

FY2020 1st Half Results and 2nd Half Forecasts

Sumitomo Electric Industries, Ltd.
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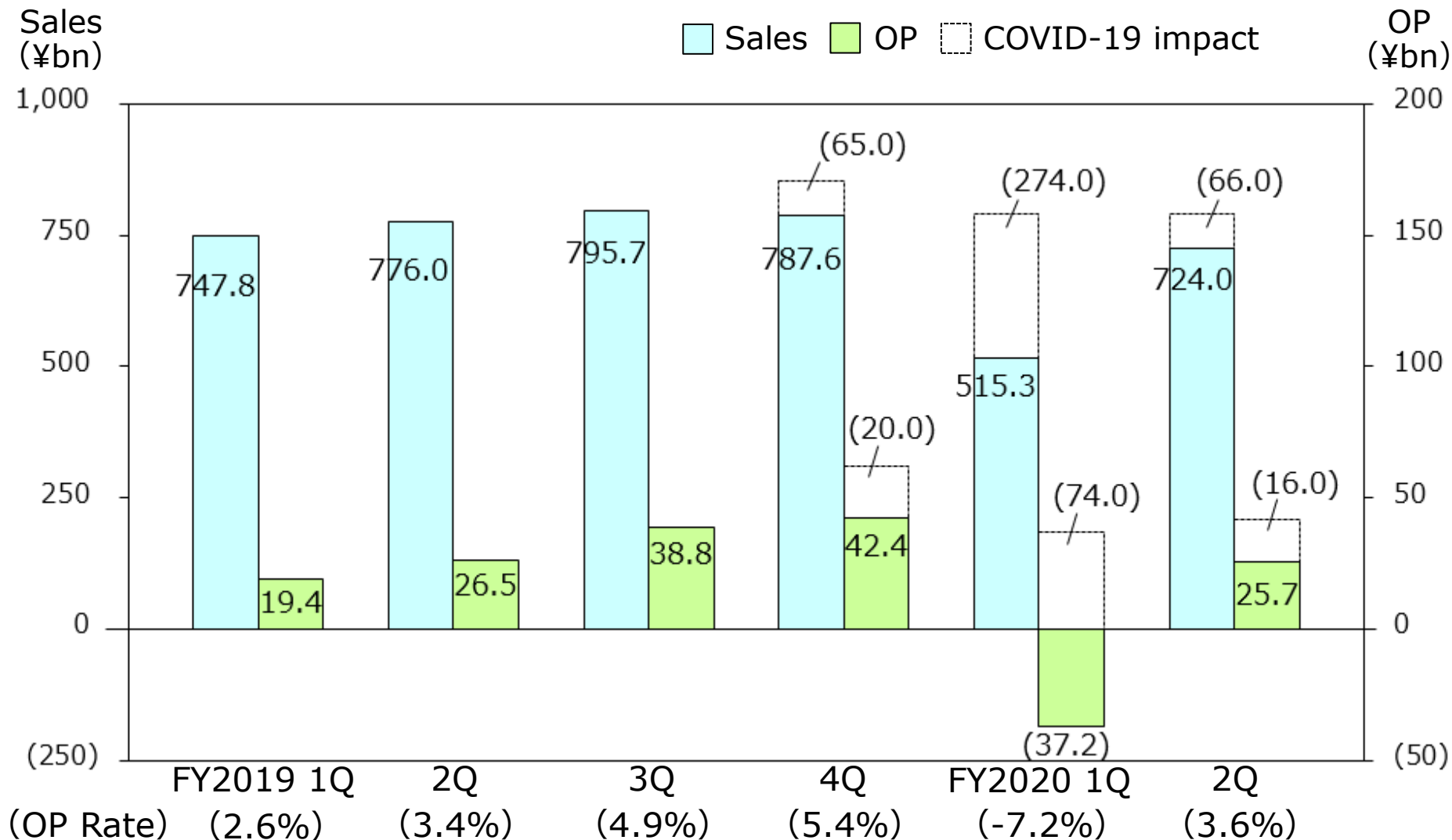
1. FY2020 1st Half Results

1-1. FY2020 1st Half Results (PL)

¥bn	FY2019 1H Actual ^①	FY2020 1H Plan ^②	FY2020 1H Actual ^③	Growth ③-①	Difference ③-②
Net Sales	1,523.8	1,200.0	1,239.3	(284.5)	+39.3
Operating Profit	46.0	(35.0)	(11.4)	(57.4)	+23.6
Non-Operating Income/Expenses	2.1	(10.0)	(12.6)	(14.8)	(2.6)
Ordinary Income	48.1	(45.0)	(24.0)	(72.1)	+21.0
Gain on sales of investment securities	7.0		—	(7.0)	
Gain on bargain purchase	10.4		—	(10.4)	
Loss on disposal of fixed assets	(1.1)		(1.3)	(0.2)	
Impairment loss on fixed assets	(2.2)		(6.2)	(4.0)	
Restructuring expenses	—		(4.5)	(4.5)	
Loss on step acquisitions	(6.6)		—	+6.6	
Profit before Income Taxes	55.6		(36.1)	(91.7)	
Profit Attributable to Non-Controlling Interests	(27.6)		(5.8)	+21.8	
Profit Attributable to Owners of the Parent	28.0	(50.0)	(41.9)	(69.9)	+8.1

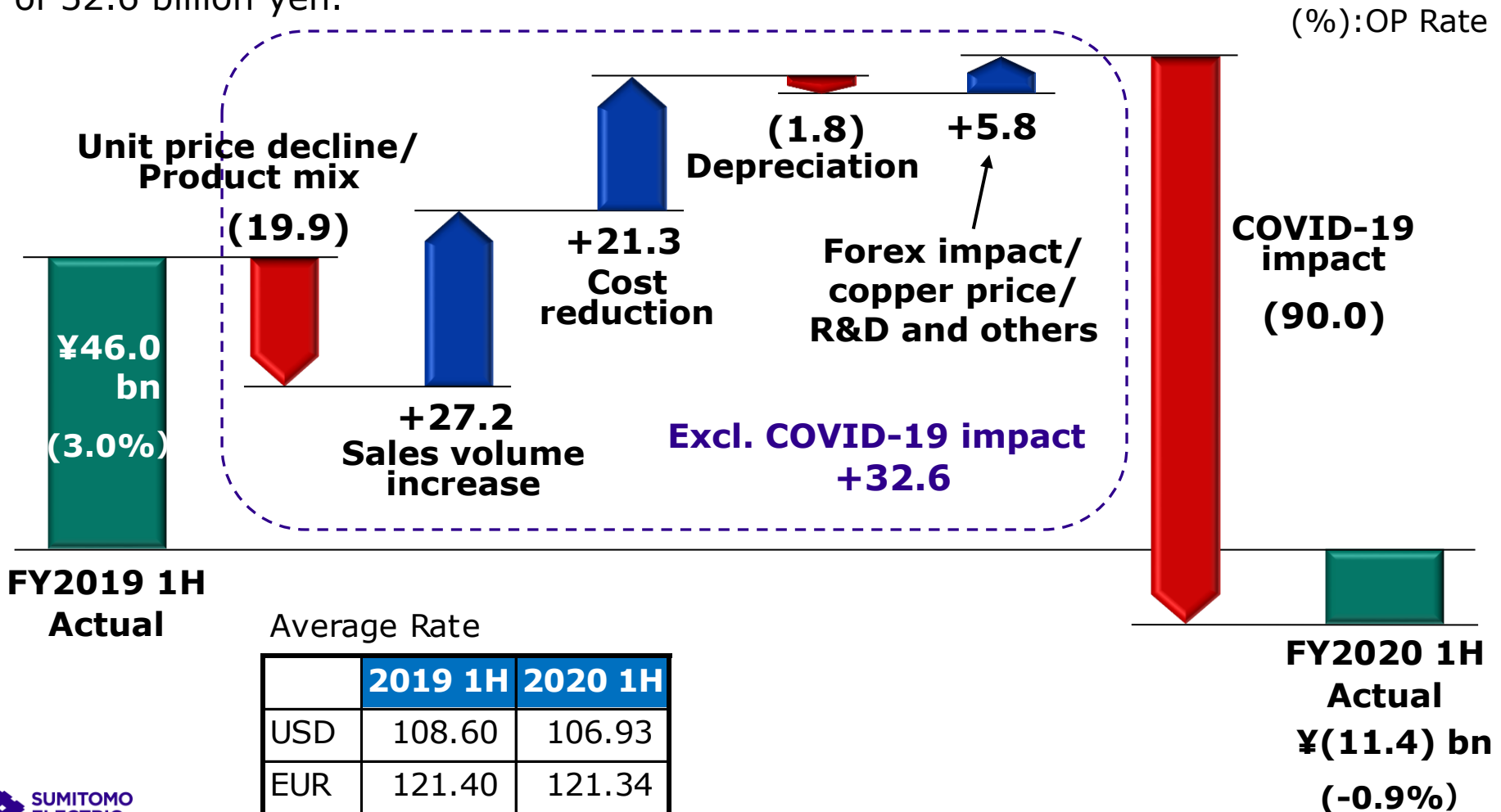
1-2. Historical data of Sales and OP

We posted a deficit in 1Q due to the COVID-19 impact, but the operating income recovered to a level equivalent to that of the same period in the previous year in 2Q.



1-3. OP variation factors from FY2019 to FY2020

The COVID-19 impact amounted to 90.0 billion yen mainly in 1Q. Operating income decreased by 57.4 billion yen from the same period in the previous year, resulting in a deficit. Except for the COVID-19 impact, we covered the unit price decline with a sales volume increase and cost reduction, achieving an improvement of 32.6 billion yen.



Average Rate

	2019 1H	2020 1H
USD	108.60	106.93
EUR	121.40	121.34

1-4. Sales and OP by Segment

Operating income for the Infocommunications and Electronics segments increased from the same period in the previous year. However, operating income for the Automotive, Environment and Energy, and Industrial Materials and Others segments decreased due to the significant COVID-19 impact.

¥bn	FY2019 1H		FY2020 1H				difference		difference	
	Actual ①		Actual ②		COVID-19 impact		②—①		(COVID-19 impact)	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	845.2	23.2	661.8	(27.5)	(215.0)	(63.0)	(183.4)	(50.7)	(215.0)	(63.0)
Infocommunications	98.3	6.3	107.1	12.7	(6.0)	(2.0)	+8.8	+6.4	(6.0)	(2.0)
Electronics	116.1	(0.9)	114.8	1.9	(34.0)	(8.0)	(1.3)	+2.8	(34.0)	(8.0)
Environment and Energy	341.1	8.9	266.3	4.6	(45.0)	(5.0)	(74.8)	(4.2)	(45.0)	(5.0)
Industrial Materials and Others	167.9	8.5	135.1	(3.3)	(40.0)	(12.0)	(32.9)	(11.8)	(40.0)	(12.0)
Total	1,523.8	46.0	1,239.3	(11.4)	(340.0)	(90.0)	(284.5)	(57.4)	(340.0)	(90.0)

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

1-4. Sales and OP by Segment

Operating income increased for all the segments, mainly the Automotive segment, due to recovery beyond expectations.

¥bn	FY2020 1H		FY2020 1H				difference		difference	
	Plan ①		Actual ②		COVID-19 impact		②—①		(COVID-19 impact)	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	630.0	(35.0)	661.8	(27.5)	(215.0)	(63.0)	+31.8	+7.5	+15.0	+4.0
Infocommunications	110.0	9.0	107.1	12.7	(6.0)	(2.0)	(2.9)	+3.7	+2.0	+0.0
Electronics	110.0	0.0	114.8	1.9	(34.0)	(8.0)	+4.8	+1.9	+3.0	(1.0)
Environment and Energy	270.0	(1.0)	266.3	4.6	(45.0)	(5.0)	(3.7)	+5.6	+15.0	+4.0
Industrial Materials and Others	130.0	(8.0)	135.1	(3.3)	(40.0)	(12.0)	+5.1	+4.7	+5.0	+3.0
Total	1,200.0	(35.0)	1,239.3	(11.4)	(340.0)	(90.0)	+39.3	+23.6	+40.0	+10.0

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

1-6. BS as of FY2020 1st Half end

¥ bn	FY2018 Actual	FY2019 Actual	FY2020 1H Actual
Current Assets	1,513.6	1,575.4	1,567.0
Non-Current Assets	1,539.6	1,524.9	1,517.8
Current Liabilities	880.8	915.3	938.0
Non-Current Liabilities	396.2	418.3	444.6
(Interest Bearing Debt)	(540.7)	(636.3)	(701.7)
Shareholders' Equity	1,466.1	1,501.5	1,445.9
Accumulated Other Comprehensive Income	84.8	16.9	14.1
Non- Controlling Interests	225.4	248.2	242.1
Total Assets	3,053.3	3,100.3	3,084.8
Shareholders' Equity Ratio	50.8%	49.0%	47.3%
Debt/Equity Ratio	0.35	0.42	0.48
	FY2018 Actual	FY2019 Actual	FY2020 Plan
※Operating Profit / Invested Assets (ROIC)	7.3%	5.4%	2.9%
Return on Equity (ROE)	7.6%	4.7%	1.0%

※Operating Profit / Invested Assets(ROIC) =
$$\frac{\text{Operating Profit}}{\text{Total Assets} - \text{Interest-Free Liabilities}}$$

2. FY2020 2nd Half Forecasts

2-1. FY2020 Forecasts (PL)

FY2020 Forex Rate
(Original Plan)
¥110/USD
¥120/EUR

(1H Actual)
¥106.93/USD
¥121.34/EUR

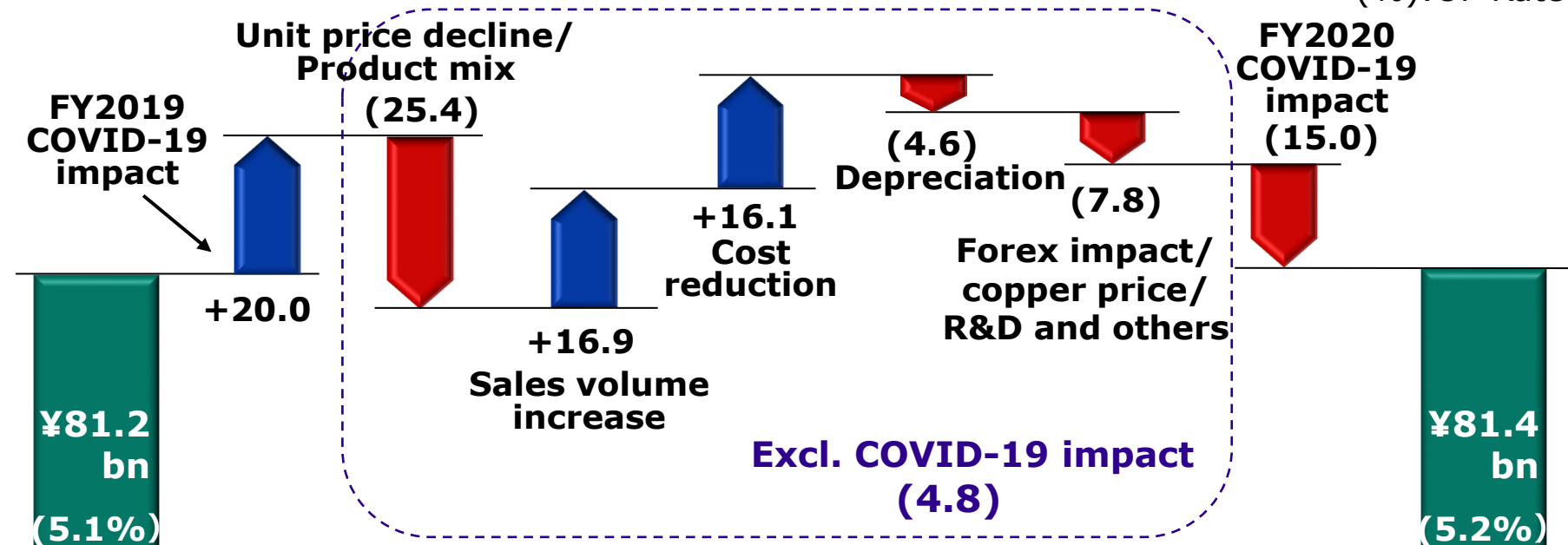
(2H Plan)
¥105/USD
¥125/EUR

¥bn	FY2019			FY2020 Original Plan			FY2020 Revised Plan		
	1H Actual	2H Actual	Annual Actual	1H Plan	2H Plan	Annual Plan	1H Actual	2H Plan	Annual Plan
Net Sales	1,523.8	1,583.3	3,107.0	1,200.0	1,550.0	2,750.0	1,239.3	1,560.7	2,800.0
Operating Profit	46.0	81.2	127.2	(35.0)	90.0	55.0	(11.4)	81.4	70.0
Non-Operating Income/Expense	2.1	1.2	3.3	(10.0)	3.0	(7.0)	(12.6)	3.6	(9.0)
Ordinary Income	48.1	82.4	130.5	(45.0)	93.0	48.0	(24.0)	85.0	61.0
Net Extraordinary Income/Loss	7.5	(4.8)	2.7				(12.0)		
Profit before Income Taxes	55.6	77.6	133.2				(36.1)		
Profit Attributable to Non-Controlling Interests	(27.6)	(32.9)	(60.5)				(5.8)		
Profit Attributable to Owners of the Parent	28.0	44.7	72.7	(50.0)	60.0	10.0	(41.9)	56.9	15.0

2-2. OP variation factors from FY2019 to FY2020

The unit price decline will be covered by the sales volume increase and cost reduction. However, an increase in depreciation as well as the forex impact and copper price will contribute to a decrease in the operating income. We project the operating income at 81.4 billion yen, which is equivalent to that of the 2H of FY2019. Excluding the COVID-19 impact, operating income will decrease by 4.8 billion yen.

(%):OP Rate



Average Rate

	FY2019 1H	FY2019 Annual	FY2020 1H	FY2020 Plan
USD	108.60	108.70	106.93	105
EUR	121.40	120.81	121.34	125

FY2019 2H Actual

FY2020 2H Forecast

2-3. Sales and OP by Segment

Operating income for the Automotive segment is projected to increase from the same period in the previous year, when COVID-19 had a significant impact in China.

Operating income for the Infocommunications segment is projected to decrease due to appreciation of the yen, unit price decline of optical fibers, and a decrease in the production volume and an increase in the R&D expenditure for GaN devices.

¥bn	FY2019 2H		FY2020 2H				difference		difference	
	Actual ①		Revised Plan②		COVID-19 impact		②—①		(COVID-19 impact)	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	838.4	45.0	868.2	52.5	(40.0)	(2.0)	+29.8	+7.5	+7.0	+12.0
Infocommunications	119.1	11.6	122.9	6.3	(4.0)	(1.0)	+3.8	(5.3)	(1.0)	+0.0
Electronics	136.1	1.5	115.2	0.1	(16.0)	(4.0)	(20.9)	(1.3)	(9.0)	(2.0)
Environment and Energy	371.5	18.2	363.7	17.4	(20.0)	(3.0)	(7.7)	(0.9)	(14.0)	(1.0)
Industrial Materials and Others	163.4	4.9	154.9	5.3	(15.0)	(5.0)	(8.5)	+0.4	(13.0)	(4.0)
Total	1,583.3	81.2	1,560.7	81.4	(95.0)	(15.0)	(22.5)	+0.2	(30.0)	+5.0

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

2-3. Sales and OP by Segment

For the Automotive segment, operating income has been revised upward due to recovery of demand. For the Infocommunications segment, operating income has been revised downward due to appreciation of the yen, unit price decline of standard single-mode optical fibers, and a decrease in the production volume of GaN devices. For the Environment and Energy segment, operating income has been revised downward due to the advancement of posting of profits for Nissin Electric and Sumitomo Densetsu to the 1H.

¥bn	FY2020 2H Original Plan ①		FY2020 2H Revised Plan②				difference ②—①		difference (COVID-19 impact)	
	Sales	OP	Sales	OP	COVID-19 impact		Sales	OP	Sales	OP
					Sales	OP				
Automotive	850.0	51.0	868.2	52.5	(40.0)	(2.0)	+18.2	+1.5	+20.0	+1.0
Infocommunications	130.0	11.0	122.9	6.3	(4.0)	(1.0)	(7.1)	(4.7)	(4.0)	(1.0)
Electronics	120.0	1.0	115.2	0.1	(16.0)	(4.0)	(4.8)	(0.9)	(3.0)	+2.0
Environment and Energy	360.0	22.0	363.7	17.4	(20.0)	(3.0)	+3.7	(4.6)	(18.0)	(6.0)
Industrial Materials and Others	150.0	5.0	154.9	5.3	(15.0)	(5.0)	+4.9	+0.3	+0.0	(1.0)
Total	1,550.0	90.0	1,560.7	81.4	(95.0)	(15.0)	+10.7	(8.6)	(5.0)	(5.0)

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

2-4. Policy of Measures in the 2H of FY2020

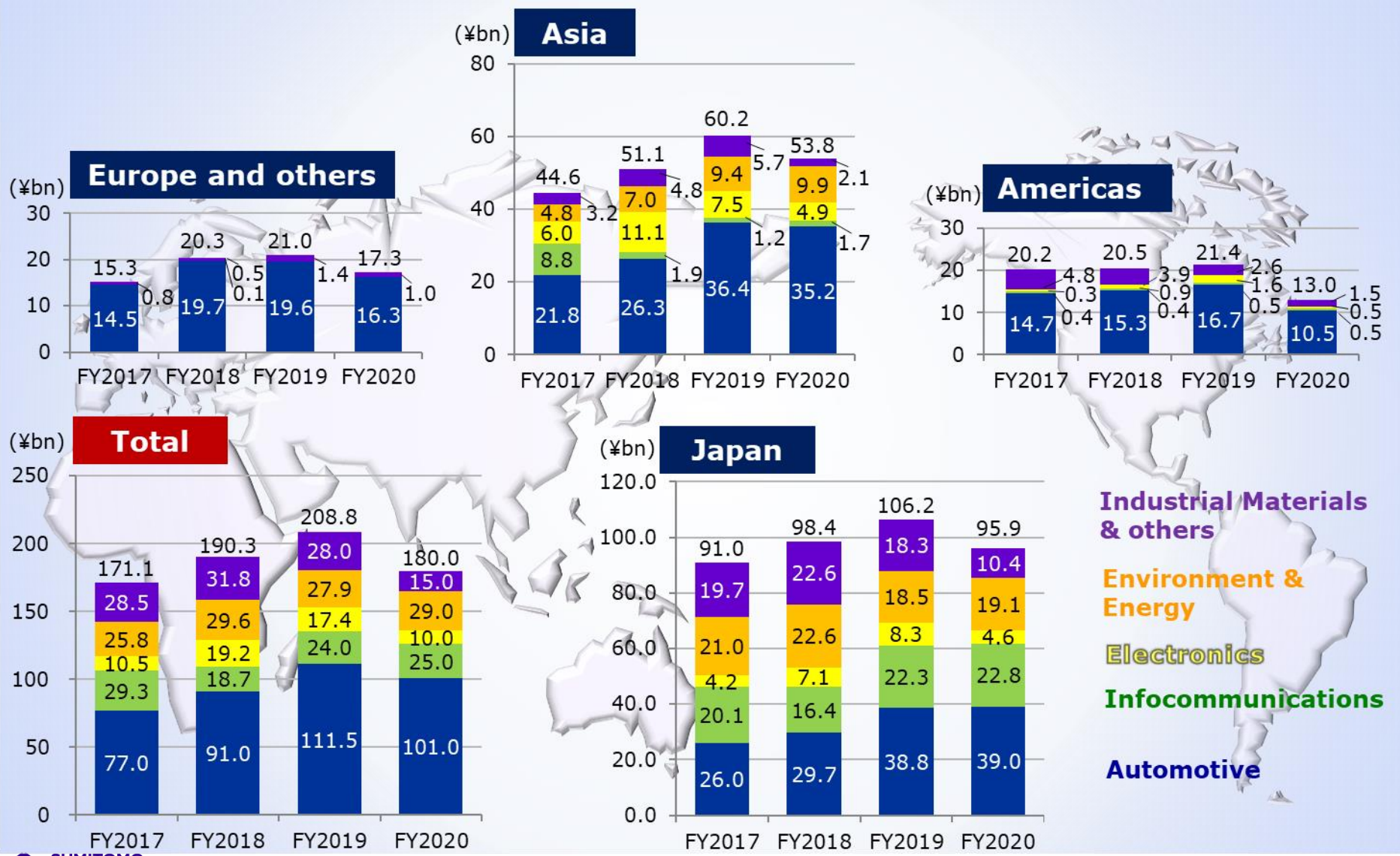
We regard the 2nd half of FY2020 as an important period to get the business performance back on track, and will reap the results of the past measures and make a concerted effort to achieve VISION 2022.

- ✓ **For the Automotive related business in which demand has been recovering significantly, we will properly respond (in terms of production and cost) to the increase in order taking.**
- ✓ **We will expand our business in fields where the market is expected to increase, such as 5G communication, data centers, electrified vehicles (EVs and HVs), and renewable energy.**
- ✓ **The measures to cut costs and investments and change the workstyle in response to COVID-19 will continue.**
- ✓ **We will focus on recovering profitability and improving capital efficiency.**

3. Capital Investment / R&D Expenditure / Dividend

3-1. Capital Investment by Region/Segment

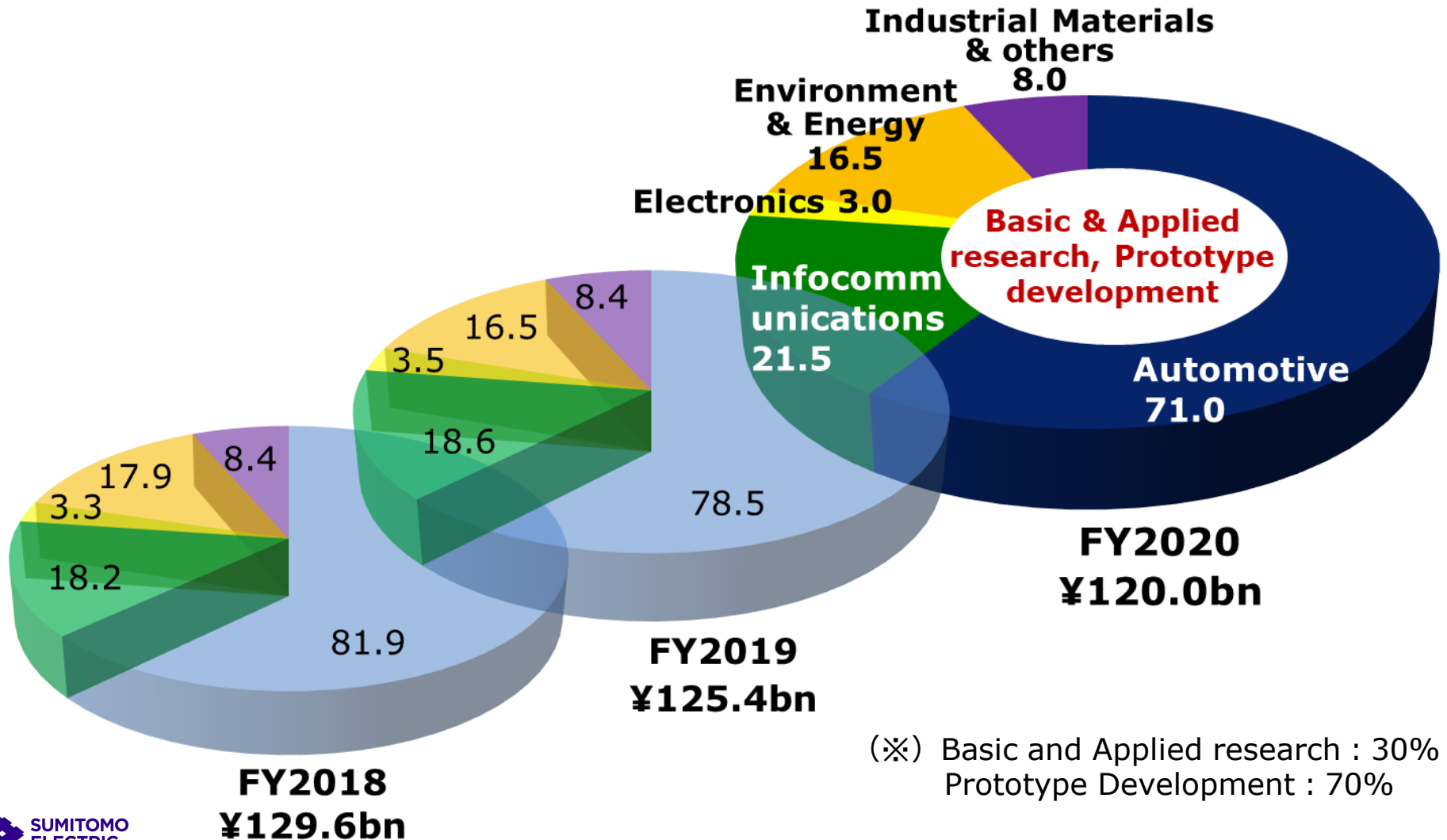
FY2019 : ¥208.8bn ⇒ FY2020 Original Plan : ¥185.0bn ⇒ FY2020 Revised Plan : ¥180.0bn



- Industrial Materials & others**
- Environment & Energy**
- Electronics**
- Infocommunications**
- Automotive**

3-2. R&D Expenditure by Segment

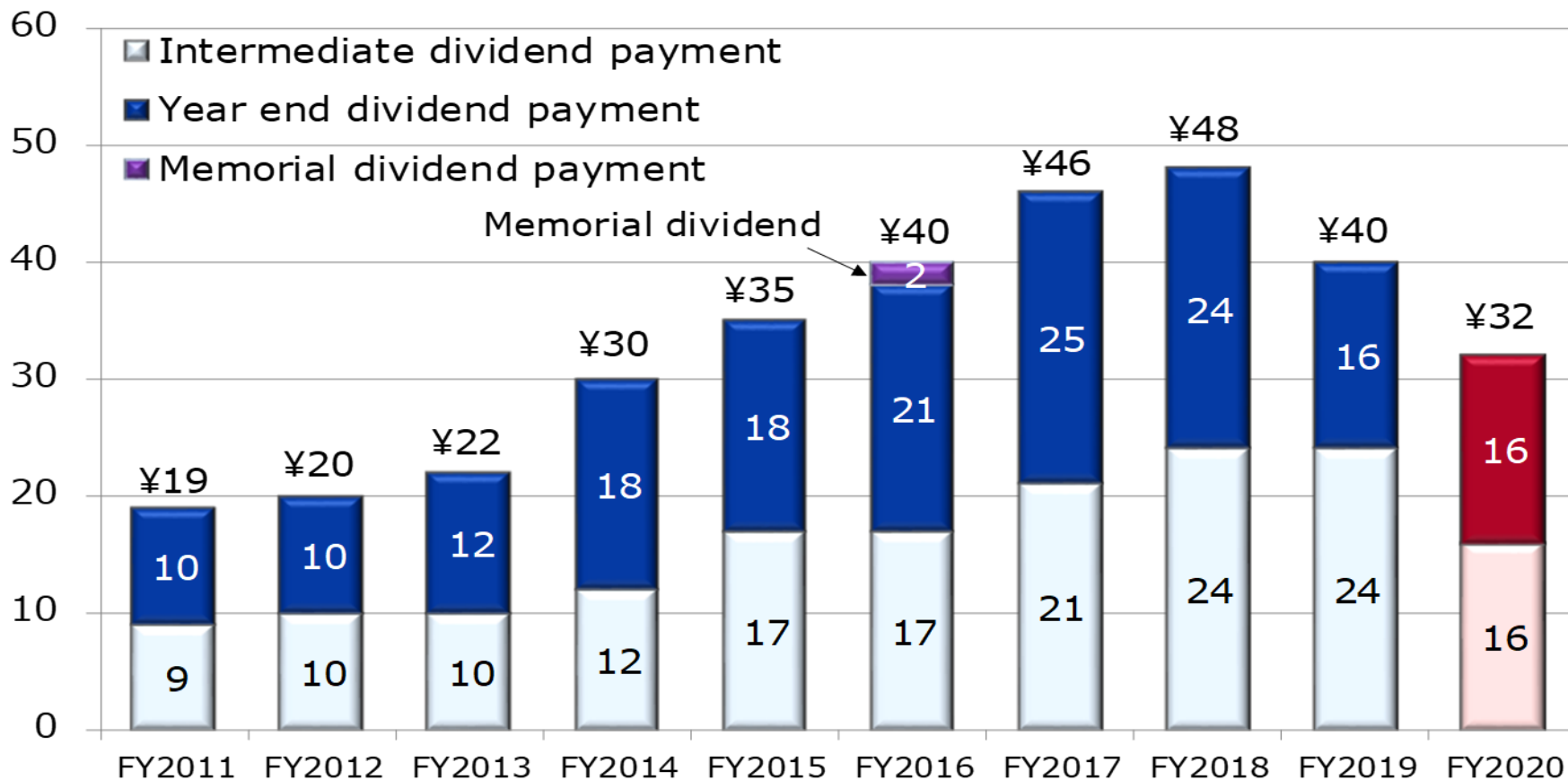
Annual R&D expenditure for FY2020 is 120.0 billion yen, which is down 5.4 billion yen from FY2019 and down 5 billion yen from the amount made public in July.



3-3. Dividend

The dividend forecast for FY2020 is 32 yen per share, which remains unchanged from the amount made public in July.

(¥/share)



Earnings per Share (Yen)
Dividend Payout Ratio

Fiscal Year	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Earnings per Share (Yen)	74.21	47.85	84.15	151.00	114.73	137.61	154.29	151.38	93.24	19.23
Dividend Payout Ratio	25.6%	41.8%	26.1%	19.9%	30.5%	29.1%	29.8%	31.7%	42.9%	166.4%

4. VISION 2022 Management Plan and Measures

4-1. VISION 2022 Management Plan and Progress

VISION 2022 concept

“Contributing to a better society by leveraging our expertise in connectivity and transmission technologies through concerted efforts of the entire group”

VISION 2022 Growth Strategy

Enhancement and Expansion of Five Business Segments

Sumitomo Electric Group continues to strive for growth in five business segments focusing on **Mobility, Energy, and Communications** fields as well as materials, products, and solutions that support these fields and aims to grow every segment to achieve **a balanced business portfolio**.

Further Growth Through Innovation

In the wake of **dramatic changes in the automobile industry together with the renewable energy revolution and exponential growth in data usage worldwide**, Sumitomo Electric Group will enhance innovation and develop and offer new technologies, products and services.

Numerical targets and progress

	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Plan
Sales (¥bn)	3,082.2	3,178.0	3,107.0	2,800.0
OP (¥bn)	173.1	166.3	127.2	70.0
OP Rate	5.6%	5.2%	4.1%	2.5%
ROIC	7.9%	7.3%	5.4%	2.9%
ROE	8.1%	7.6%	4.7%	1.0%

FY2020 (excl. COVID-19 impact)
(3,235.0)
(175.0)
(5.4%)
(7.3%)
(5.6%)

22V (FY2018 Plan)	
FY2020	FY2022
3,400.0	3,600.0
200.0	230.0
5.9%	6.4%
8.5% or more	9% or more
8% or more	8% or more

4-1. VISION 2022 Management Plan and Progress

Status by segment

	Latest business environment	Progress
Automotive	There have been developments to meet the CASE requirements. The shift to environmentally friendly vehicles (EVs, HVs) has been accelerating toward a decarbonized society. The communication functionality has also been advanced.	Recently, sales have been increasing steadily beyond the pace of the increase of vehicles sold. We have been actively promoting R&D around CASE, including environmentally friendly vehicles.
Infocommunications	While the price of optical fibers has dropped, the data traffic has increased significantly due to the COVID-19 impact (i.e., telework and stay-at-home demand).	To meet the demand in line with the increase in data traffic, we have expanded our business in data center-related products and devices for mobile base stations.
Electronics	The functionality of smartphones has become more advanced. The market for in-vehicle products for electrified vehicles and high-speed communication has expanded.	For FPCs, we have been shifting from conventional products to high-value-added products and working to optimize the production system. Sales of in-vehicle products (e.g., electronic wires) have expanded.

4-1. VISION 2022 Management Plan and Progress

Status by segment

	Latest business environment	Progress
Environment and Energy	Renewable energy systems have been rapidly installed in line with the green recovery policy. Strong and steady demand for renewal of aged facility has been expected at electrical utilities in Japan.	We have received orders for large projects of offshore wind farms and onshore high voltage DC links by leveraging our comprehensive capabilities (cables, system equipment, and engineering).
Industrial Materials	Demand has been recovering steadily from the plunge due to the COVID-19 turmoil. Demand for cutting tools has been expanding for the overall automotive market. Demand for sintered components has been expanding for electrified vehicles.	For cutting tools, we have been working to further increase our market share in Japan, China, Europe, and the U.S. For sintered components, we have been working to expand sales at new overseas companies and enhance profitability.

We will step up efforts to achieve VISION 2022 by meeting the environmental changes (e.g., CASE, green energy, increase in data traffic) in line with the VISION 2022 Growth Strategy.

4-2. ESG Measures

Sustainable and long-term growth of a company requires management focused on ESG (environment, social, and corporate governance). We work on ESG through the following activities.

Environment (E)	<ul style="list-style-type: none">•Enhancing measures to prevent global warming (reducing CO2 emissions/energy saving)•Improving response to help create a resource-saving society (reducing waste emissions and promoting recycling)•Reducing emissions of harmful chemicals•Expansion of environmentally conscious product range
Social (S)	<ul style="list-style-type: none">•Promoting diversity management (e.g., promotion of women’s participation and advancement in the workplace, employment of persons with disabilities)•Achieving diverse workstyles and enhancing measures for health and productivity management•Strengthening the development of human resources (enhancement of group and global training opportunities)•Promoting creation of a safe working environment•Promoting CSR procurement, covering the suppliers that represent 90% or more of the value of our domestic procurement
Governance (G)	<p>Enhancing corporate governance (strengthening the compliance system and upgrading the risk management system)</p> <p>Enhancing information security</p> <p>Strengthening measures to cope with disasters</p>

4-2. Environmental Measures

Reduction of environmental impact in business operations

① Prevention of global warming and promotion of energy saving

- Reduction of greenhouse gas emissions from manufacturing sites
- Reduction of energy consumption at manufacturing sites
- Reduction of energy consumption at offices
- Reduction of CO2 emissions from transport
- Introduction of renewable energy

② Promotion of resource conservation and recycling

- Reduction of waste amount
- Reduction of water consumption

③ Reduction of Substances of Environmental Concern

- Reduction of emissions of substances designated by the PRTR law

Reduction of environmental impact through products (examples)

Reduction of CO2 emissions

Environmentally friendly vehicles/weight reduction of the car body

- Harnesses and connectors for EVs/HVs
- Aluminum harnesses
- Rectangular magnet wires for motors of electric vehicles
- Tab leads for electric vehicle batteries
- Celmet for battery electrodes

Renewable energy

- [Cables for offshore wind farms](#)
- [High Voltage DC cables \(long-distance power interconnectors\)](#)
- Redox flow batteries

Infocommunications

- GaN devices for mobile base stations (highly efficient)

Water resources

Water environment

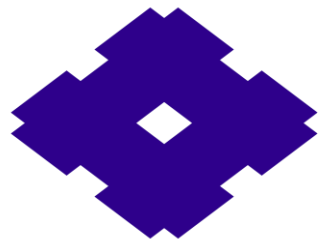
- Water treatment equipment / modules

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.



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ELECTRIC**

Connect with Innovation

<https://global-sei.com/>