

SENSHU ELECTRIC CO., LTD.

Q2 FY2025.10 Q & A

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[Place] 2-2-1 Nihonbashi Muromachi, Chuo-ku, Tokyo

14th Floor seminar room, Muromachi Head Office, Okasan Securities Co., Ltd.

Q1. Please tell me about 2Q. I think the reason for the downturn in the 2Q was mainly due to sluggish sales, particularly of FA cables, but was it because the recovery in semiconductor related manufacturing and machine tools was slower than expected, or was it because the reaction to the previous quarter's strong performance was slightly underestimated?

A1. The bottom has actually been reached for semiconductor related manufacturing and machine tools. Users had considerable inventory a year ago, which is now being sold off, but it is still not very strong. For one user, if the peak is 100, it fell to 20 at one point, but has now recovered to 30-40, and we believe that a full-fledged recovery has not yet begun. On the other hand, during the shortage a year ago, we understood that FA cables were being used for other purposes, but We think the reason for the discrepancy in our forecast was that we expected semiconductor related manufacturing and machine tools to recover.

Q2. Please explain the reasons why the full-year earnings forecast was not revised, other than the improvement in harness processing, and the background behind the expectation that FA cables will recover in the second half.

A2. As I mentioned in A1, I think we have bottomed out, but the timing of the recovery is likely to be in the second half or next year. In terms of overall capital investment, to be honest, some users are taking a wait-and-see approach and delaying their plans slightly due to the Trump tariffs imposed in April, but there is a movement to do what needs to be done. Therefore, we expect a recovery in demand for semiconductor related manufacturing and machine tools in the second half of the fiscal year, which will enable us to achieve our full-year targets. on the other hand, copper prices are gradually rising, which we expect to have a positive effect on sales.

Q3. Regarding power cables, the first half of the fiscal year was strong, and the second half is also expected to remain steady. However, please tell us whether this is due to the continued presence of large projects or other reasons.

A3. I think large-scale projects in the Kanto area and Kansai area will continue. Following the Osaka Kansai Expo, a longer-term project (IR casino) is set to begin construction. While the full-scale deployment of cables is expected to begin in about 2 years, the volume of cables sales required is anticipated to be ten times greater than that of the Expo. Additionally, regarding the semiconductor factory in Kumamoto, although construction has been delayed, I believe it will

somehow commence by the end of the year. The semiconductor sector is being driven by AI demand, and I expect this trend to continue moving forward.

Q4. Please provide updates on any progress made in the non-cables division, subsidiary businesses, or overseas expansion, which are areas of medium-term management plan.

A4. Although the amount of agricultural-related business is still small, the user base is expanding. We will also participate in the Osaka Kansai Expo, which we believe will be a good PR opportunity. Our subsidiary, nbs Co., Ltd., which manufactures connectors for semiconductor related manufacturing, is quickly recovering. We are focusing on research prototypes and moving forward. Overseas, China is doing surprisingly well, especially among local users, and robotics related is becoming increasingly strong.

Q5. Regarding selling, general, and administrative expenses, half of the 300 million yen increase in the first half was due to personnel expenses. Given the ongoing trend of wage increases, should we expect profits to continue to be squeezed?

A5. I think wages will continue to rise. The best way to absorb this is to increase sales or raise prices, but due to our relationship with our users, this is not always possible. In any case, I think the key is to improve gross profit. On the other hand, rather than simply raising personnel expenses, I think the key is to carefully control the total number of employees while also promoting digital transformation, using IT to supplement what was originally done by people, thereby reducing the overall number of employees.

Q6. Regarding the Recurring profit of 13 billion yen for the fiscal year ending October 2027 in the medium-term management plan, please explain the rationale behind this target, as it is higher than when direct demands accounted for 30% of total sales in the past.

A6. When the percentage of direct demands increases, sales of non-cables also increase. It is high of the profit margin for these products. In particular, under the current plan, the share of sales of non-cables will increase significantly, and we expect this to boost the overall profit margin.

Q7. I think the medium-term management plan scenario will change compared to last year, but what are the assumptions for the good and bad scenarios?

A7. The key point is that domestic capital investment in Japan will continue to grow. In particular, it is important to respond appropriately to the rationalization and automation of Japanese factories, the use of AI, and the introduction of robots, with a focus on factory automation. The second point is global deployment. In particular, our company expanded into the US 3 years ago. We believe that there are two possible effects of the recent tariffs, and when we reduce our domestic plans and increase our overseas plans, we expect our US subsidiary to become very busy. We are determined to make good use of such areas to achieve our mid-term plan, and we have not changed the scenario significantly since last year.

Q8. The basic scenario remains unchanged, but what are you currently observing in the range?

A8. While the general growth ratio is being revised downward, we plan to move toward medium-term economic growth centered on capital investment. Electric wire manufacturers are also taking on new challenges in areas such as data centers. As an electric wire trading company, we have similarities and differences with them, but we are involved in Japan's infrastructure, so we will move forward in step with them.

Q9. You say that the Trump tariffs will not change, but what kind of situation would cause the scenario to change?

A9. If tariffs are imposed heavily on everything from automobiles to machine tools, it will take time to produce them not only in Japan but also in US, which I think will have a negative impact on the economy as a whole. If we assume that, there may be some harsh views, but looking at the current situation, users are not expecting that to happen, and although negotiations are underway (between Japan and US) regarding tariffs, we are watching to see where they will settle.

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