

FY2022 1st half results and annual forecasts

Sumitomo Electric Industries, Ltd.
November 17, 2022

Index

1. FY2022 1st half results

1. Business environment/performance summary
2. FY2022 1st half results (PL)
3. OP variation factors from FY2021 1st half to FY2022 1st half
4. Sales and OP by segment

2. FY2022 forecasts

1. Business environment summary
2. FY2022 forecasts (PL)
3. OP variation factors from FY2021 to FY2022
4. Sales and OP by segment

3. Business activities by segment

1. Whole company/Automotive
2. Infocommunications/Electronics
3. Environment and Energy/Industrial Materials

4. ROIC by segment

5. Topic

1. FPCs
2. Water treatment

6. Conclusion

1. OP portfolio
2. Long-term vision "2030 VISION"
3. Dividend

1-1. Business environment/performance summary

Business environment

- ✓ Prolonged reduction in car production due to the Chinese zero-COVID policy (urban lockdown) and short supply of semiconductors and other components
- ✓ Prolonged appreciation of material prices, logistics costs, and energy prices
- ✓ No changes found in the trends of growth in data communications volume, the shift toward a carbon-free society, and the expansion of use of renewable energy

Performance summary for the 1st half

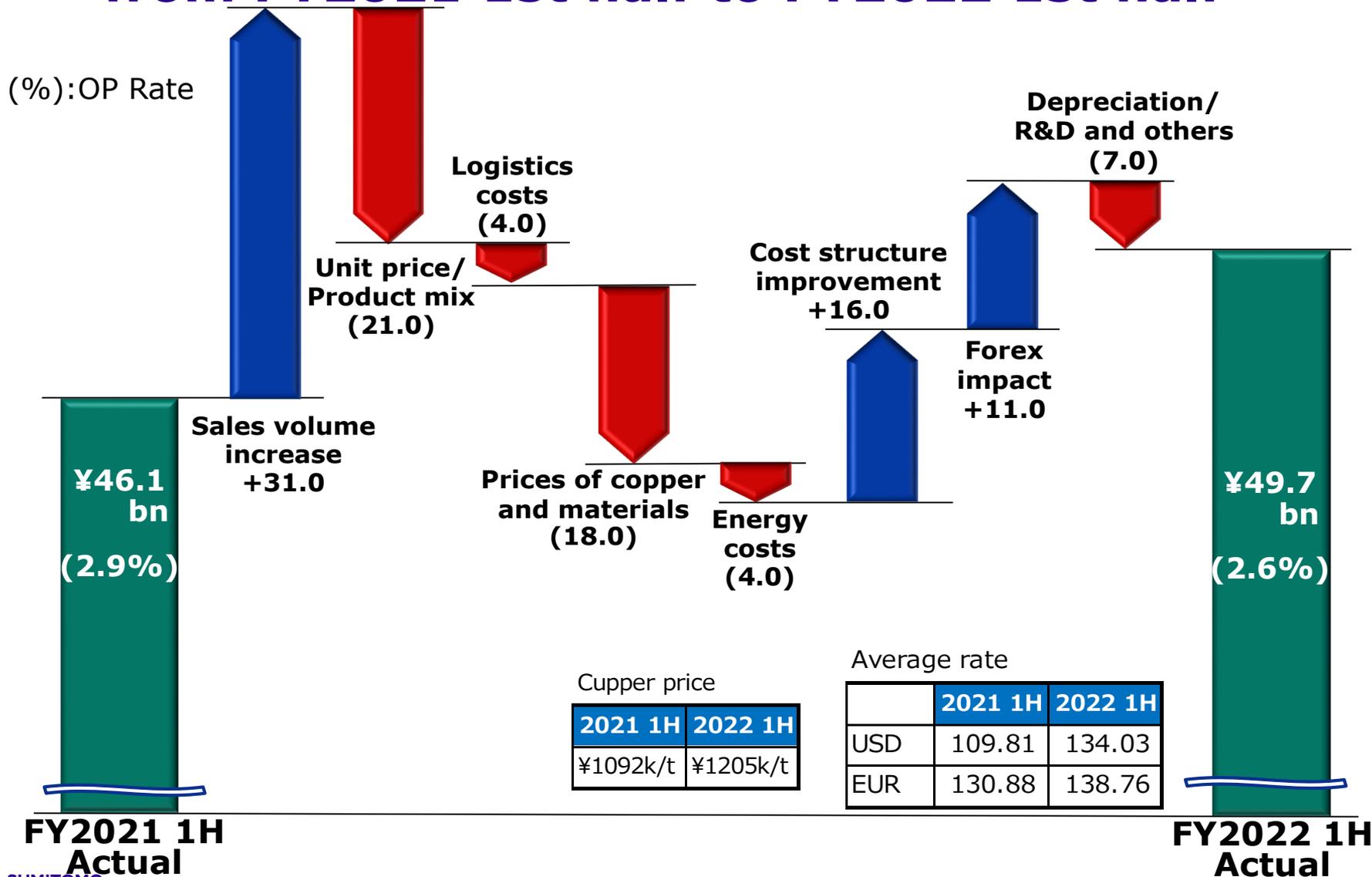
- ✓ Greatly affected by the reduced car production, the automotive segment failed to achieve the plan.
- ✓ The segments of infocommunications, electronics, environment and energy, and industrial materials achieved the plans by expanding their sales, developing new products, making shifts toward high-performance products, and making various efforts toward improving their productivity.
- ✓ The increase in profitability in segments other than the automotive segment steadily brought us closer to the achievement of a well-balanced portfolio, a target set under VISION 2022.

1-2. FY2022 1st half results (PL)

¥bn	FY2021 1H(*) Actual①	FY2022 1H Plan②	FY2022 1H Actual③	Growth ③-①	Difference ③-②
Net Sales	1,570.4	1,800.0	1,891.1	+320.7	+91.1
Operating Profit	46.1	45.0	49.7	+3.6	+4.7
Share of profit of investments accounted for using equity method	13.5		9.9	(3.6)	
Other Non-Operating Income/Expenses	0.6		1.2	+0.6	
Ordinary Income	60.3	50.0	60.9	+0.6	+10.9
Extraordinary Income or Loss	(1.4)		5.4	+6.8	
Profit before Income Taxes	58.9		66.3	+7.4	
Taxes and Profit Attributable to Non-Controlling Interests	(26.5)		(31.2)	(4.7)	
Profit Attributable to Owners of the Parent	32.4	32.0	35.1	+2.7	+3.1

(*) 1H: 1st half

1-3. OP variation factors from FY2021 1st half to FY2022 1st half



1-4. Sales and OP by segment

The automotive segment failed to achieve the plan due to the decreased profitability resulting from the appreciation of material prices and logistics costs and the rapid shrinkage in car production.

The other segments remained steady and achieved the net sales and OP plans at the beginning of this fiscal year.

¥ bn	FY2021 1H Actual ^①		FY2022 1H Plan ^②		FY2022 1H Actual ^③		Growth ③ - ①		Difference ③ - ②	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	816.4	△ 1.0	980.0	0.0	1,016.7	(8.0)	+200.3	(7.0)	+36.7	(8.0)
Info-communications	114.8	10.3	120.0	10.0	121.3	12.9	+6.5	+2.6	+1.3	+2.9
Electronics	140.4	8.0	160.0	12.0	178.2	17.7	+37.8	+9.7	+18.2	+5.7
Environment and Energy	377.4	18.6	420.0	11.0	435.0	12.6	+57.5	(6.0)	+15.0	+1.6
Industrial Materials and Others	159.7	10.5	170.0	12.0	185.2	15.0	+25.4	+4.5	+15.2	+3.0
Total	1,570.4	46.1	1,800.0	45.0	1,891.1	49.7	+320.7	+3.6	+91.1	+4.7

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

2-1. Business environment summary

- ✓ As indicated by a spate of rapid production decreases in and after October, future prospects for car production are still unclear. However, it is foreseen that the shortage of semiconductors will be solved gradually, raising the expectation that customers will move toward production recovery.
- ✓ On the other hand, there is concern that political and geopolitical risks will grow further, and concern about economic downturn due to the worldwide appreciation of prices and monetary tightening around the world. Thus, the business environment will remain unpredictable.

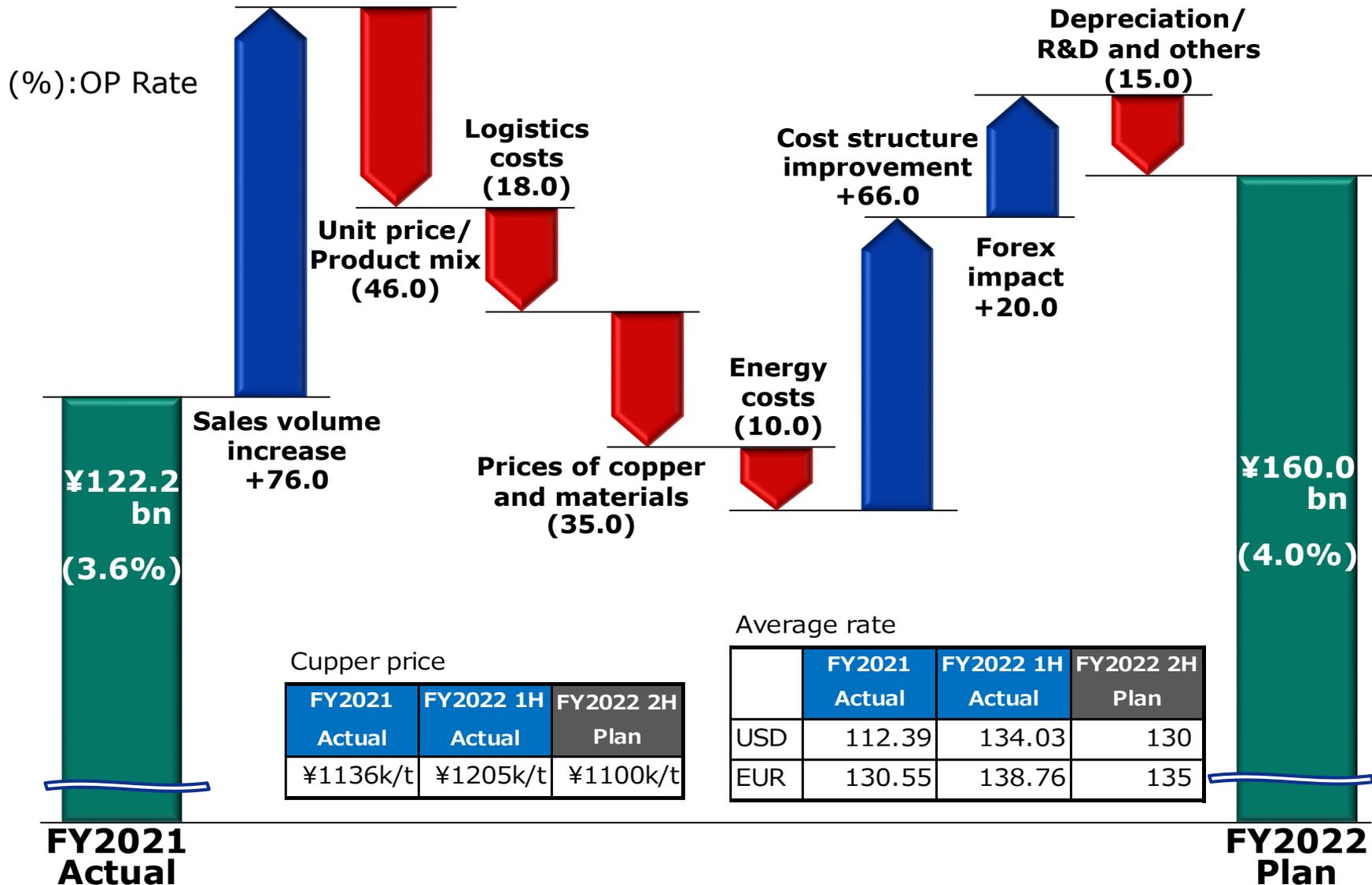


Although it is expected that the business environment will remain harsh, we will dedicate ourselves to completing VISION 2022 by definitely achieving the operating income and profit plans at the beginning of this fiscal year.

2-2. FY2022 forecasts (PL)

	¥bn	FY2021 Actual ^①	FY2022 Previous Plan ^②	FY2022 Revised Plan^③	Growth ③ - ①	Difference ③ - ②
Net Sales		3,367.9	3,850.0	4,000.0	+632.1	+150.0
Operating Profit		122.2	160.0	160.0	+37.8	0.0
Ordinary Income		138.2	165.0	163.0	+24.8	(2.0)
Profit Attributable to Owners of the Parent		96.3	100.0	100.0	+3.7	0.0
Dividend(¥/share)		50	50	50	0.0	0.0
				(2nd half)		
USD		¥112	¥120	¥130		
EUR		¥131	¥135	¥135		
Copper		¥1136k/t	¥1100k/t	¥1100k/t		

2-3. OP variation factors from FY2021 to FY2022



2-4. Sales and OP by segment

The automotive segment, despite expecting recovery in the 2nd half, failed to cover the shortfall for the 1st half and made a downward revision. The electronics segment made an upward revision of its full-year plan based on the business results for the 1st half. The segments of infocommunications, environment and energy, and industrial materials will continue to strive to achieve the OP plans at the beginning of this fiscal year.

	FY2021 Actual ^①		FY2022 Previous Plan ^②		FY2022 Revised Plan ^③		Growth ③ - ①		Difference ③ - ②	
	¥bn	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales
Automotive	1,754.2	12.3	2,100.0	46.0	2,170.0	39.0	+415.8	+26.7	+70.0	(7.0)
Info-communications	239.2	23.4	260.0	26.0	260.0	26.0	+20.9	+2.6	0.0	0.0
Electronics	292.5	19.8	320.0	20.0	350.0	27.0	+57.5	+7.2	+30.0	+7.0
Environment and Energy	833.4	44.0	920.0	39.0	950.0	39.0	+116.6	(5.0)	+30.0	0.0
Industrial Materials and Others	327.9	23.0	360.0	29.0	380.0	29.0	+52.1	+6.0	+20.0	0.0
Total	3,367.9	122.2	3,850.0	160.0	4,000.0	160.0	+632.1	+37.8	+150.0	0.0

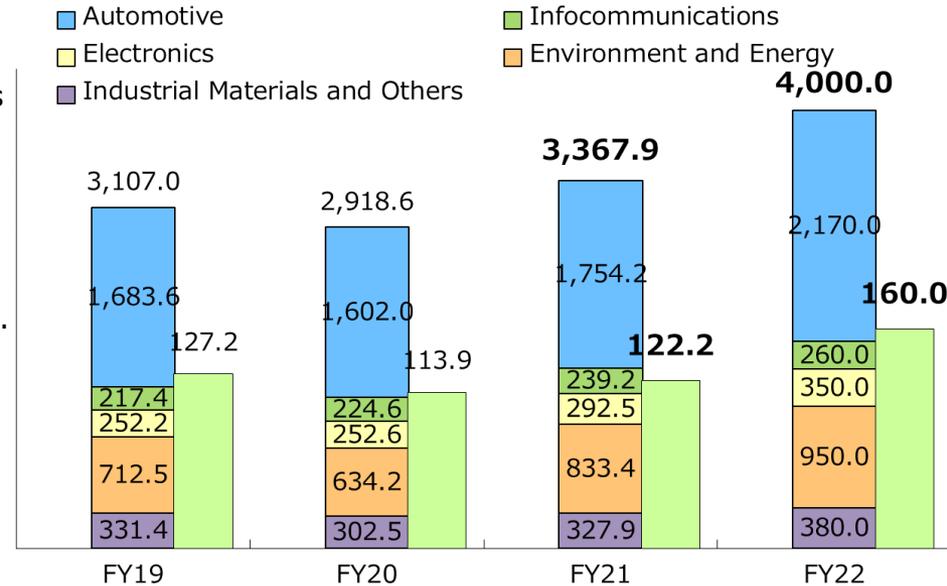
※Differences between the aggregate of all segments and Total are consolidated eliminations.

3-1. Whole company/Automotive

Whole company

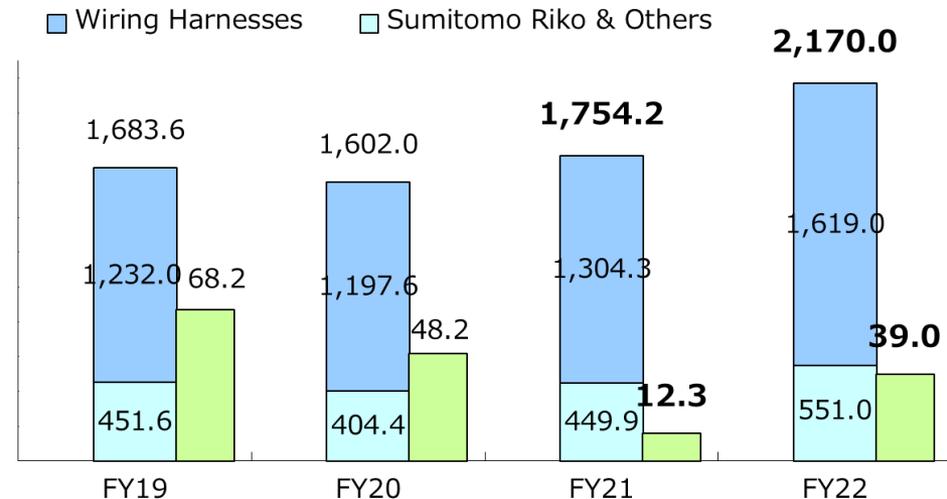
- ① Accelerate our commitments to new markets and new products that are expected to grow, such as renewable energy, data centers, and CASE.
- ② Review the sales prices based on the appreciation of logistics costs and material prices and a thorough reduction of our costs.
- ③ Rigorously select plant and equipment investment to be implemented, and improve our capital efficiency by reducing inventories and trade receivables.

Left : Sales Right : OP (¥bn)



Automotive

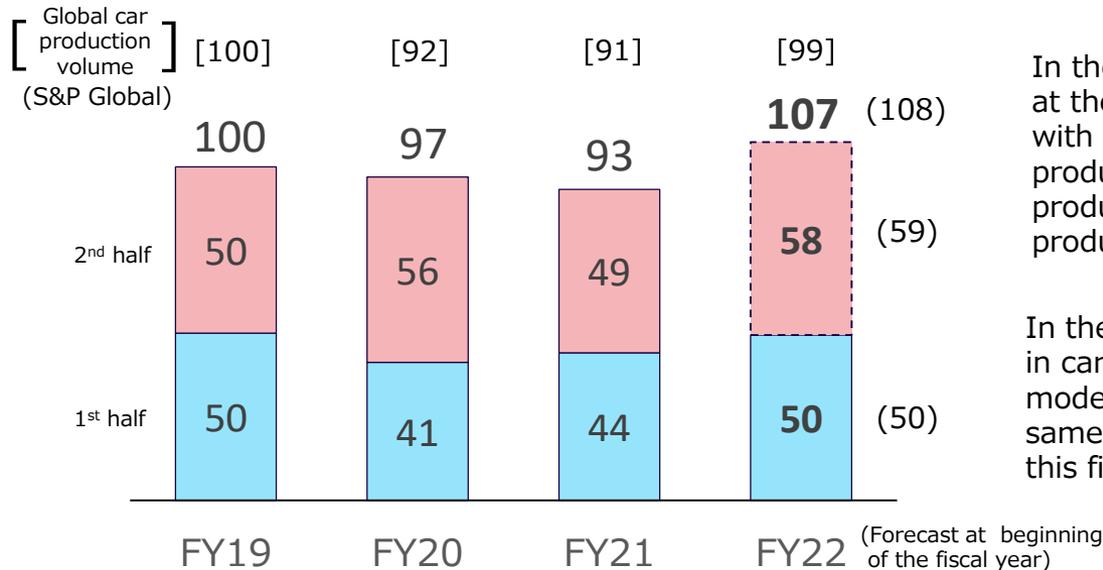
- ① Respond to the appreciation of logistics costs and material prices (including negotiating with customers).
- ② Establish a solid corporate structure with which we can withstand changes in demand (cost reduction and efficient production).
- ③ Develop new products for next-generation cars featuring the CASE elements.



3-1. Automotive

Order volume of wiring harnesses

Indicated as indexes with the figure for the full FY2019 set as 100



In the 1st half, the order volume was on par with the plan at the beginning of the fiscal year, which had been made with consideration given to the risk of slowdown in production. However, affected by a spate of considerable production decreases from the forecast at the last minute, productivity continued to decline.

In the 2nd half, it is estimated that thanks to the recovery in car production and new orders related to new car models, the order volume will increase compared to the same period of the previous fiscal year and the 1st half of this fiscal year.

Logistics

Appreciation of container ship freight rates (to the U.S. --- almost triple that of 2021)

Although spot rates are on the decline, the automotive segment has an annual contract, meaning that freight rates will remain high until the end of this fiscal year.

→Improve the accommodation efficiency, review the shipping routes, and review the production layout

Material

Make the supply chain even more robust (realize stable procurement) and use low-priced materials

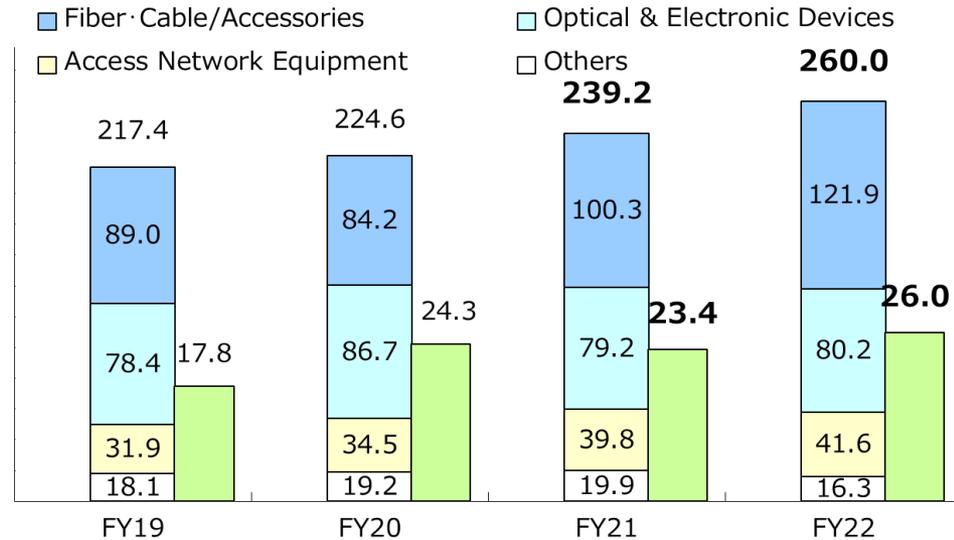
Both logistics and material will continue to negotiate with customers, with consideration given to the expansion of application of a system for passing the increase in the logistics costs and material prices on to the product sales prices.

3-2. Infocommunications/Electronics

Infocommunications

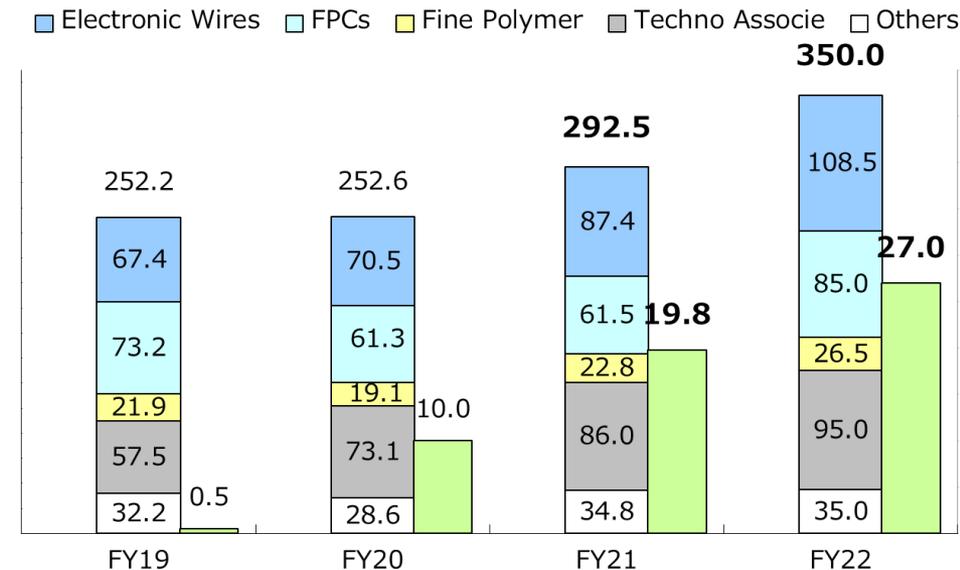
- ① Further expand the sales of products related to data centers and develop new products.
- ② Expand sales of GaN devices for cellular base stations and develop new products.
- ③ Develop next-generation products, such as multi-core fibers and items for all-photonic networking.

Left : Sales Right : OP (¥bn)



Electronics

- ① Expand sales of high-performance FPCs and improve productivity.
- ② Expand sales of FPCs for Automotive and develop new products for high frequency.
- ③ Expand sales of products that meet the movement CASE, such as in-car electric wires and tab leads for EV batteries.

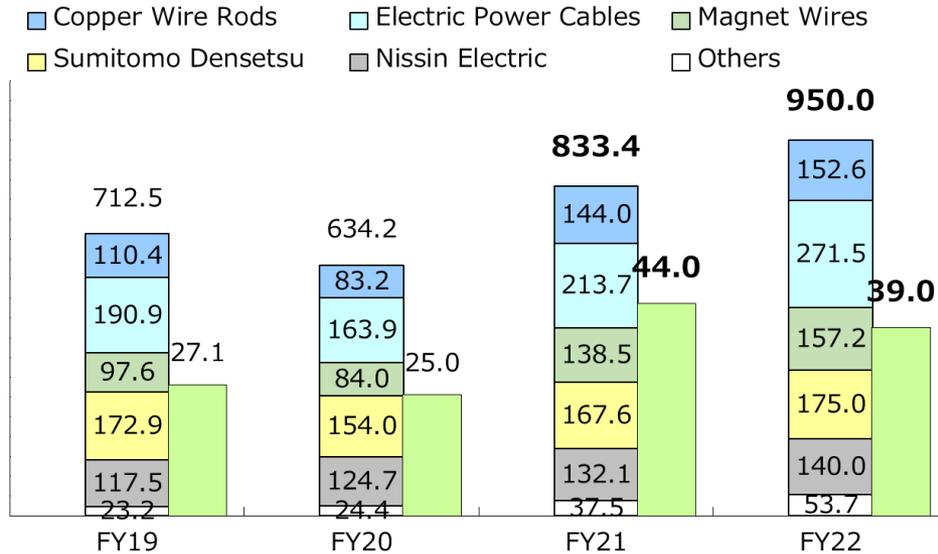


3-3. Environment and Energy/Industrial Materials

Left : Sales Right : OP (¥bn)

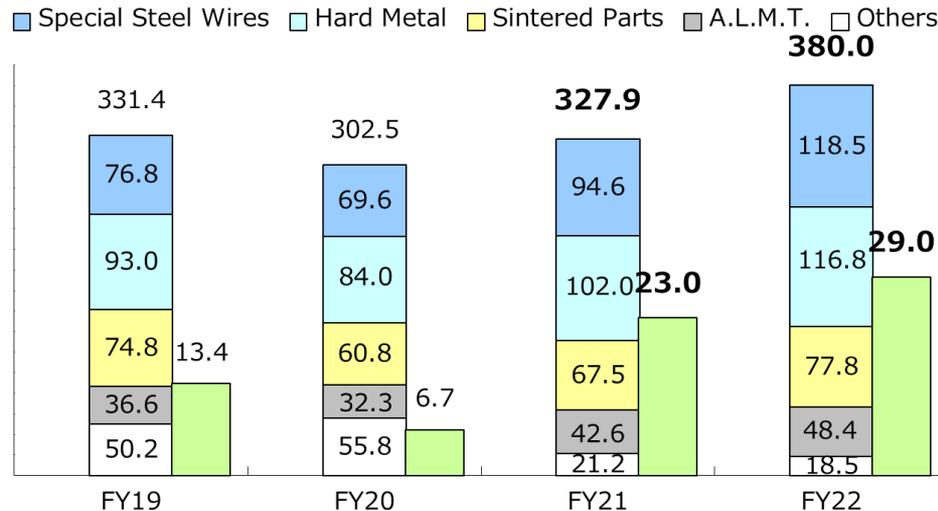
Environment and Energy

- ① Securely obtain orders related to new, large-scale power cable projects, domestic facility renovation, and renewable energy projects.
Reinforce the project management framework.
- ② Expand sales of flat winding magnet wires for EVs and improve productivity.
Reinforce the global production capability.



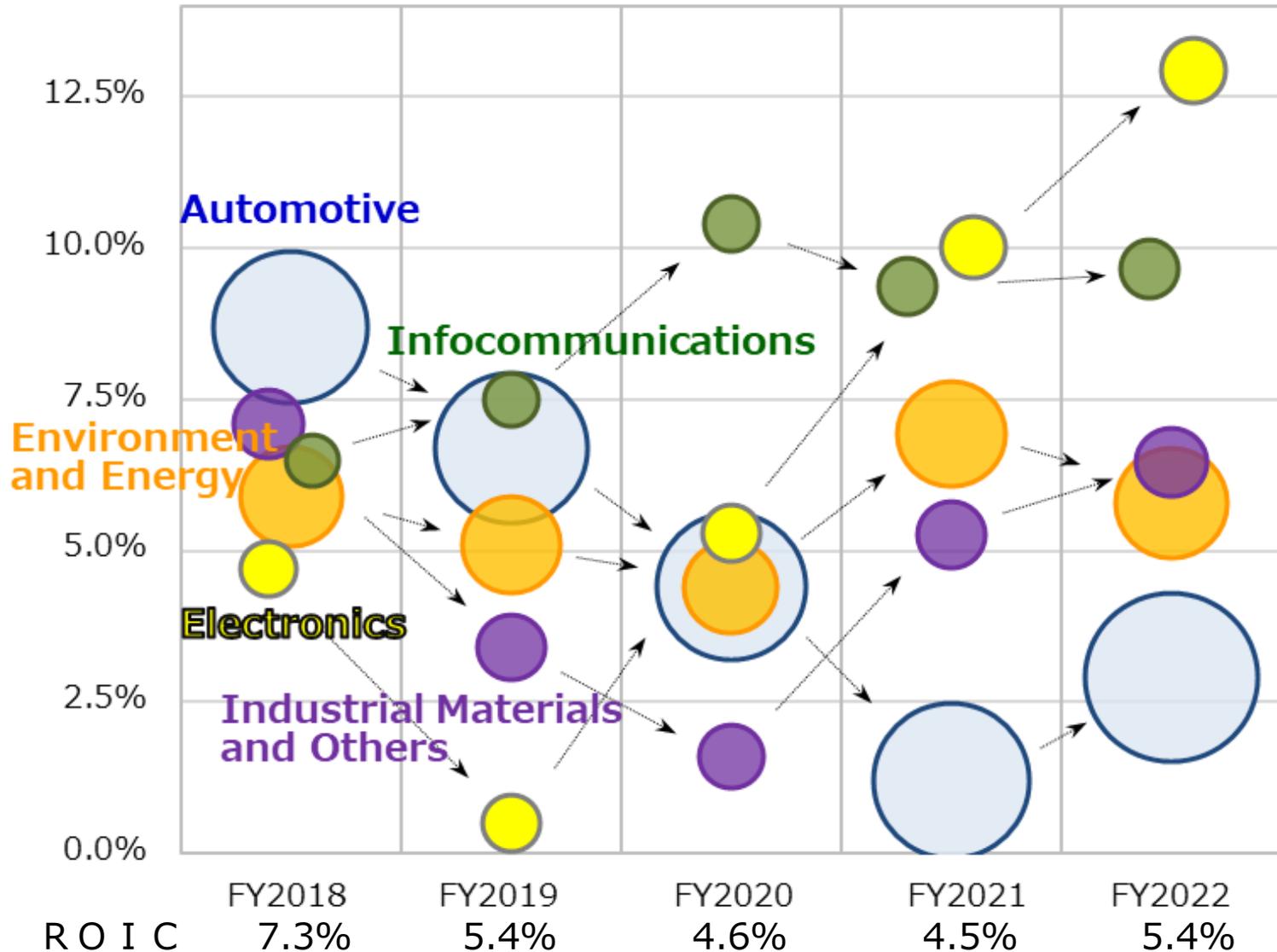
Industrial Materials

- ① Expand global sales of cemented carbide tools and explore new markets for EVs, airplanes, etc.
- ② Reinforce the cost competitiveness and production framework for sintered parts, PC steel wires, and steel wires for springs.



4. ROIC by segment

* The areas of the figures are proportional to sales



ROIC

FY2018
7.3%

FY2019
5.4%

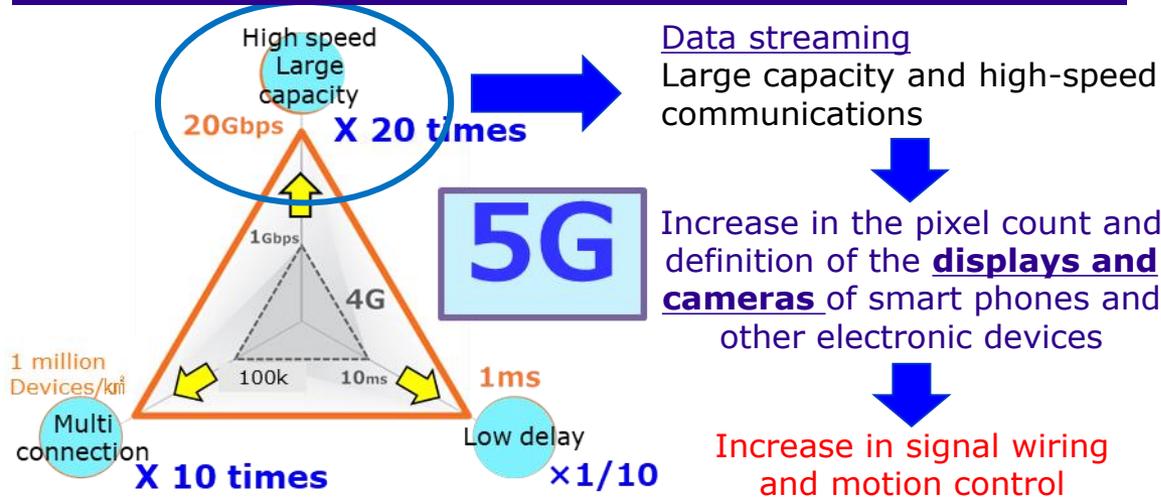
FY2020
4.6%

FY2021
4.5%

FY2022
5.4%

5-1. Topic (FPCs)

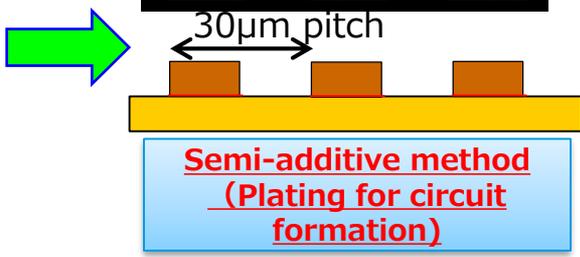
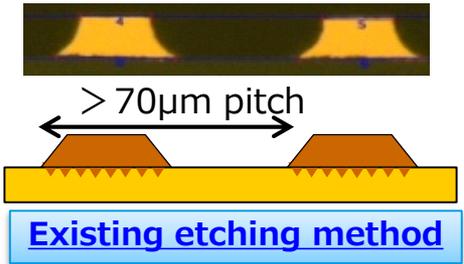
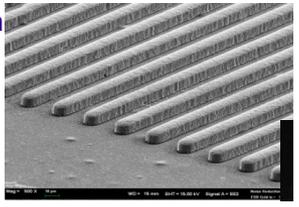
Electronic equipment showing higher performance due to the spread and expansion of high-speed communications



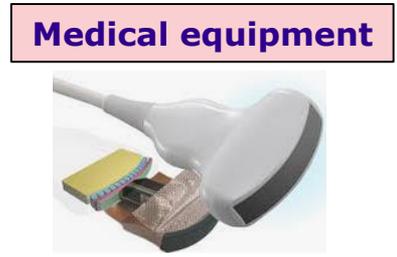
Size reduction and performance improvement due to **fine pitch FPC** using fine circuit technology

Formation of fine circuits through the semi-additive method

- ① Formation of a fine circuits: From 30 μm pitch (Existing etching method: >70 μm pitch)
- ② Stable circuit formation: improvement in electric property



Application



5-2. Topic (Water treatment)

Our water treatment technology = Membrane separation technology

Membrane separation technology = Using a filtering membrane with micron-order fine pores, this technology separates and removes solid from waste water with high precision to obtain clear liquid.

Our separation membrane products



[Features]
 "Membrane material = PTFE" + "Propriety processing technology"

↓

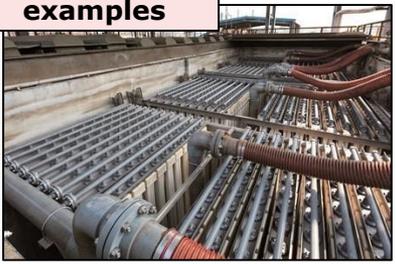
High strength, high chemical resistance, high stain-resistance

↓

Long-term, stable operability → LCC reduction

LCC: Life cycle cost

Installation examples



Oil refining plant in Taiwan
 Reuse water discharged from the plant in the plant as a measure against water shortage.



Sewage treatment facility in China
 Improve the quality of the water in the river to which water is discharged from the facility.



Sewage treatment facility in China
 Improve the sewage environment in rural communities.

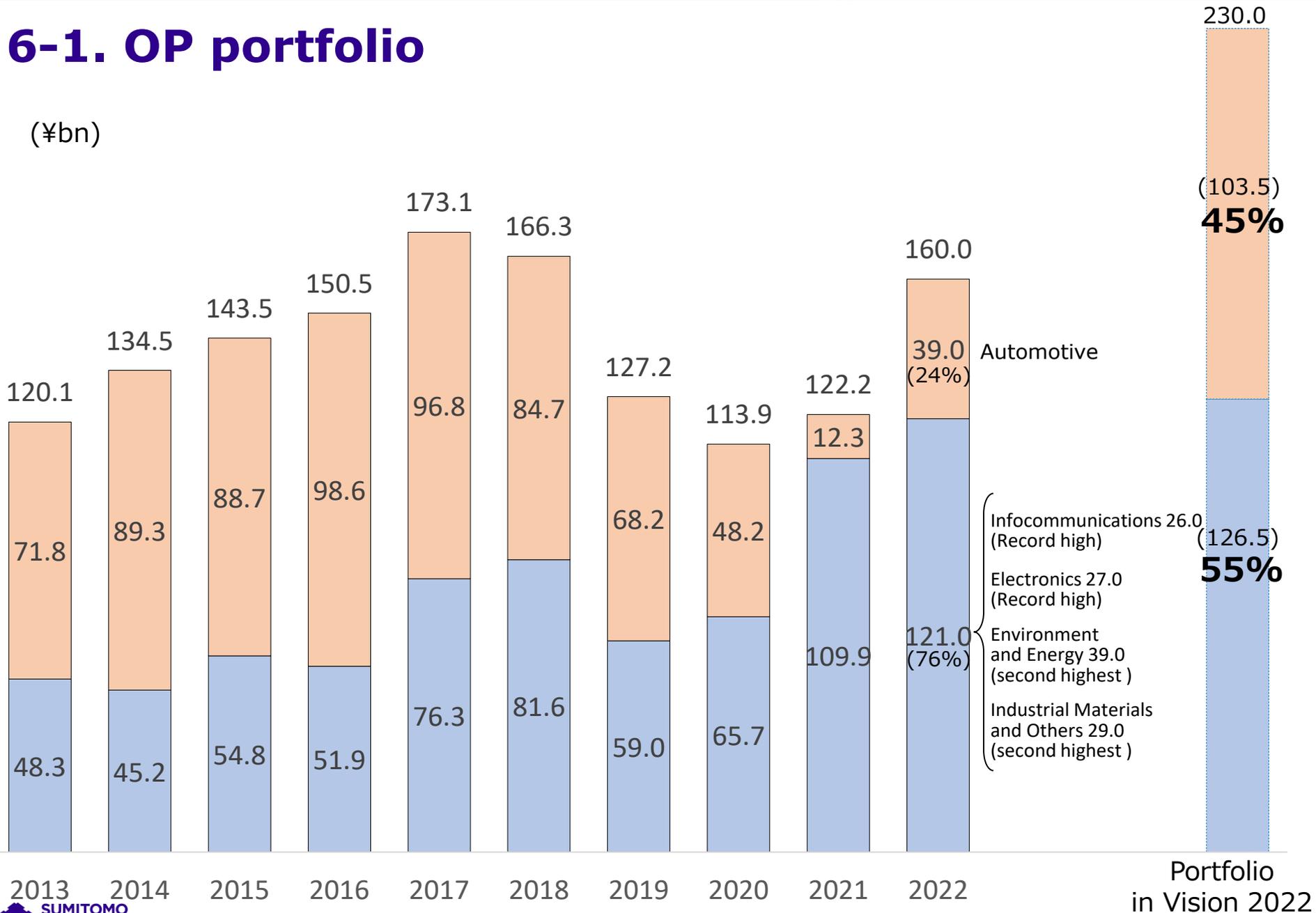


Textile dyeing plant in Thailand
 Respond to the tightening of regulations on the quality of water to be discharged.

Contribute to maintaining and improving the water environment around the world

6-1. OP portfolio

(¥bn)



6-2. Long-term vision "2030 VISION"

Non-financial

E	Global environment	Various efforts as follows: CO ₂ emissions reduction 2030 <Scope 1+2> 30%; <Scope 3> 15% (compared to FY 2018) 2050 <Scope 1+2> carbon neutrality	
	S	Diversity & inclusion	Creation of new values through the integration of diverse perspectives, experiences and technologies
		Engagement	Empathy with the creation of corporate value and actual feeling of contribution
G	Legal compliance	Compliance with laws, regulations, and corporate ethics throughout SEG, including its supply chain, on a global basis	

Financial

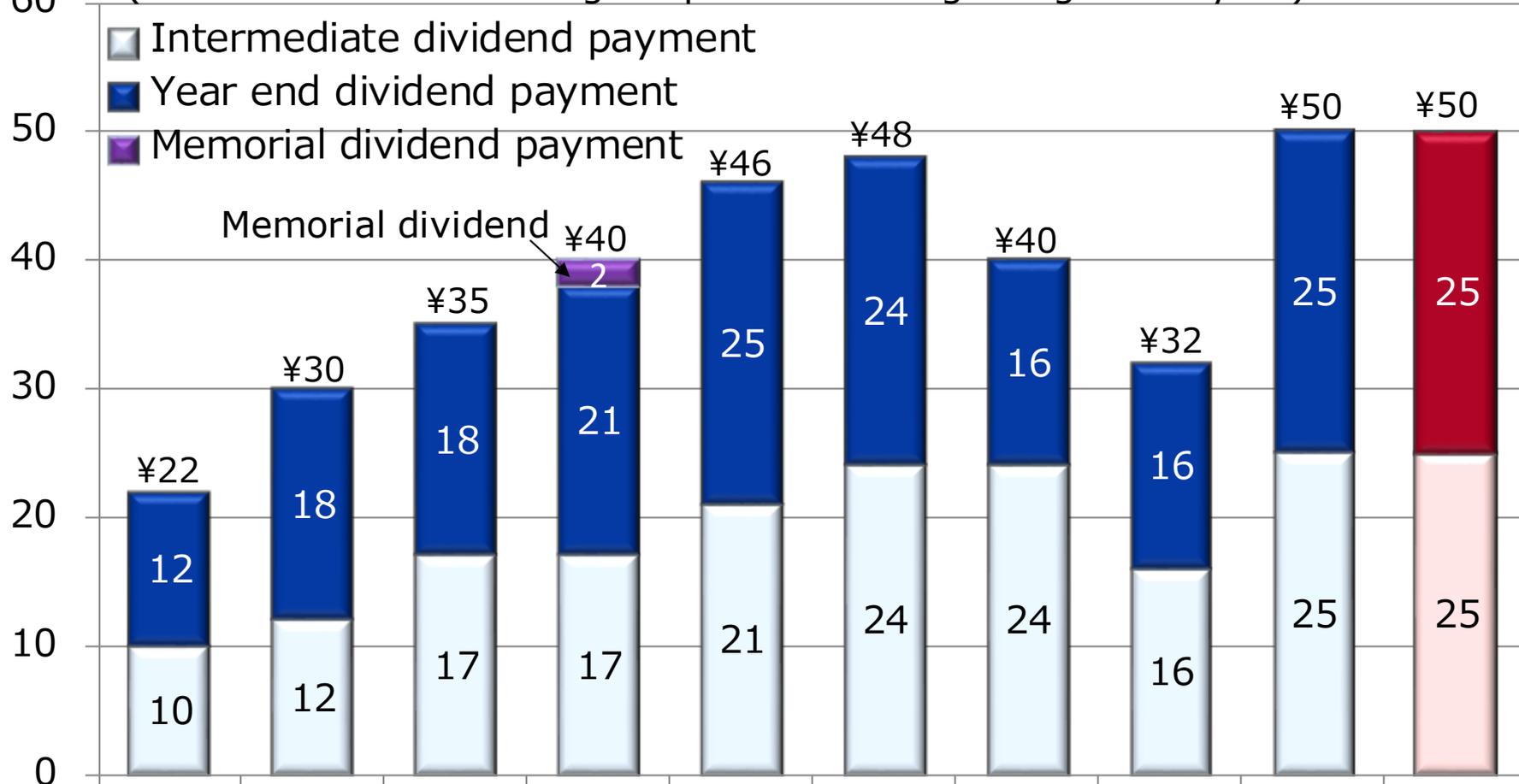
Growth	Consolidated net sales: 5 trillion yen or more 1 trillion yen or more in growth from the key areas of energy, info-communications and mobility
Efficiency	Before-tax ROIC: 10% or higher (Presentation of even higher value and improvement in the profit structure)

We are currently formulating a medium-term plan for the three years from FY2023 to FY2025 as a specific action plan for realizing 2030 VISION. The plan is to be released next spring.

6-3. Dividend

FY2022 annual dividend is planned to be ¥50/share.

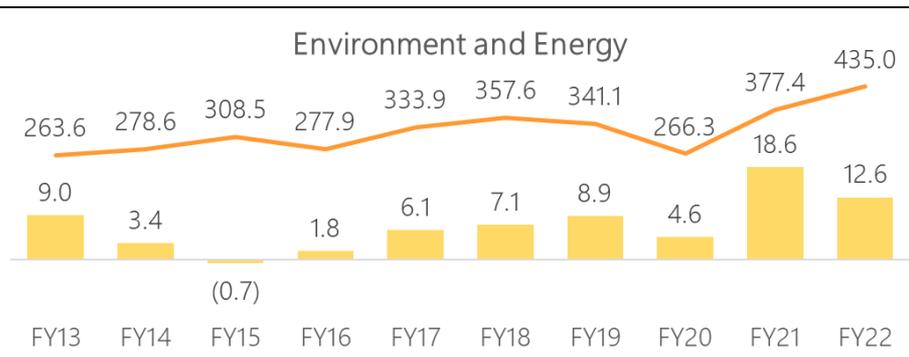
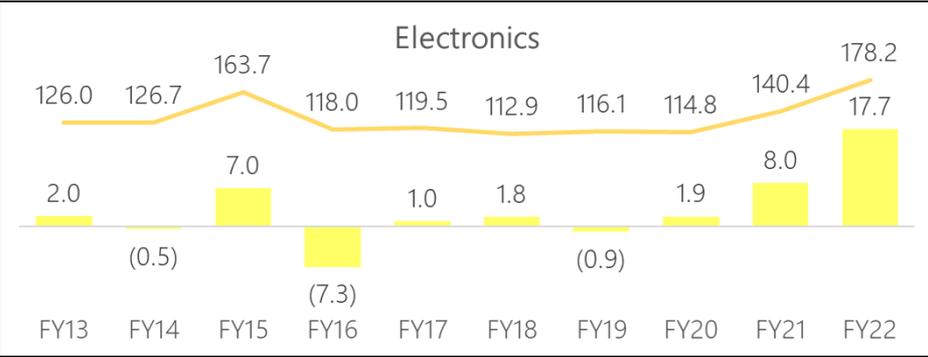
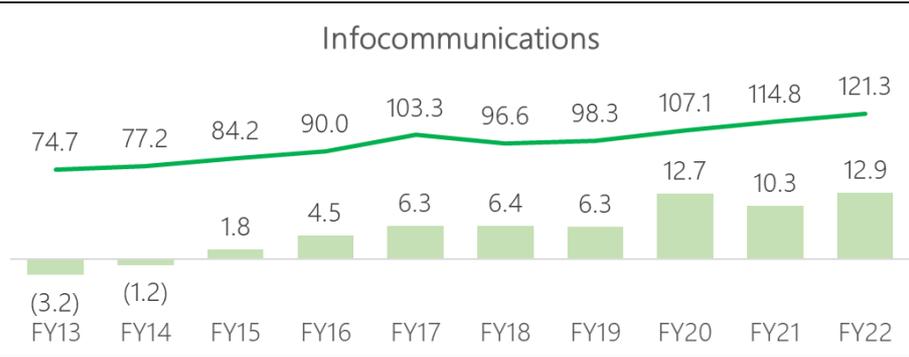
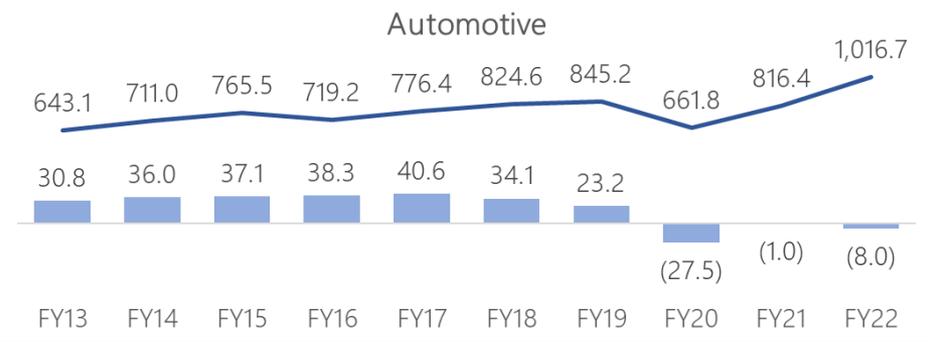
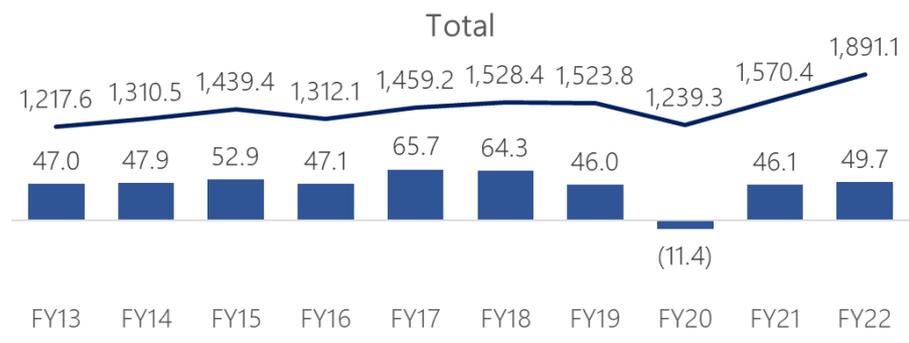
(¥/share) (No revision from the original plan at the beginning of the year)



	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Earnings per Share (Yen)	84.15	151.00	114.73	137.61	154.29	151.38	93.24	72.25	123.49	128.22
Dividend Payout Ratio	26.1%	19.9%	30.5%	29.1%	29.8%	31.7%	42.9%	44.3%	40.5%	39.0%

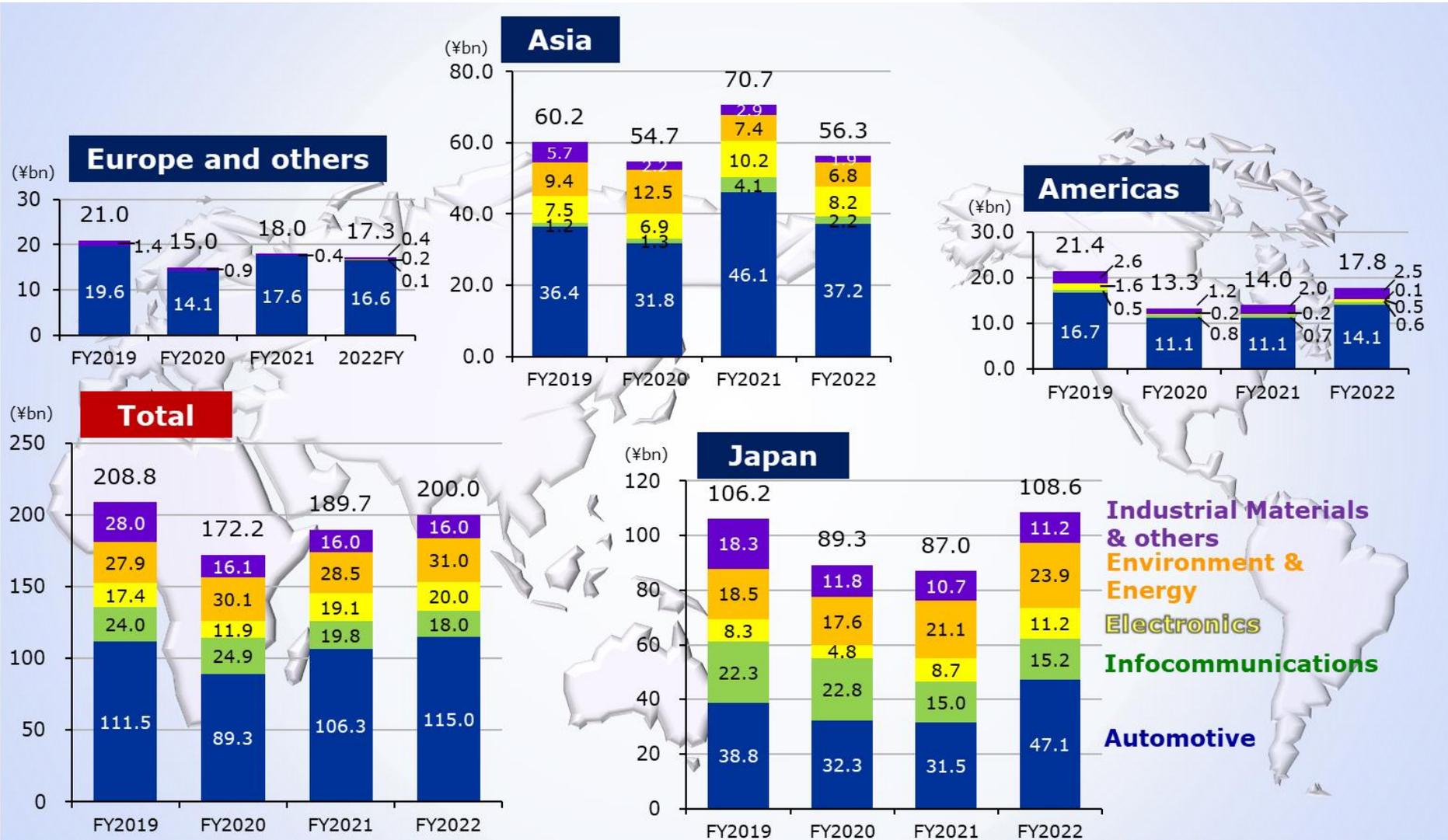
(Reference) 1st half Sales and OP

line:Sales bar:OP (¥bn)



(Reference) Capital investment by region/segment

The annual capital investment for FY2022 is planned to be ¥200 billion.
 Cumulative total for 2018-2022: ¥961 billion (VISION 2022: 950 billion)

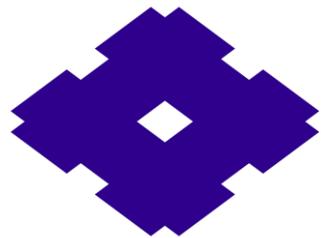


Notes on Perspective Information

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.

There are possibilities that actual sales and profits may be different materially from those described in this material. Sumitomo Electric and its affiliated companies are not obliged to update or make public any future performances, projections or business plans after releasing this material.



**SUMITOMO
ELECTRIC**

Connect with Innovation

<https://sumitomoelectric.com/>