

FY2021 1st Half Results and Annual Forecasts

Sumitomo Electric Industries, Ltd.
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- 1 .Secured a contract for an HVDC power transmission system for Europe
- 2 .Data-center-related products

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1.FY2021 1st Half Results

1-1. Business environment/Performance summary

Business environment

- ✓ The global supply shortage of semiconductors and supply chain disruptions caused by the spread of COVID-19 in Southeast Asia led to a series of reductions in automobile production.
- ✓ Soaring material prices, global logistics congestion, and higher freight costs also adversely affected our performance.
- ✓ The trends of increasing data traffic, decarbonization and expanding renewable energy have accelerated.

Summary of 1H performance

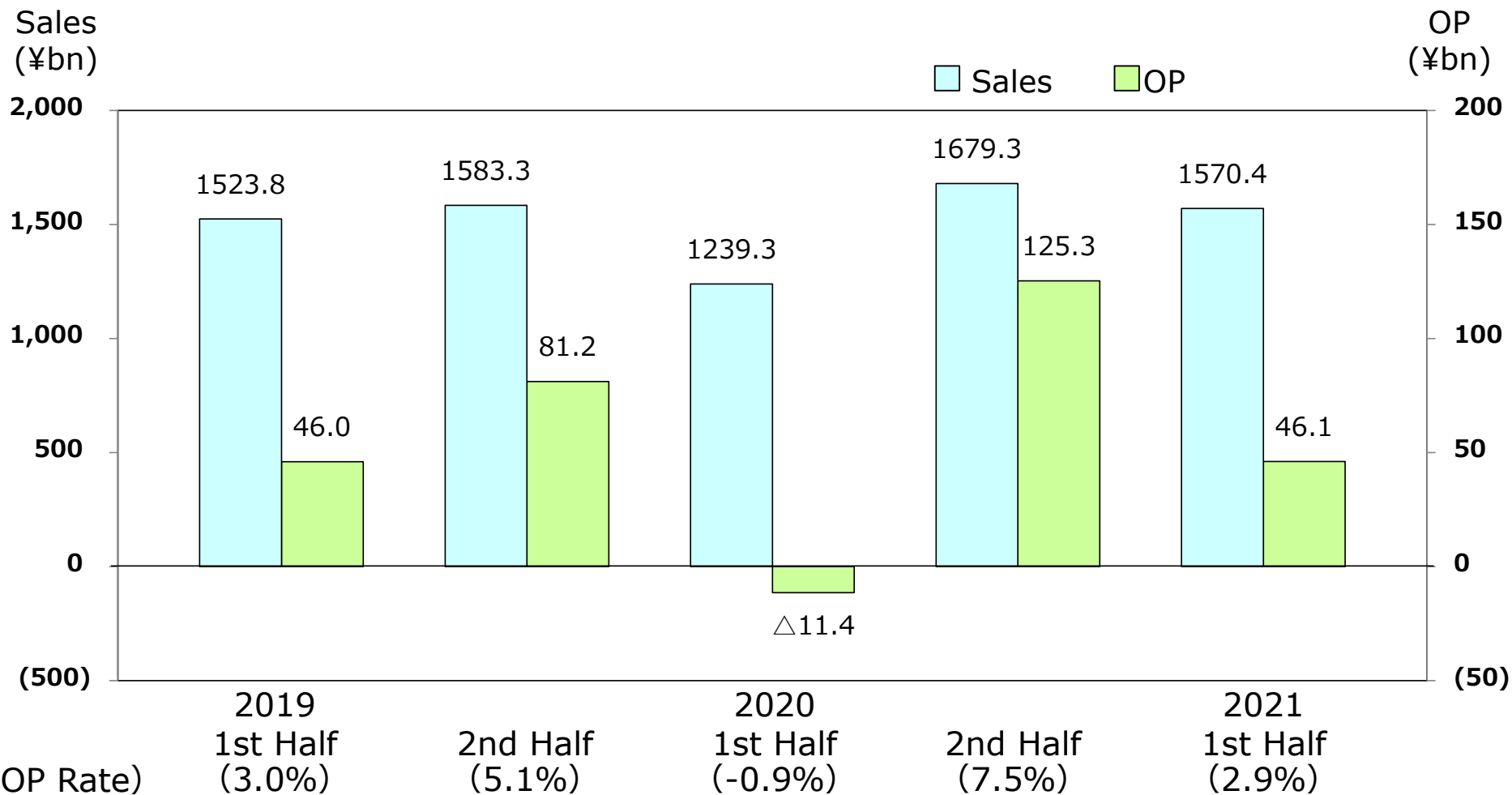
- ✓ The automotive segment failed to achieve its plan because of the significant impact of reduction in automobile production.
- ✓ The infocommunications, electronics, and environment & energy segments achieved their plans thanks to the contribution of efforts to expand sales, develop new products, shift to high-performance products, and improve productivity amid a favorable business environment.
- ✓ Steady progress has been made toward the realization of the portfolio set forth in Vision 2022 by improving profitability of segments other than automotive.

1-2.FY2021 1st Half Results (PL)

¥bn	FY2020 1H Actual ^①	FY2021 1H Revised Plan ^②	FY2021 1H Actual ^③	Growth ③-①	Difference ③-②
Net Sales	1,239.3	1,600.0	1,570.4	+ 331.1	(29.6)
Operating Profit	(11.4)	60.0	46.1	+ 57.5	(13.9)
Non-Operating Income/Expenses	(12.6)	3.0	14.2	+ 26.8	+ 11.2
Ordinary Income	(24.0)	63.0	60.3	+ 84.3	(2.7)
Extraordinary income or loss	(12.0)		(1.4)	+ 10.6	
Profit before Income Taxes	(36.1)		58.9	+ 95.0	
Taxes and Profit Attributable to Non-Controlling Interests	(5.8)		(26.5)	(20.7)	
Profit Attributable to Owners of the Parent	(41.9)	33.0	32.4	+ 74.3	(0.6)

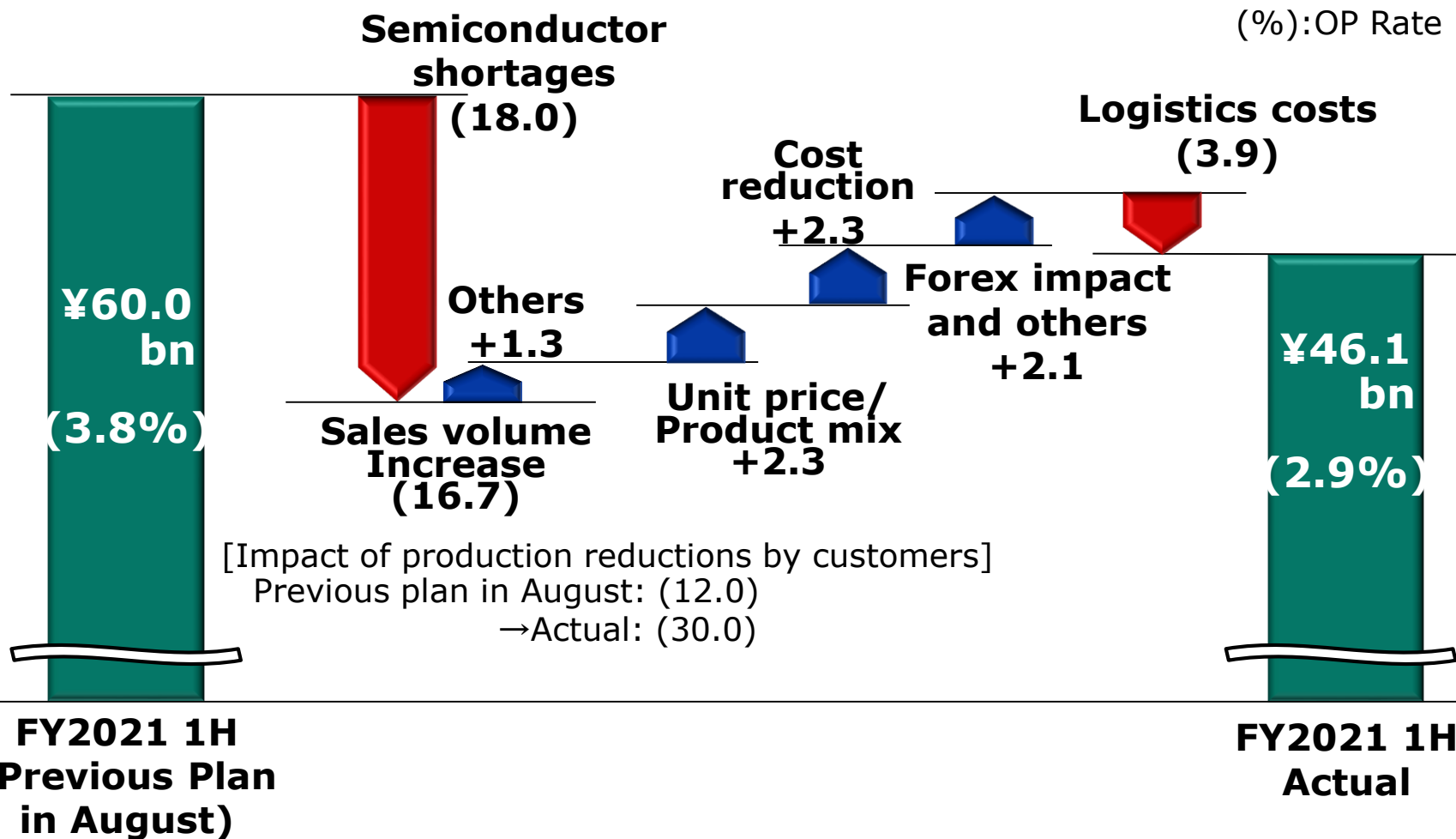
1-3. Historical data of Sales and OP

Sales and OP declined from the second half of 2020, when the highest second-half-year profit was recorded due to the recovery in automobile production. Sales and OP increased compared to the first half of 2020 and the first half of 2019, which is before the COVID-19 pandemic.



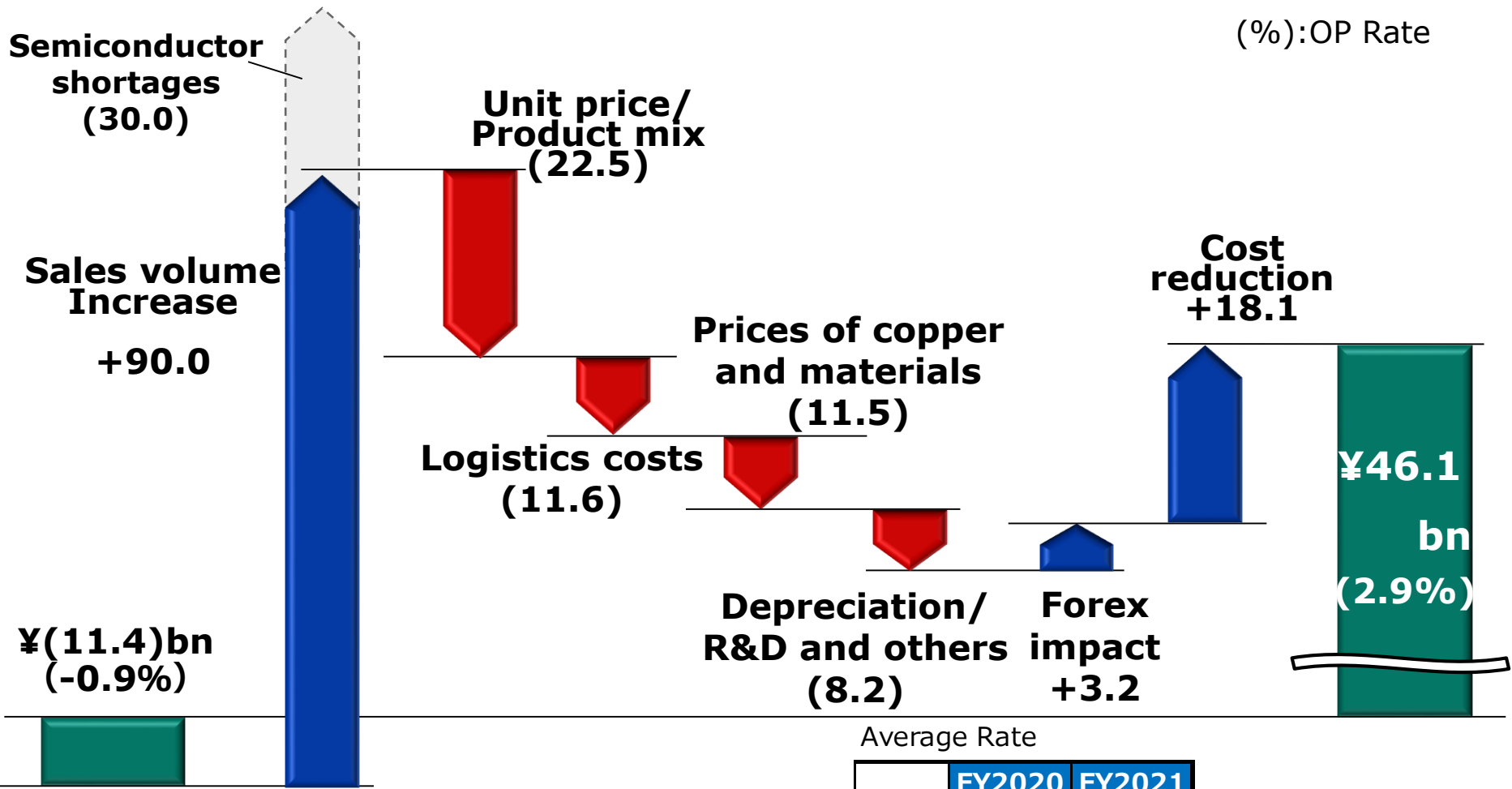
1-4.OP variation factors (compared to the previous plan in August)

A series of reductions in automobile production due to semiconductor shortages and supply chain disruptions caused by the spread of COVID-19 resulted in a failure to achieve the plan.



1-5.OP variation factors from FY2020 1st half to FY2021 1st half

(%):OP Rate



FY2020 1H Actual

FY2021 1H Actual

Average Rate

	FY2020 1H	FY2021 1H
USD	106.93	109.81
EUR	121.34	130.88

1-6.Sales and OP by Segment

Although the automotive segment failed to achieve the plan, other segments performed robustly. In particular, record-high first-half-year sales and OP were posted in the environment & energy segment.

¥ bn	FY2020 1H Actual ^①		FY2021 1H Revised plan ^②		FY2021 1H Actual ^③		Growth ③ - ①		Difference ③ - ②	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	661.8	(27.5)	870.0	20.0	816.4	(1.0)	+154.6	+26.5	(53.6)	(21.0)
Infocommunications	107.1	12.7	110.0	9.0	114.8	10.3	+7.6	(2.5)	+4.8	+1.3
Electronics	114.8	1.9	140.0	8.0	140.4	8.0	+25.6	+6.1	+0.4	±0.0
Environment and Energy	266.3	4.6	370.0	12.0	377.4	18.6	+111.2	+13.9	+7.4	+6.6
Industrial Materials and Others	135.1	(3.3)	160.0	11.0	159.7	10.5	+24.7	+13.8	(0.3)	(0.5)
Total	1,239.3	(11.4)	1,600.0	60.0	1,570.4	46.1	+331.1	+57.5	(29.6)	(13.9)

※Differences between the aggregate of all segments and Total are consolidated eliminations.

2.FY2021 Forecasts

2-1. Business environment summary

- ✓ Although the outlook for automobile production trends is still uncertain, the shortage of semiconductors has been gradually eliminated and customers' production has been recovering.
- ✓ The business environment has remained favorable in the infocommunications, electronics, and environment & energy segments, which performed well in the first half.
- ✓ Soaring material prices, global logistics congestion, and higher freight costs will continue for the time being.



We will turn around in the second half and aim to make a further leap forward toward FY2022 by surely responding, both in terms of production and cost, to the demand resulting from the recovery in automobile production by customers.

2-2. FY2021 Forecasts (PL)

FY2021 Forex Rate
(Previous Plan in August)
¥105/USD
¥125/EUR

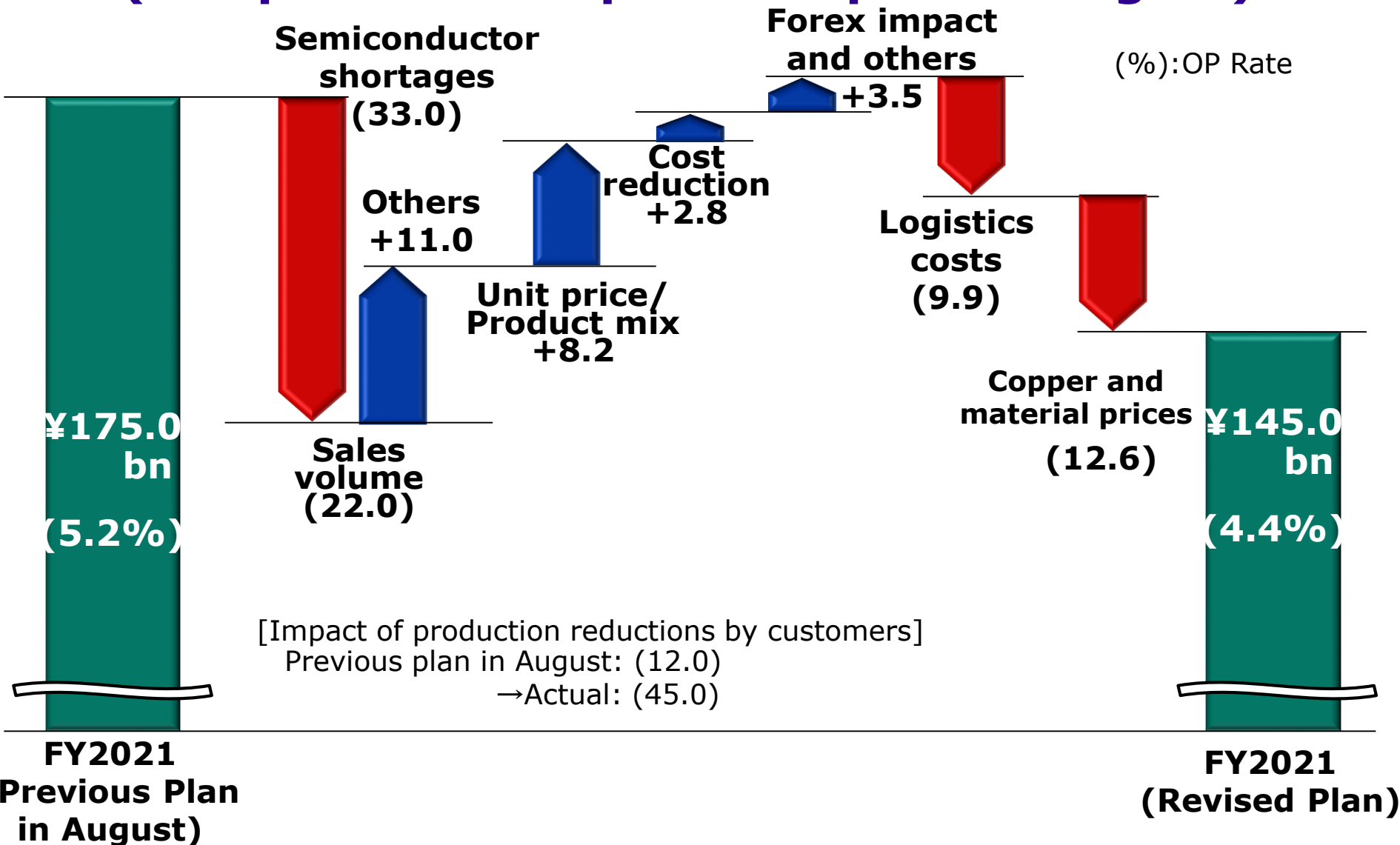
(1H Actual)
¥109.8/USD
¥130.9/EUR

(2H Plan)
¥108/USD
¥125/EUR

¥bn	FY2020	FY2021 Previous Plan in August			FY2021 Revised Plan			Growth	Difference
	Actual①	1H Plan	2H Plan	Annual Plan②	1H Actual	2H Plan	Annual Plan③	③-①	③-②
Net Sales	2,918.6	1,600.0	1,750.0	3,350.0	1,570.4	1,729.6	3,300.0	+381.4	(50.0)
Operating Profit	113.9	60.0	115.0	175.0	46.1	98.9	145.0	+31.1	(30.0)
Non-Operating Income/Expenses	0.1	3.0	10.0	13.0	14.2	0.8	15.0	+14.9	+2.0
Ordinary Income	114.1	63.0	125.0	188.0	60.3	99.7	160.0	+45.9	(28.0)
Extraordinary income or loss	(3.7)				(1.4)				
Profit before Income Taxes	110.3				58.9				
Taxes and Profit Attributable to Non-Controlling Interests	(54.0)				(26.5)				
Profit Attributable to Owners of the Parent	56.3	33.0	77.0	110.0	32.4	62.6	95.0	+38.7	(15.0)

2-3.OP variation factors

(compared to the previous plan in August)

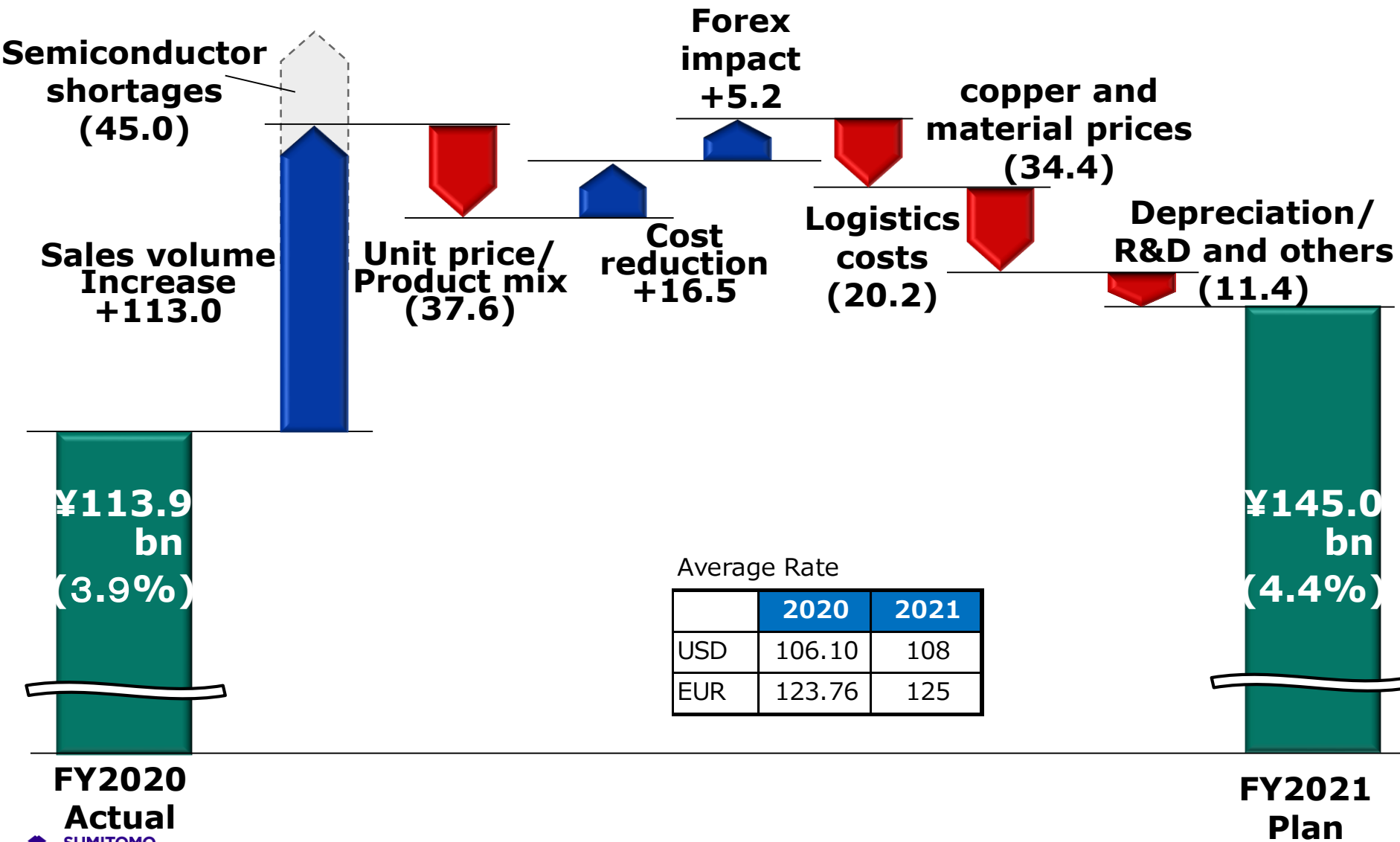


**FY2021
(Previous Plan
in August)**

**FY2021
(Revised Plan)**

2-4.OP variation factors from FY2020 to FY2021

(%):OP Rate



Average Rate

	2020	2021
USD	106.10	108
EUR	123.76	125

2-5.Sales and OP by Segment

The forecasts are revised downward for the automotive and industrial materials segments, taking into account the impact of reduced automobile production.

The forecasts are revised upward for the infocommunications, electronics, and environment & energy segments in light of the actual results of the first half and the current business environment.

Record-high sales and OP are expected to be achieved in the environment & energy segment.

¥bn	FY2020 Actual ^①		FY2021 Previous Plan in August ^②		FY2021 Revised Plan ^③		Growth ③ - ①		Difference ③ - ②	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	1,602.0	48.2	1,840.0	85.0	1,750.0	50.0	+148.0	+1.8	(90.0)	(35.0)
Infocommunications	224.6	24.3	230.0	21.0	240.0	22.0	+15.4	(2.3)	+10.0	+1.0
Electronics	252.6	10.0	270.0	13.0	280.0	14.0	+27.4	+4.0	+10.0	+1.0
Environment and Energy	634.2	25.0	800.0	32.0	810.0	37.0	+175.8	+12.0	+10.0	+5.0
Industrial Materials and Others	302.5	6.7	320.0	24.0	310.0	22.0	+7.5	+15.3	(10.0)	(2.0)
Total	2,918.6	113.9	3,350.0	175.0	3,300.0	145.0	+381.4	+31.1	(50.0)	(30.0)

3. Our efforts by Segment

3-1. Automotive

Automotive

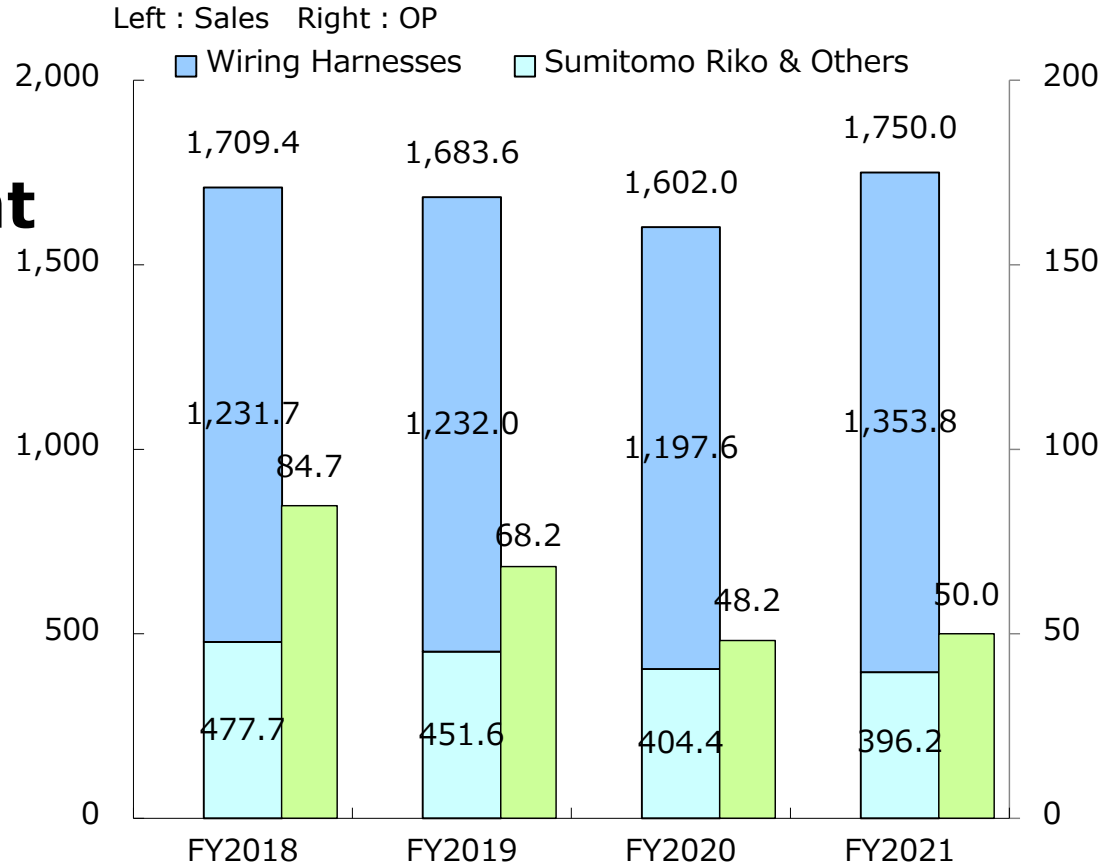
Business environment

- (1) Global reduction in automobile production and future recovery
- (2) Soaring material prices and logistics congestion
- (3) Accelerated introduction of xEVs



Our efforts

- (1) Ensure to capture the demand resulting from the recovery of customers' production and smooth launch up for newly received order models.
- (2) Build a lean and flexible business structure that can withstand fluctuations in demand (reduce costs and improve production efficiency).
- (3) Create new products for next-generation CASE vehicles.
- (4) Further increase share of overseas customers.



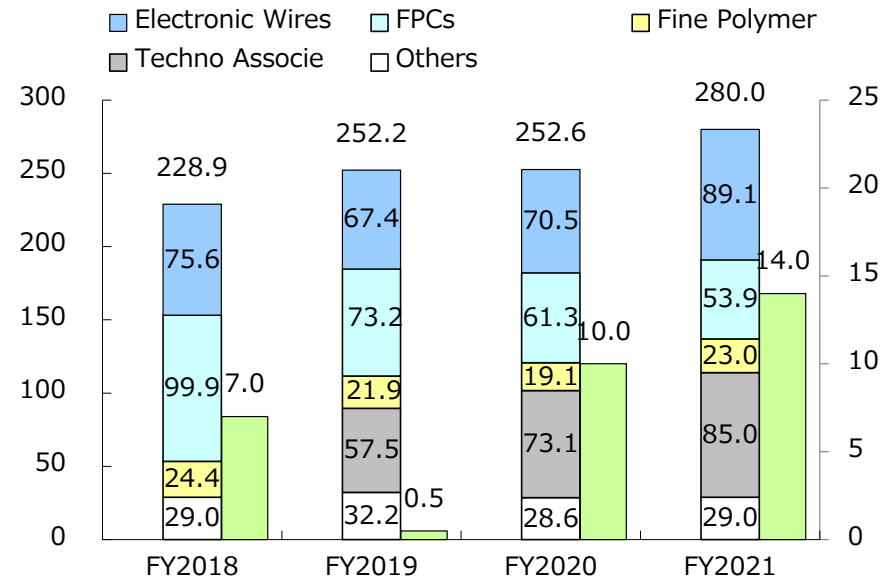
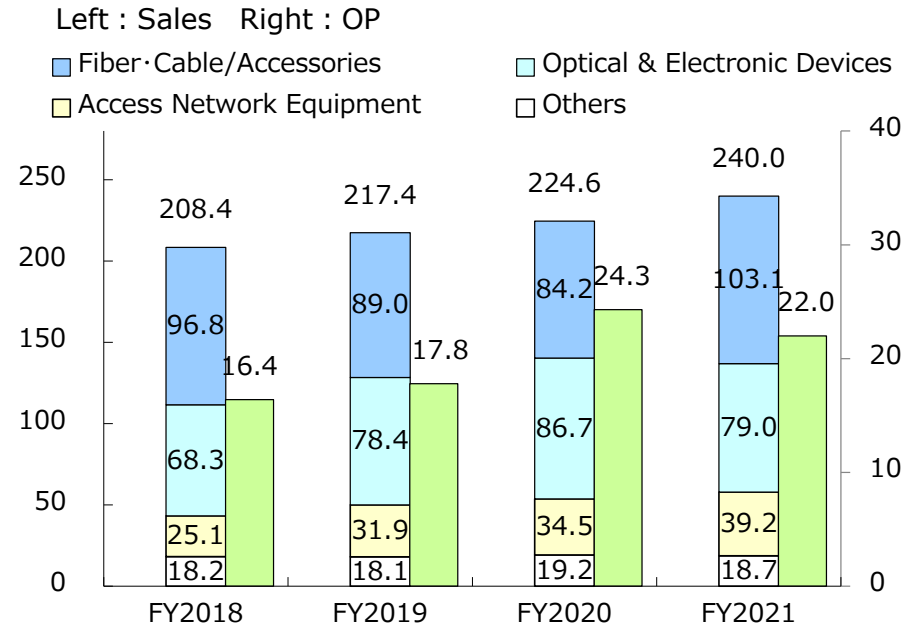
3-2. Infocommunications / Electronics

Infocommunications

- (1) Further expand sales and develop new data-center-related products, for which demand is robust.
- (2) Develop and expand sales of ultra-low-loss optical fibers for submarine cables.
- (3) Expand sales of GaN devices for 5G base stations.

Electronics

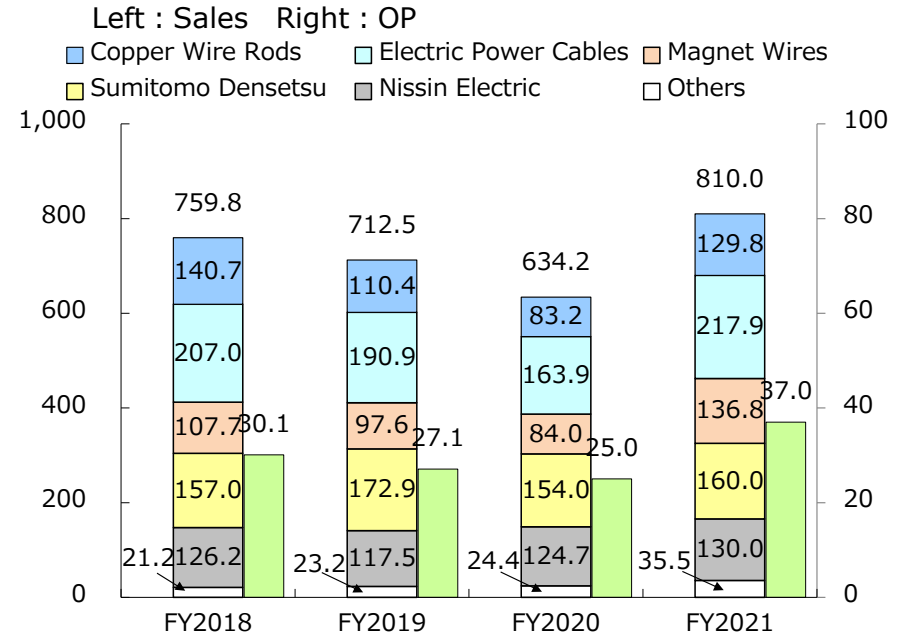
- (1) Shift FPCs for smartphones to high-performance products and improve their productivity.
- (2) Expand sales of FPCs for automotive applications and develop new products that meet the need for high frequency applications.
- (3) Expand sales of automotive cables and tab leads for EV batteries.



3-3.Environment & Energy/Industrial Materials

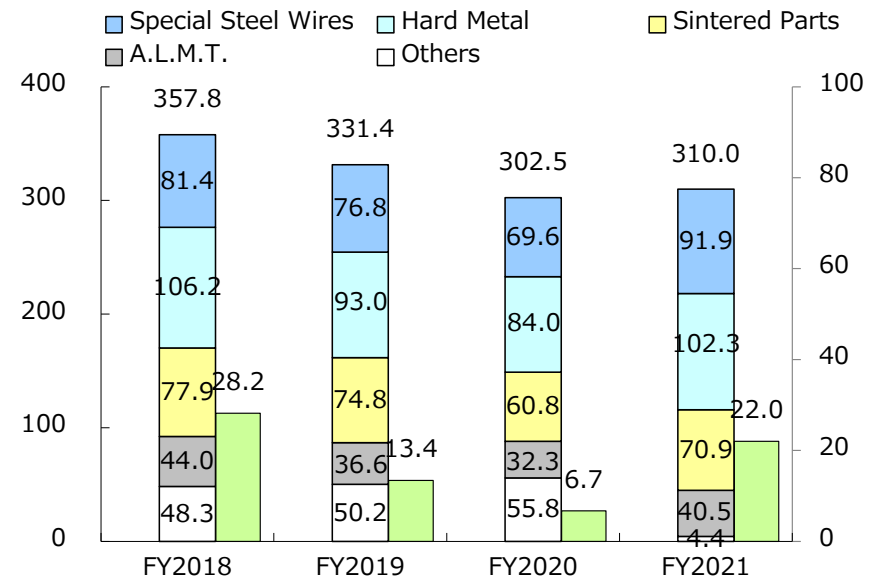
Environment & Energy

- (1) Ensure to secure new large-scale power cable projects, demand for replacement of domestic facilities, and renewable energy projects. Strengthen project management.
- (2) Expand sales, improve productivity, and increase global production capacity of rectangular magnet wires for xEV.



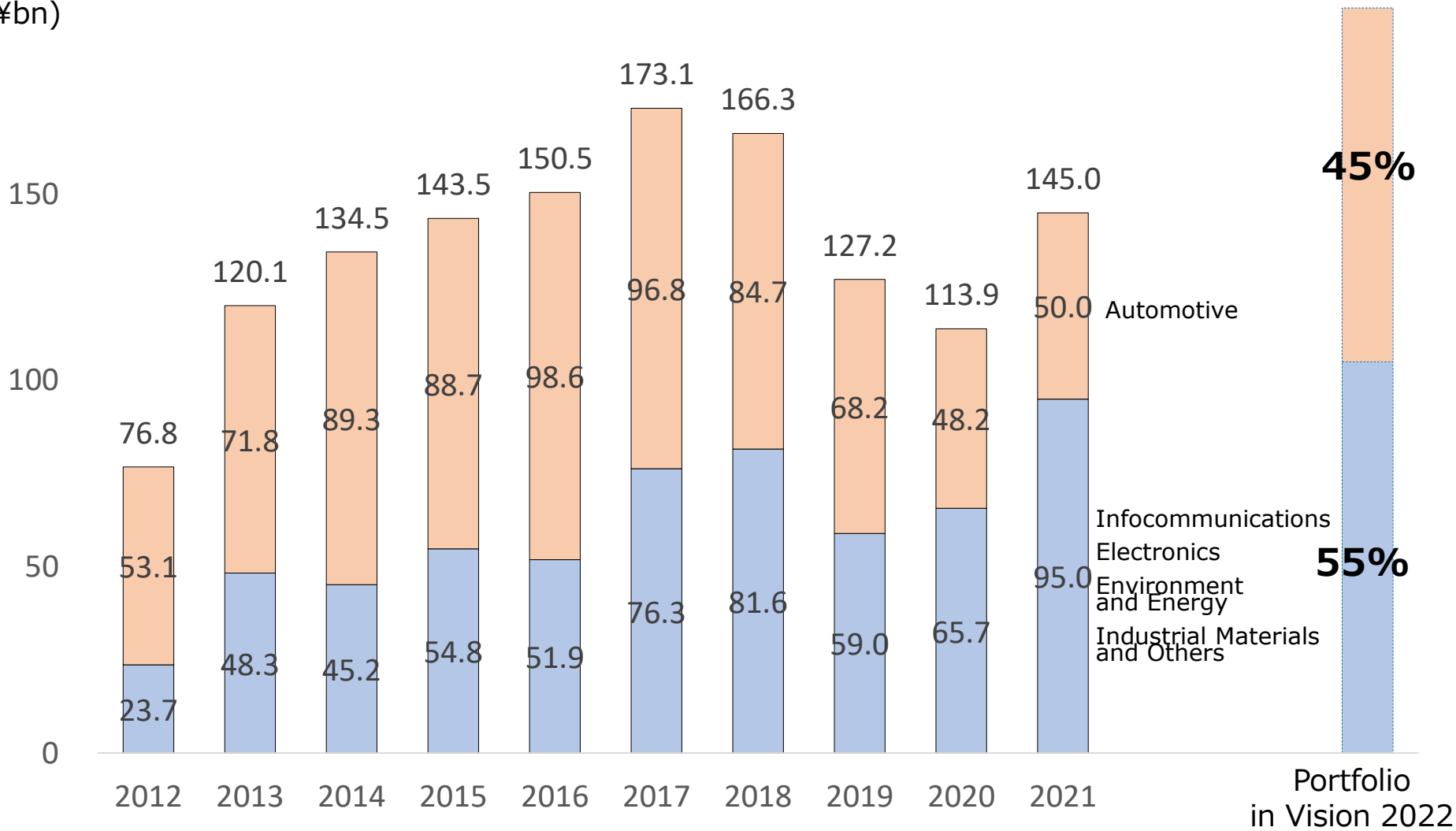
Industrial Materials

- (1) Expand sales of cemented carbide tools globally and explore new markets such as xEV and aircraft.
- (2) Enhance the cost competitiveness and production systems for sintered metal components, PC steel wires, and steel wires for springs.



3-4. OP portfolio

(¥bn)



Progress has been made toward achieving a balanced portfolio as set forth in Vision 2022.

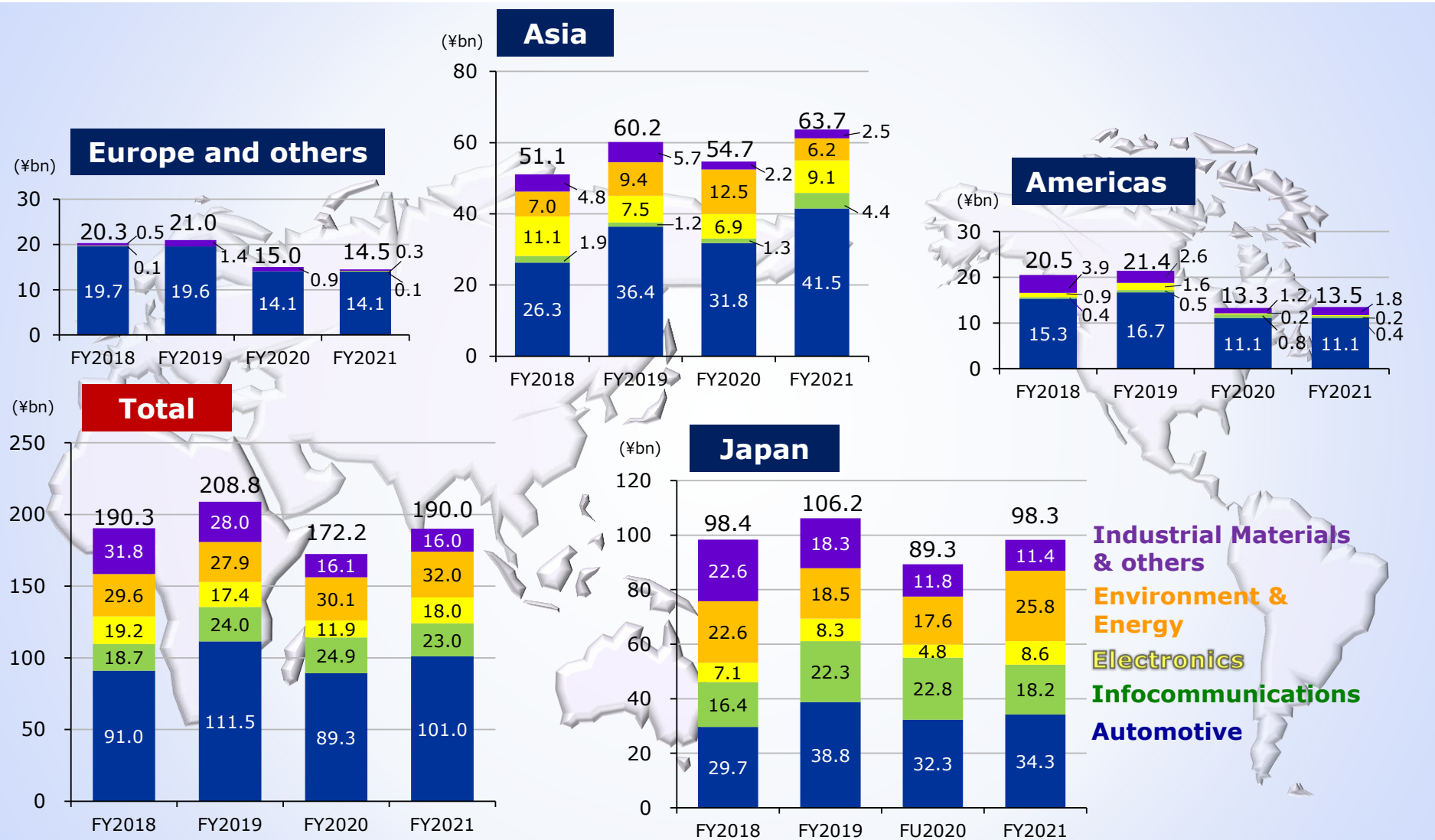
3-5. Future policies

- ✓ **Leverage the Group's comprehensive strengths to achieve a balanced portfolio as set forth in Vision 2022.**
- ✓ **Respond to the recovery in production at car manufacturers in terms of production and cost, and make a final push toward the final year of Vision 2022.**
- ✓ **Absorb rising material prices and logistics costs to the maximum extent possible through thorough cost reductions while at the same time promoting passing on the costs to customers.**
- ✓ **Assess the market environment and shift to more competitive, high-performance products.**
- ✓ **Promote detailed management to build a structure that improves capital efficiency (ROIC) and generates cash flow.**

4. Capital Investment/ROIC

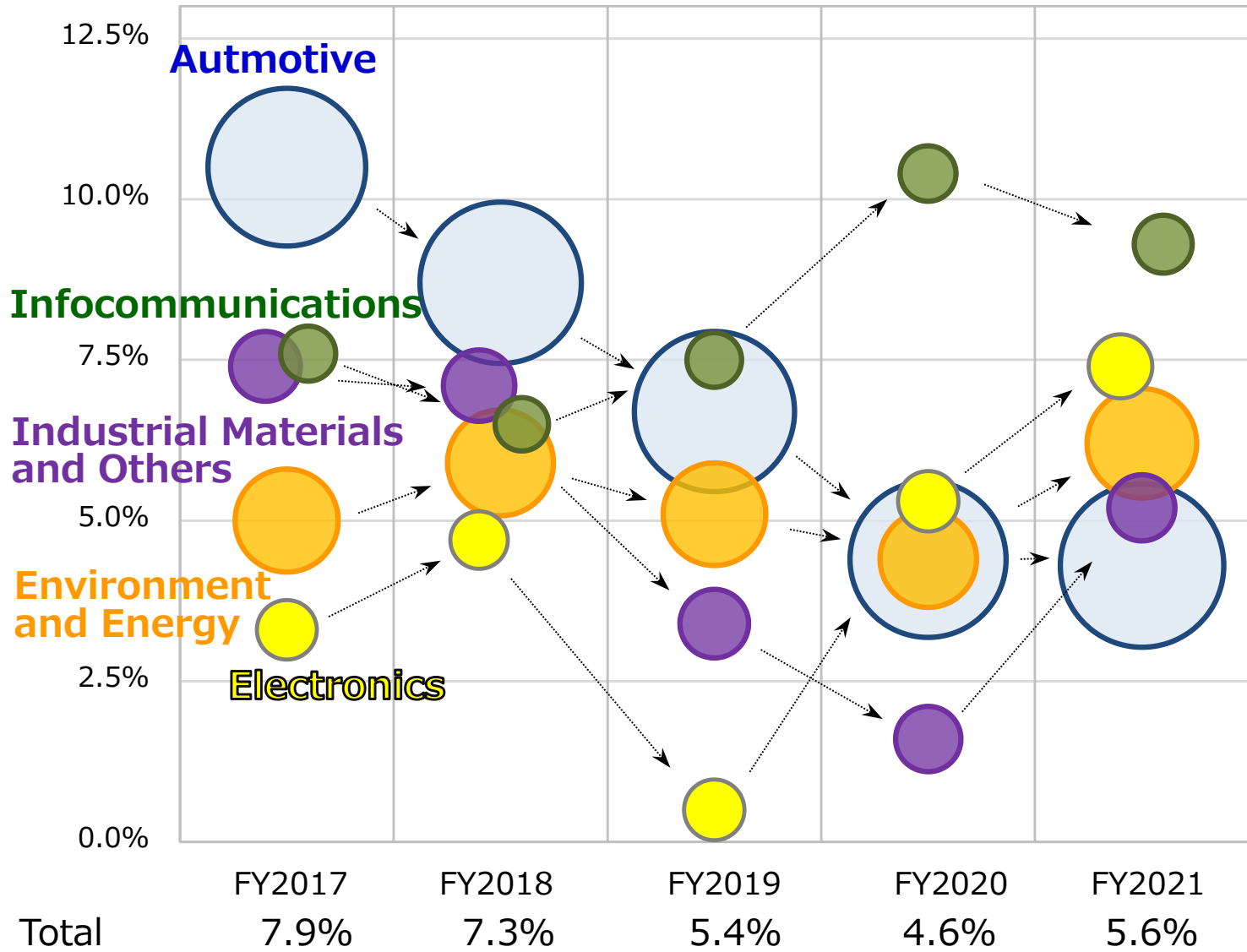
4-1.Capital Investment by Region/Segment

FY2020: ¥172.2 bn ⇒ FY2021 Revised Plan: ¥190 bn (No revision from the original plan at the beginning of the year)



4-2.ROIC by Segment

* The areas of the figures are proportional to sales



5.Topic

5-1. Secured a contract for an HVDC power transmission system for Europe

In September 2021, a consortium of Sumitomo Electric and Siemens Energy signed a contract for an HVDC power transmission system connecting the UK and Ireland.

Project overview

Total amount: About €500 million
(* Total amount of construction costs for the project, including those of other companies)
Construction starts in 2022
Delivered in 2024
Sumitomo Electric: DC320kV Cable
Siemens: HVDC converter

Our strengths

(1) Technological advantages

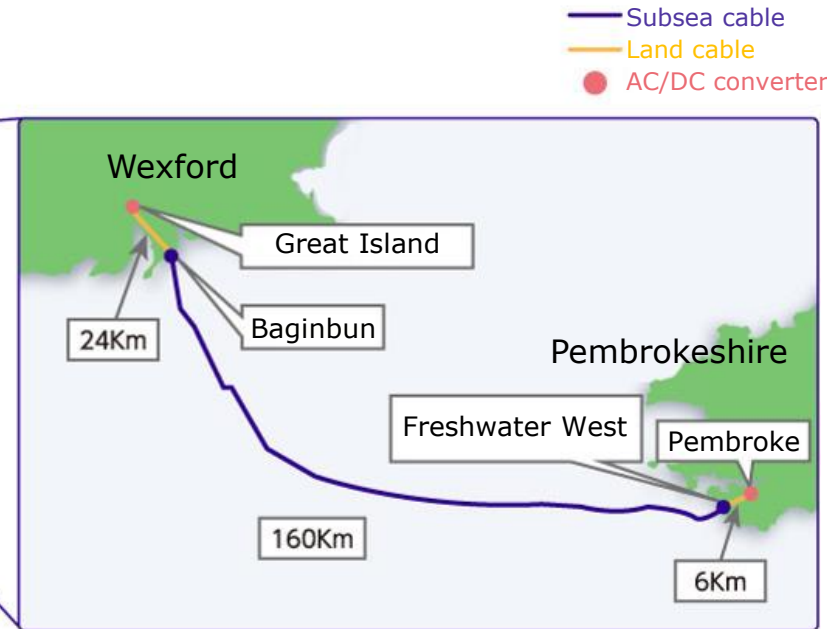
- Own developed HVDC XLPE insulation technology
- Successful operational records

(2) Project records

- Subsea route between the UK and Belgium, 400 kV DC, 141 km
(Completed in 2019, under commercial operation)
- Land route in India, 320 kV DC, 27 km
(Completed in 2020, under commercial operation)
- North-south route in Germany, 525 kV DC, 300 km
(Contract secured)



Greenlink interconnector



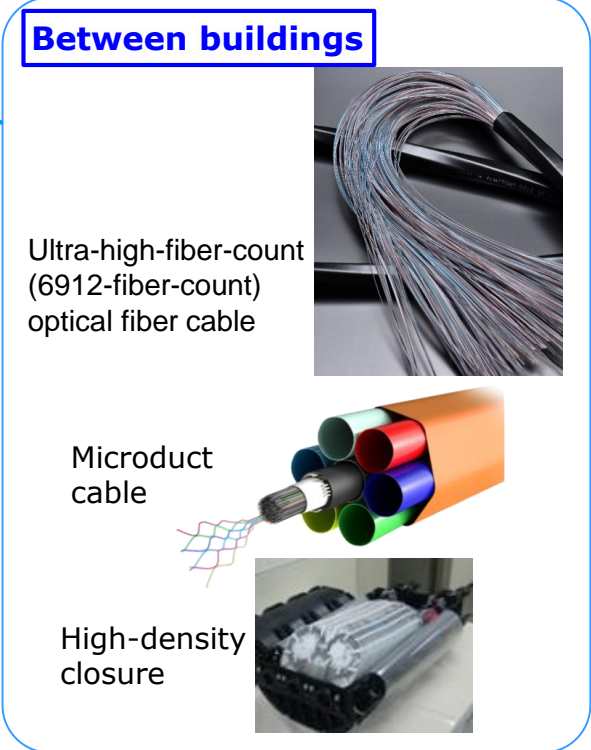
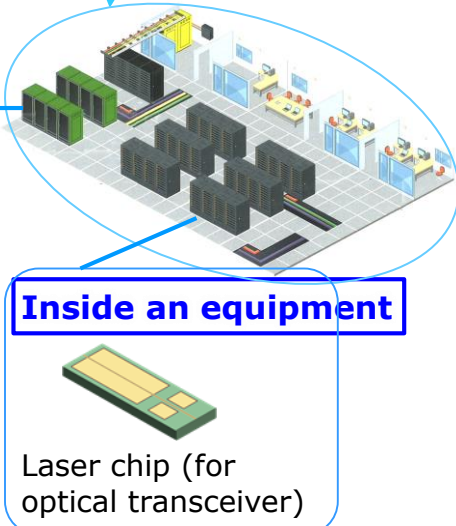
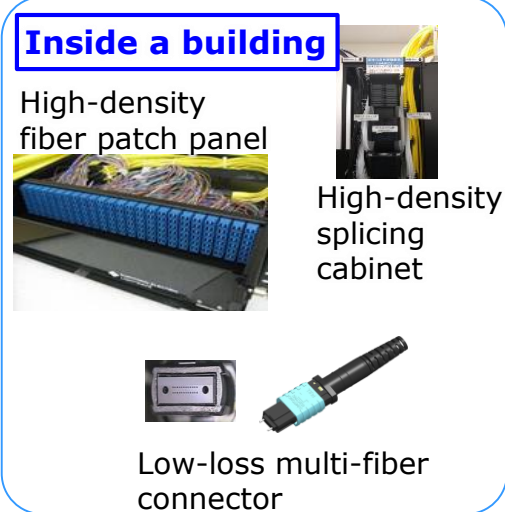
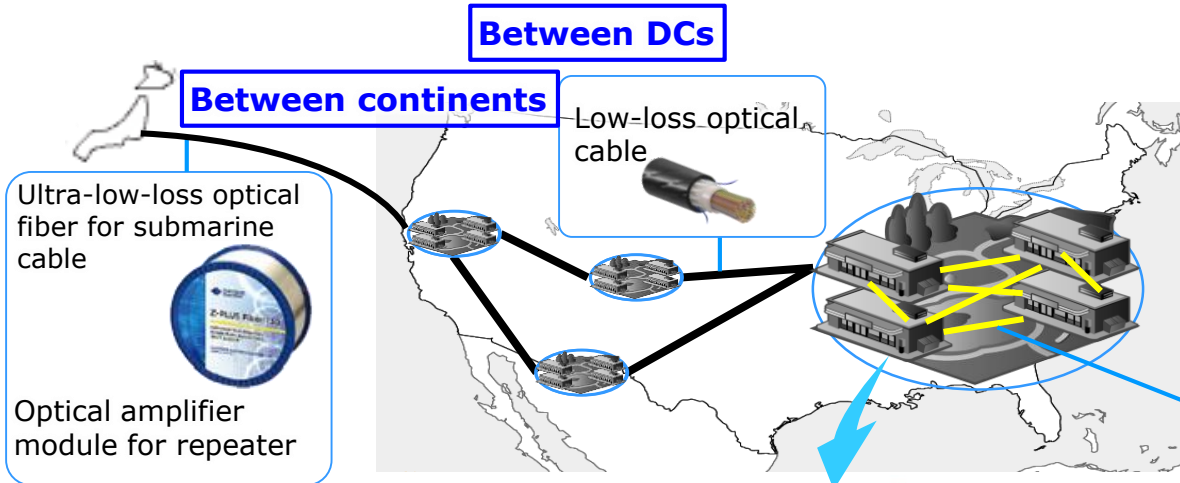
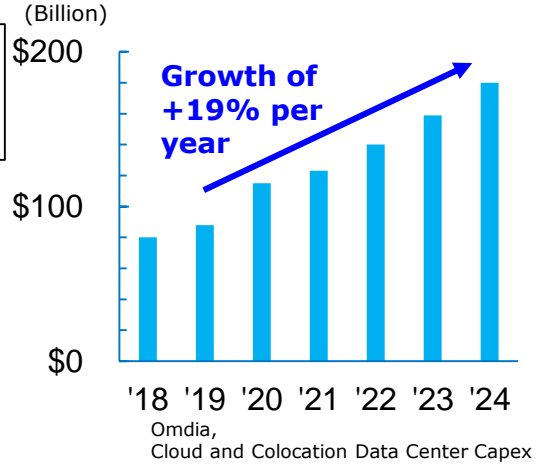
The widespread use of renewable energies has led to an increasing demand for interconnectors (HVDC cables) at home and abroad.

Contributing to the realization of a decarbonized society

5-2. Data-center-related products

*** Expected investment amount for DC construction**

The data center (DC) market continues to expand, mainly for OTT services in North America, in line with growing demand for cloud services*. Sumitomo Electric provides a broad lineup of products for DCs.



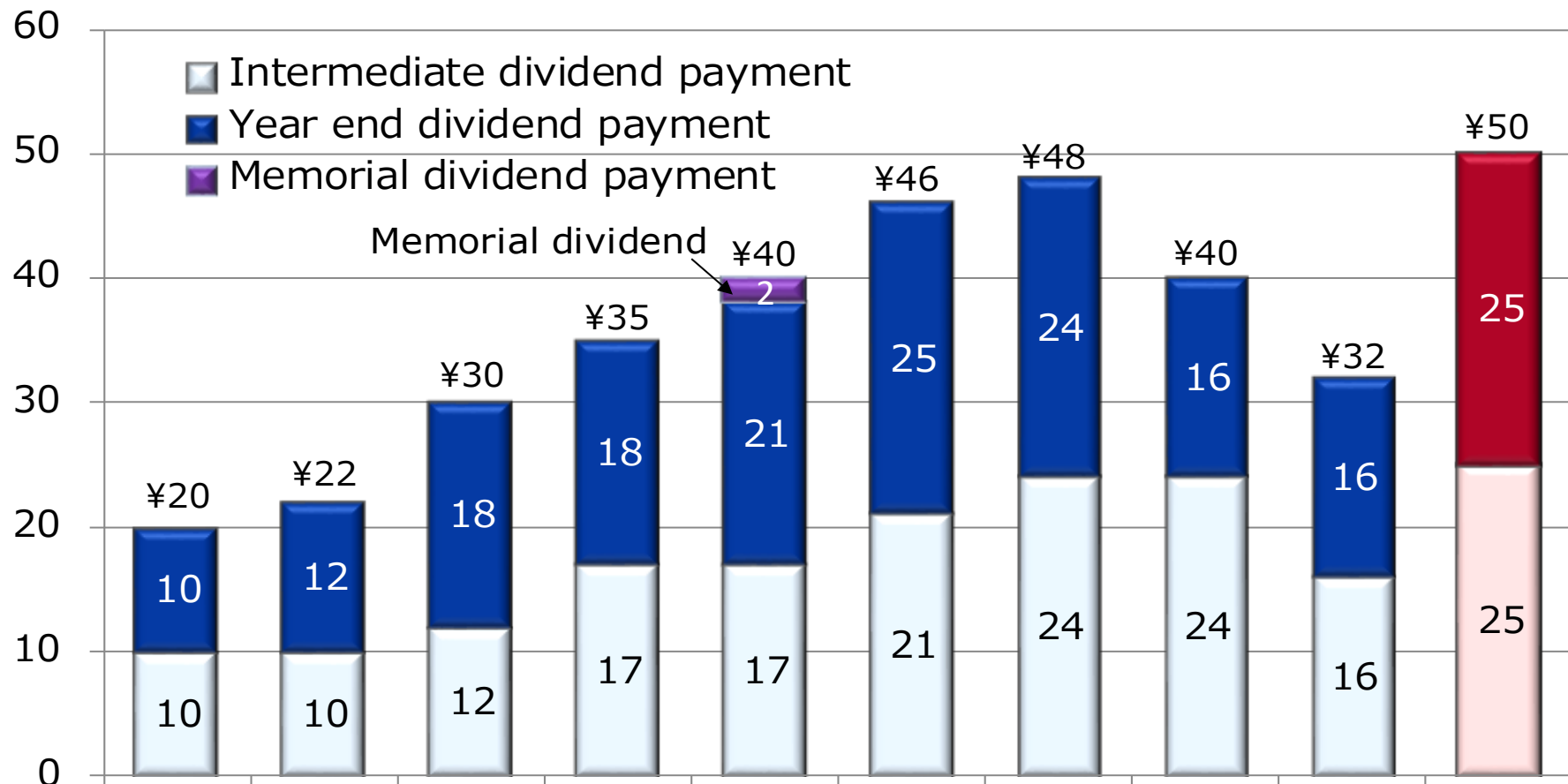
6.Dividend

6.Dividend

FY2021 annual dividend is planned to be ¥50/share.

(No revision from the original plan at the beginning of the year)

(¥/share)



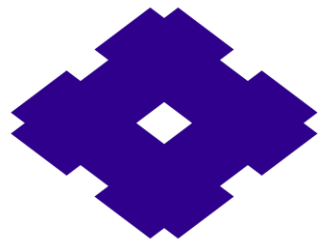
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021P
Earnings per Share (Yen)	47.85	84.15	151.00	114.73	137.61	154.29	151.38	93.24	72.25	121.81
Dividend Payout Ratio	41.8%	26.1%	19.9%	30.5%	29.1%	29.8%	31.7%	42.9%	44.3%	41.0%

Notes on Perspective Information

This presentation material contains various outlook and perspective information derived from our own presumptions and judgments based on currently available information on conditions and prospects of each market and economic circumstances such as currency exchange rate fluctuations. All figures and statements with respect to the future performances, projections, and business plans of Sumitomo Electric and its affiliated companies are constituted by those outlook and perspective information. Factors that could cause actual results to differ materially include, but not limited to:

1. Market and economic conditions in the United States, Europe, Japan and other Asian countries, especially increases and decreases in personal consumption and capital expenditures.
2. Fluctuations of currency exchange rates, especially between the Japanese yen and the U.S. dollar, the euro and Asian currencies.
3. The ability of Sumitomo Electric and its affiliated companies to cope with rapid technological development.
4. Changes in financial, management, environmental and other presumptions.
5. Current and future laws and regulations in foreign countries involving trade and other activities.
6. Changes in the market value of securities owned by Sumitomo Electric and its affiliated companies.

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