	105	103	110		(10)
Investments and Other Assets	5,829	5,765	5,728	5,842	5,709	5,948	6,044	6,259		+417
Fixed Assets	23,976	23,841	23,708	23,737	23,483	23,621	23,605	23,657		(80)
Total Assets	67,914	66,856	64,241	67,401	69,175	76,437	78,874	83,990		+16,589
Accounts Payables	23,925	21,631	19,653	21,858	24,267	30,206	32,317	35,628		+13,770
Short-Term Debt	105	105	105	105	105	105	105	105		0
Other	1,547	2,223	1,604	2,299	1,563	2,133	1,786	2,693		+394
Current Liabilities	25,577	23,959	21,362	24,262	25,935	32,444	34,208	38,426		+14,164
Long-Term Debt	-	-	-	-	-	-	-	-		-
Other	2,721	2,707	2,743	2,728	2,628	2,653	2,691	2,678		(50)
Fixed Liabilities	2,721	2,707	2,743	2,728	2,628	2,653	2,691	2,678		(50)
Total Liabilities	28,298	26,666	24,105	26,991	28,564	35,097	36,899	41,104		+14,113
Shareholders' Equity	38,937	39,690	39,602	39,887	39,919	40,547	41,022	41,818		+1,931
Other	678	500	533	522	692	792	953	1,068		+546
Net Assets	39,615	40,190	40,135	40,409	40,611	41,339	41,975	42,886		+2,477
Total Liabilities and Net Assets	67,914	66,856	64,241	67,401	69,175	76,437	78,874	83,990		+16,589
Equity Capital	39,465	40,043	39,996	40,272	40,474	41,190	41,813	42,725		+2,453
Interest Bearing Debt	105	105	105	105	105	105	105	105		0
Net Debt	(16,082)	(17,218)	(15,833)	(18,356)	(18,546)	(23,673)	(23,700)	(26,230)		(7,874)
Capital Ratio	58.1%	59.9%	62.3%	59.8%	58.5%	53.9%	53.0%	50.9%		-
Net Debt Equity Ratio	(40.8%)	(43.0%)	(39.6%)	(45.6%)	(45.8%)	(57.5%)	(56.7%)	(61.4%)		-
ROE (12 months)	6.6%	6.4%	6.1%	5.9%	5.7%	6.1%	7.5%	8.6%		-
ROA (12 months)	5.8%	5.7%	5.5%	5.0%	4.8%	5.0%	6.0%	6.6%		-
Months for Inventory Turnover	0.65	0.69	0.74	0.61	0.64	0.60	0.63	0.57		-
Quick Ratio	154%	161%	169%	163%	159%	148%	146%	144%		-
Current Ratio	172%	180%	190%	180%	176%	163%	162%	157%		-

Source: Company Data, WRJ Calculation

9

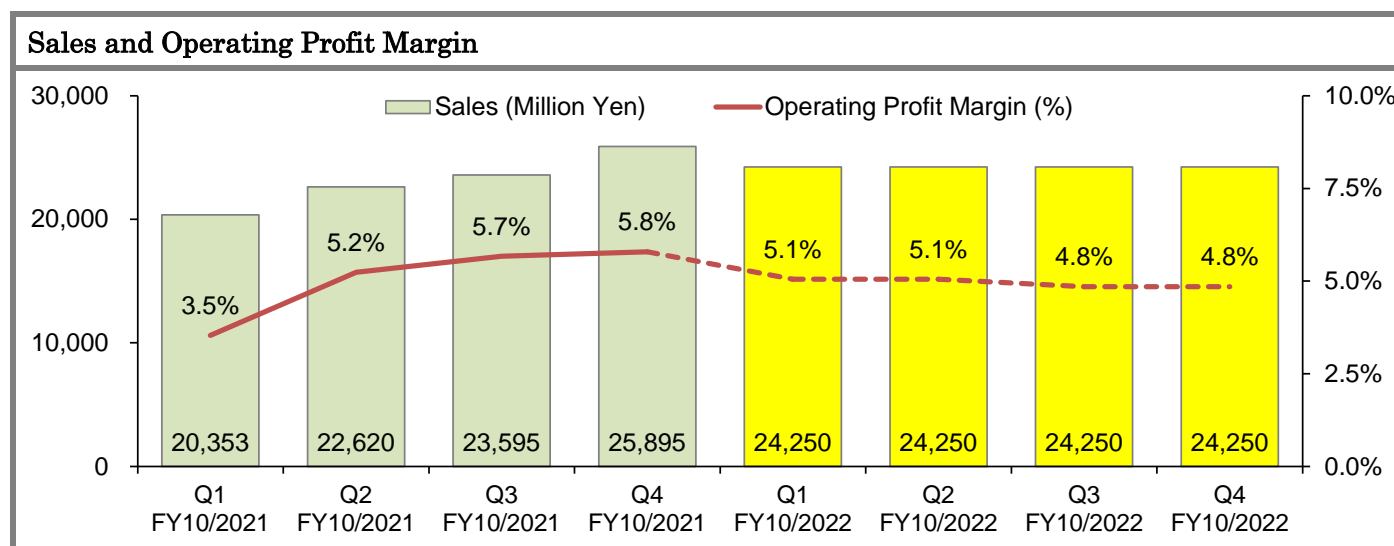
Cash Flow Statement (Cumulative)

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.	
	10/2020	10/2020	10/2020	10/2020	10/2021	10/2021	10/2021	10/2021		
Operating Cash Flow	-	2,349	-	4,451	-	6,004	-	9,397		+4,946
Investing Cash Flow	-	(180)	-	(395)	-	117	-	63		+458
Operating Cash Flow and Investing Cash Flow	-	2,169	-	4,056	-	6,121	-	9,460		+5,404
Financing Cash Flow	-	(865)	-	(1,769)	-	(852)	-	(1,742)		+27

Source: Company Data, WRJ Calculation

FY10/2022 Company Forecasts

FY10/2022 Company forecasts, announced on 8 December 2021, are going for prospective sales of ¥97,000m (up 4.9% YoY), operating profit of ¥4,800m (up 1.2%), recurring profit of ¥5,100m (up 1.9%) and profit attributable to owners of parent of ¥3,600m (up 0.5%), while operating profit margin of 4.9% (down 0.2% points). By the way, the Company suggests that the impacts are limited from Accounting Standard for Revenue Recognition being adopted from the beginning of the year, while we refer to prospective changes over the previous year based on a simple comparison here in this report in light of this.



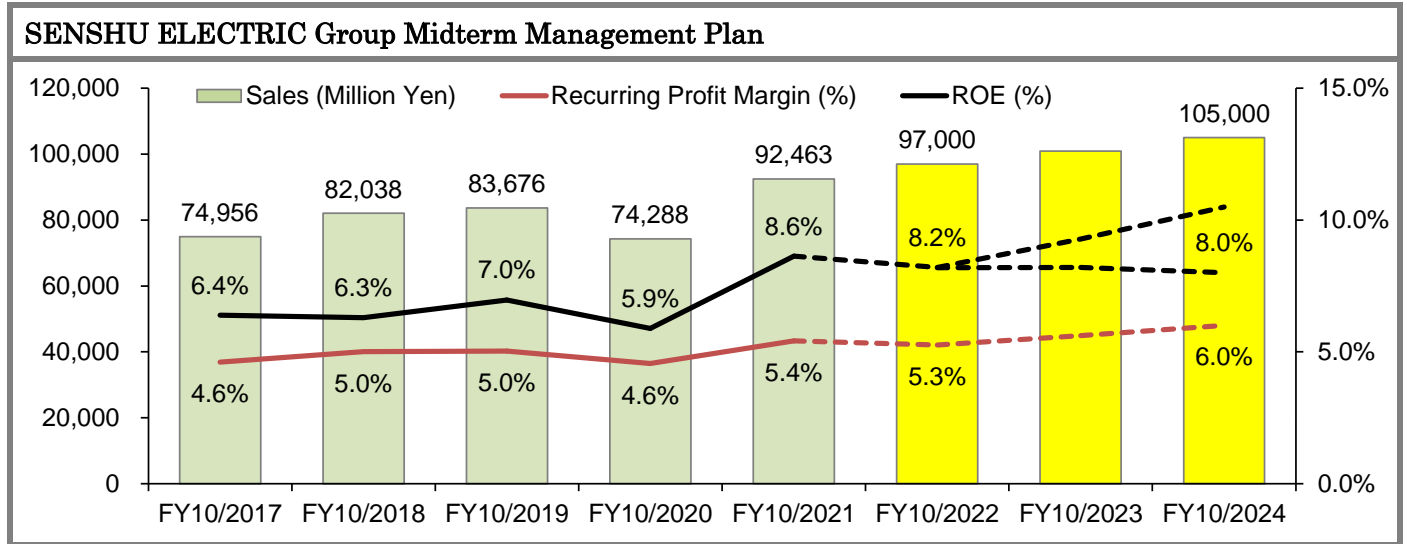
Source: Company Data, WRJ Calculation (quarters in FY10/2022: half-year Company forecasts, pro rata)

Meanwhile, Company forecasts are going for prospective annual dividend of ¥100.00 per share (¥50.00 as of the end of Q2 and ¥50.00 as of the yearend), implying payout ratio of 25.1%. Compared with annual dividend of ¥90.00 (¥40.00 as of end of Q2 and ¥50.00 as of the yearend), implying payout ratio of 23.2%, in the FY10/2021 results, the Company is to increase dividend per share by ¥10.00, which means that the Company is planning to increase dividend per share for the ninth consecutive year for FY10/2022. At the same time, the Company is buying back own shares during a scheduled period from 9 December 2021 to 30 April 2022, The number of own shares to be bought back is 100,000, collectively, equating 1.10% of shares outstanding but for treasury shares and/or collective ¥500m in term of amount. On top of this, the Company retired treasury shares for the first time on 15 December 2021 as much as 300,000 in the number equating 2.78% of shares outstanding prior to this retirement, currently resulting in the number of shares outstanding being 10,500,000 in the number.

Assuming the above-mentioned share buyback is fully accomplished, the Company suggests prospective total return ratio of 38.9% for FY10/2022, which is lower than 50.9% in the FY10/2021 results. Still, the Company does suggest a policy to keep some 50% in total return ratio for FY10/2022, implying a high probability for the Company to buy back own shares also during the period of H2 (May 2022 to October 2022).

Long-Term Prospects

On 8 December 2021, the Company raised performance target of SENSHU ELECTRIC Group Midterm Management Plan. Currently, the Company is calling for prospective sales of ¥105,000m, recurring profit of ¥6,300m and recurring profit margin of 6.0% for FY10/2024. Setting the FY10/2021 results as point of origin, the Company is calling for CAGR of 4.3% for sales and 8.0% for earnings during a three-year period towards FY10/2024. Meanwhile, the performance target has been upgraded by ¥5,000m (5.0%) for sales and by ¥1,300m (26.0%) for recurring profit, when compared with the latest one announced on 9 December 2020.






Source: Company Data, WRJ Calculation

According to the Company, as a result of “comprehensively taking into account changes in the business climate surrounding itself and trends of the recent progress in its various measures, etc.”, it has announced the above-mentioned upgrade. Specifically, it appears that the background for this is that FY10/2021 initial Company forecasts (announced on 9 December 2020) were far exceeded due mainly to favorable performance of FA cables and unexpected rise in Copper Prices, i.e., by ¥10,363m (12.6%) for sales and by ¥1,454m (41.0%) for recurring profit. Meanwhile, the plan has remained unchanged for prospective ROE for FY10/2024, i.e., “8.0% or more”. However, the Company saw ROE of 8.6% for the FY10/2021 results, having already achieved “8.0% or more”, while going for ROE of 8.2% for FY10/2022 at the same time.

4.0 Business Model

Technology-Oriented Trading House Mainly of Electric Cables

The Company, technology-oriented trading house mainly of electric cables, has gone through the 70th anniversary on 18 November 2019, while having made a preference to get listed on the “prime market” on the occasion of upcoming change of market classification on Tokyo Stock Exchange scheduled for April 2022. At the same time, the Company will consistently create added value together with the three business models, comprising a) JUST IN TIME SYSTEM, b) original products and c) cable assemblies.

The Three Business Models		
JUST IN TIME SYSTEM (distribution warehousing)	Original Products (co-developed with electric cable manufacturers)	Cable Assemblies (terminal processing for electric cables)
		

Source: Company Data

The Company adopts a) JUST IN TIME SYSTEM in its mainstay operations of stocking and selling for electric cables, under which it "delivers the required merchandise as much as needed when needed" as a motto. Together with this, the Company runs the first-class integrated operations on ordering to delivery in the marketplace, fulfilling demand from customers as many as 3,500 or more in the number, belonging to a variety of business operations.

The Company's suppliers, manufacturers of electric cable (mainly smaller and/or mid-sized) as many as 250 or more in the number, directly deliver electric cables to major end users represented by telecom carriers and electric power companies, while taking advantage of efficient distribution systems of trading houses, including the Company, for deliveries to users other than the major end users to a large extent. For the Company, the mainstay commercial distribution starts with manufacturers of electric cables to the Company, which is followed by the Company to electrical facilities materials sales companies (some 1,100 in the number for the large-scale ones in Japan), which is, then, followed by electrical facilities materials sales companies to end users represented by electrical construction companies (60,000 or more in the number nationwide). Meanwhile, the Company directly delivers to the largest electrical construction companies (some 30 in the number) as well as running operations to directly supply end users, which is called direct demand.

In terms of the FY10/2021 results, sales associated with electrical facilities materials sales companies accounted for 48.0% of total by sales channel, while 27.9% for direct demand and 19.0% for electrical construction companies. Speaking of end users belonging to direct demand, the Company suggests that they are often so-called private-sector-capex-related, running business of machine tools, industrial machines, automotive facilities and semiconductor and LCD facilities.

In other words, when viewed by category, sales of direct demand are basically of FA cables, while it is characterized by added value relatively higher. Amongst others, b) original products are said to create added value high in particular. They are literally "original" in a respect of being co-developed with smaller manufacturers of electric cables, the suppliers for the Company, in line with specific and detailed needs of each end user, implying that the operations create additional added value to a corresponding extent. On top of this, they are not exposed to competition and thus carry gross profit margin relatively higher in this respect too.

Meanwhile, the Company, running operations of sale at 17 locations nationwide covering Hokkaido to Okinawa in Japan, deals in electric cables as many as more than 50,000 in the number of items, which is said to be maximum in the marketplace. In addition, the Company says that it always stocks sufficient inventory required, in distribution warehousing with the floor area of some 60,000 m², currently equating some ¥4,200m (on a parent basis), while the key contents here are of FA cables, including b) original products.

At the same time, the Company has facilities for c) cable assemblies (terminal processing for electric cables) in 7 locations out of the above-mentioned 17 locations, running operations to manufacture semi-finished products associated with electric cables and thus there is an aspect that the Company is able to additionally create added value by this extent. Basically, the Company is in charge of distribution of purchased electric cables, but there are cases where it is deeply involved with provision of b) original products which are value added to a large extent as well as pursuing creation of added value by means of developing c) cable assemblies (terminal processing for electric cable) in line with customer requests.

For summing up, the Company is actively working to maximize creation of added value by efficiently running operations of stocking and selling for electric cables with a) JUST IN TIME SYSTEM as well as by being deeply involved with b) original products and c) cable assemblies (terminal processing for electric cable) with own expertise and knowhows. Thus, the Company is positioned 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.

Company name: Walden Research Japan Incorporated

Head office: Level 4 Ginza Ishii Building, 6-14-8 Ginza Chuo-ku Tokyo 104-0061, JAPAN

URL: <https://walden.co.jp/>

E-mail: info@walden.co.jp

Tel: 81-(0)3-3553-3769
