

FY2020 Results and FY2021 Forecasts

Sumitomo Electric Industries, Ltd.

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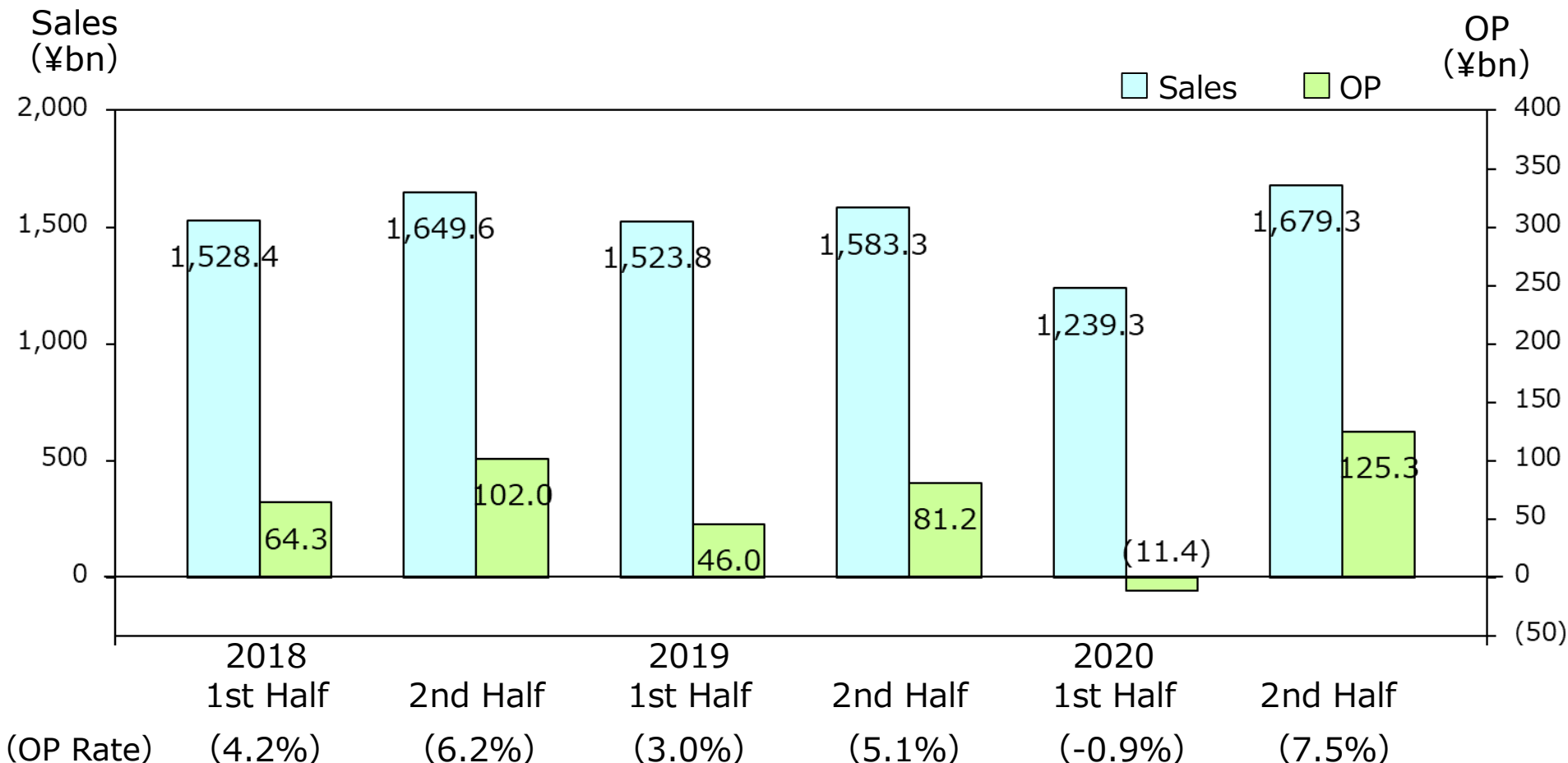
1. FY2020 Results

1-1.FY2020 Results (PL)

	FY2019	FY2020	FY2020	Growth	Difference
¥bn	Actual ①	Revised Plan②	Actual ③	③-①	③-②
Net Sales	3,107.0	2,870.0	2,918.6	(188.4)	+48.6
Operating Profit	127.2	100.0	113.9	(13.3)	+13.9
Non-Operating Income/Expenses	3.3	(3.0)	0.1	(3.1)	+3.1
Ordinary Income	130.5	97.0	114.1	(16.4)	+17.1
Gain on sales of investment securities	9.8		16.8	+6.9	
Gain on return of assets from retirement benefit trust	2.6		-	(2.6)	
Gain on bargain purchase	10.4		-	(10.4)	
Loss on disposal of fixed assets	(2.9)		(3.0)	(0.1)	
Impairment loss on fixed assets	(7.6)		(9.2)	(1.6)	
Restructuring expenses	(3.1)		(8.3)	(5.2)	
Loss on step acquisitions	(6.6)		-	+6.6	
Profit before Income Taxes	133.2		110.3	(22.9)	
Taxes and Profit Attributable to Non-Controlling Interests	(60.5)		(54.0)	+6.5	
Profit Attributable to Owners of the Parent	72.7	35.0	56.3	(16.4)	+21.3

1-2. Historical data of Sales and OP

In the first half of FY2020, sales declined significantly due to COVID-19, resulting in a loss. However, in the second half of the year, sales and operating profit (OP) reached a record high owing to successful production and shipment measures and cost-cutting efforts to respond to the recovery in automotive production.



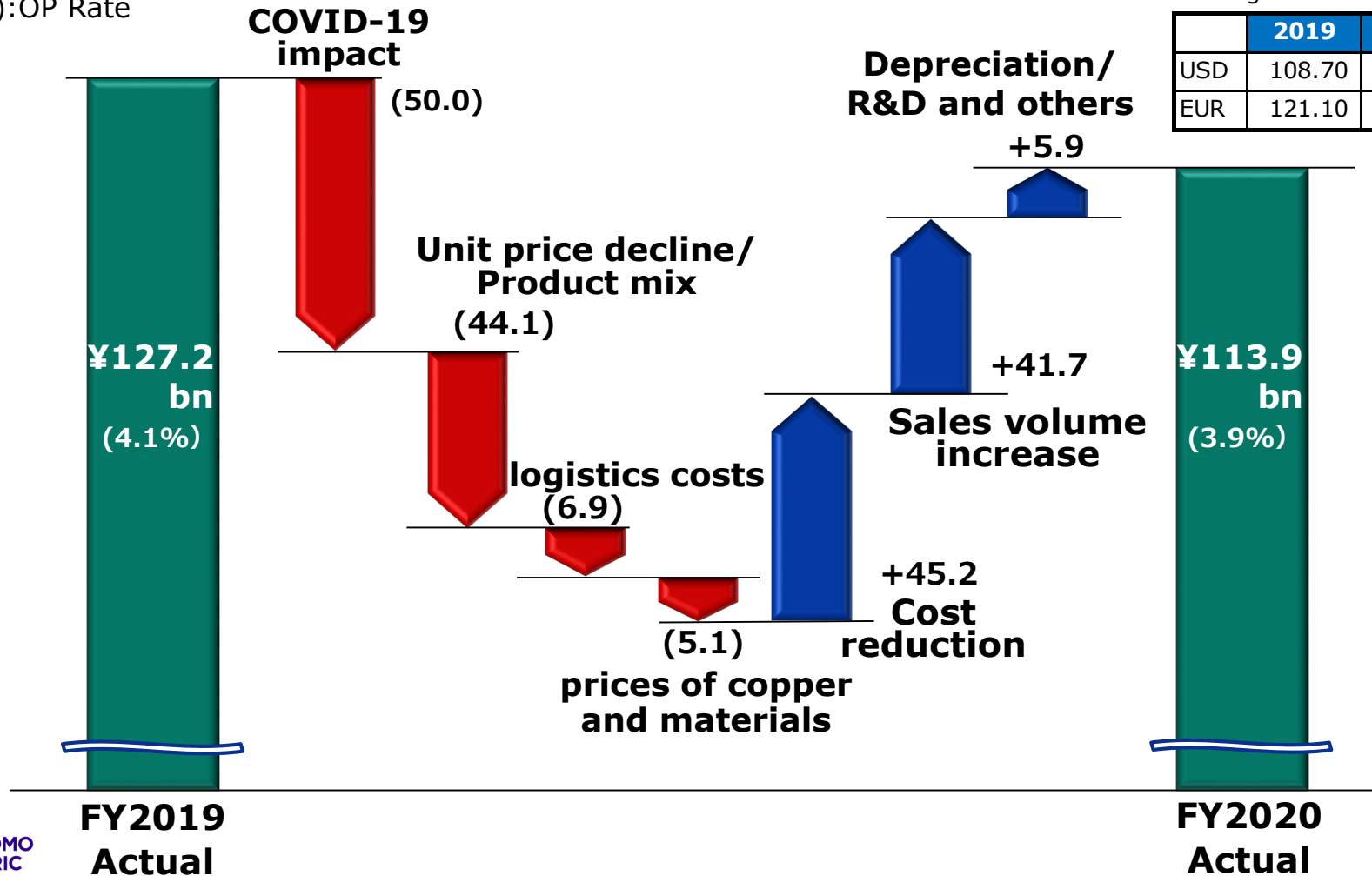
1-3.OP variation factors from FY2019 to FY2020

Despite the impact of COVID-19 mainly in the first half of the year and price declines, as well as increased logistics costs and higher prices of copper and materials in the second half of the year, the decrease in OP was limited to ¥13.3 bn by offsetting them to the maximum extent possible by cutting costs and increasing volume.

(%):OP Rate

Average Rate

	2019	2020
USD	108.70	106.10
EUR	121.10	123.76



1-4.Sales and OP by Segment

For the full year, OP decreased from the previous period in the automotive, environment & energy, and industrial materials & others segments but increased in the infocommunications and electronics segments. In the second half of the year, OP increased in all segments.

	FY2019				FY2020				Growth				
	¥ bn	2nd Half		Annual		2nd Half		Annual		2nd Half		Annual	
		Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	838.4	45.0	1,683.6	68.2	940.2	75.7	1,602.0	48.2	+101.8	+30.7	(81.6)	(20.0)	
Infocommunications	119.1	11.6	217.4	17.8	117.4	11.6	224.6	24.3	(1.6)	+0.1	+7.2	+6.5	
Electronics	136.1	1.5	252.2	0.5	137.9	8.2	252.6	10.0	+1.8	+6.7	+0.4	+9.5	
Environment and Energy	371.5	18.2	712.5	27.1	367.9	20.4	634.2	25.0	(3.5)	+2.2	(78.4)	(2.1)	
Industrial Materials and Others	163.4	4.9	331.4	13.4	167.4	9.9	302.5	6.7	+4.0	+5.0	(28.8)	(6.8)	
Total	1,583.3	81.2	3,107.0	127.2	1,679.3	125.3	2,918.6	113.9	+96.0	+44.1	(188.4)	(13.3)	

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

1-4.Sales and OP by Segment

Both sales and OP increased in all segments as a result of the Group's concerted efforts to reduce costs and secure production and shipments.

¥ bn	FY2020 Revised Plan				FY2020 Actual				Difference	
	2nd Half		Annual		2nd Half		Annual		2nd Half	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	925.2	71.5	1,587.0	44.0	940.2	75.7	1,602.0	48.2	+15.0	+4.2
Infocommunications	112.9	9.3	220.0	22.0	117.4	11.6	224.6	24.3	+4.6	+2.3
Electronics	125.2	5.1	240.0	7.0	137.9	8.2	252.6	10.0	+12.6	+3.0
Environment and Energy	363.7	17.4	630.0	22.0	367.9	20.4	634.2	25.0	+4.2	+3.0
Industrial Materials and Others	157.9	8.3	293.0	5.0	167.4	9.9	302.5	6.7	+9.5	+1.7
Total	1,630.7	111.4	2,870.0	100.0	1,679.3	125.3	2,918.6	113.9	+48.6	+13.9

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

1-5. BS as of FY2020 end

	FY2018 Actual	FY2019 Actual①	FY2020 Actual②	Difference ②—①
Current Assets	1,513.6	1,575.4	1,729.4	+154.0
Non-Current Assets	1,539.6	1,524.9	1,652.5	+127.7
Current Liabilities	880.8	915.3	1,008.1	+92.7
Non-Current Liabilities (Interest Bearing Debt)	396.2	418.3	481.3	+63.1
Shareholders' Equity	1,466.1	1,501.5	1,531.6	+30.2
Accumulated Other Comprehensive Income	84.8	16.9	97.2	+80.3
Non-Controlling Interests	225.4	248.2	263.7	+15.5
Total Assets	3,053.3	3,100.3	3,381.9	+281.7
Shareholders' Equity Ratio	50.8%	49.0%	48.2%	(0.8%)
Debt/Equity Ratio	0.35	0.42	0.42	0
	FY2018 Actual	FY2019 Actual①	FY2020 Actual②	Difference ②—①
※Operating Profit / Invested Assets (ROIC)	7.3%	5.4%	4.6%	(0.8%)
Return on Equity (ROE)	7.6%	4.7%	3.6%	(1.1%)

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

1-6. Review of FY2020

Policy for our efforts in FY2020 2H (material for the briefing last November)

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.**

- **Although there were some downward factors, such as soaring material prices and logistics congestion, the highest-ever second-half-year sales and OP were achieved by responding to the rapid recovery in production by car manufacturers to the fullest extent in terms of production and costs and by improving profitability in the electronics segment, which had been an issue.**
- **The break-even point greatly improved through continuous cost cutting and investment reductions.**
- **The capital efficiency (ROIC), however, needs to be further improved.**

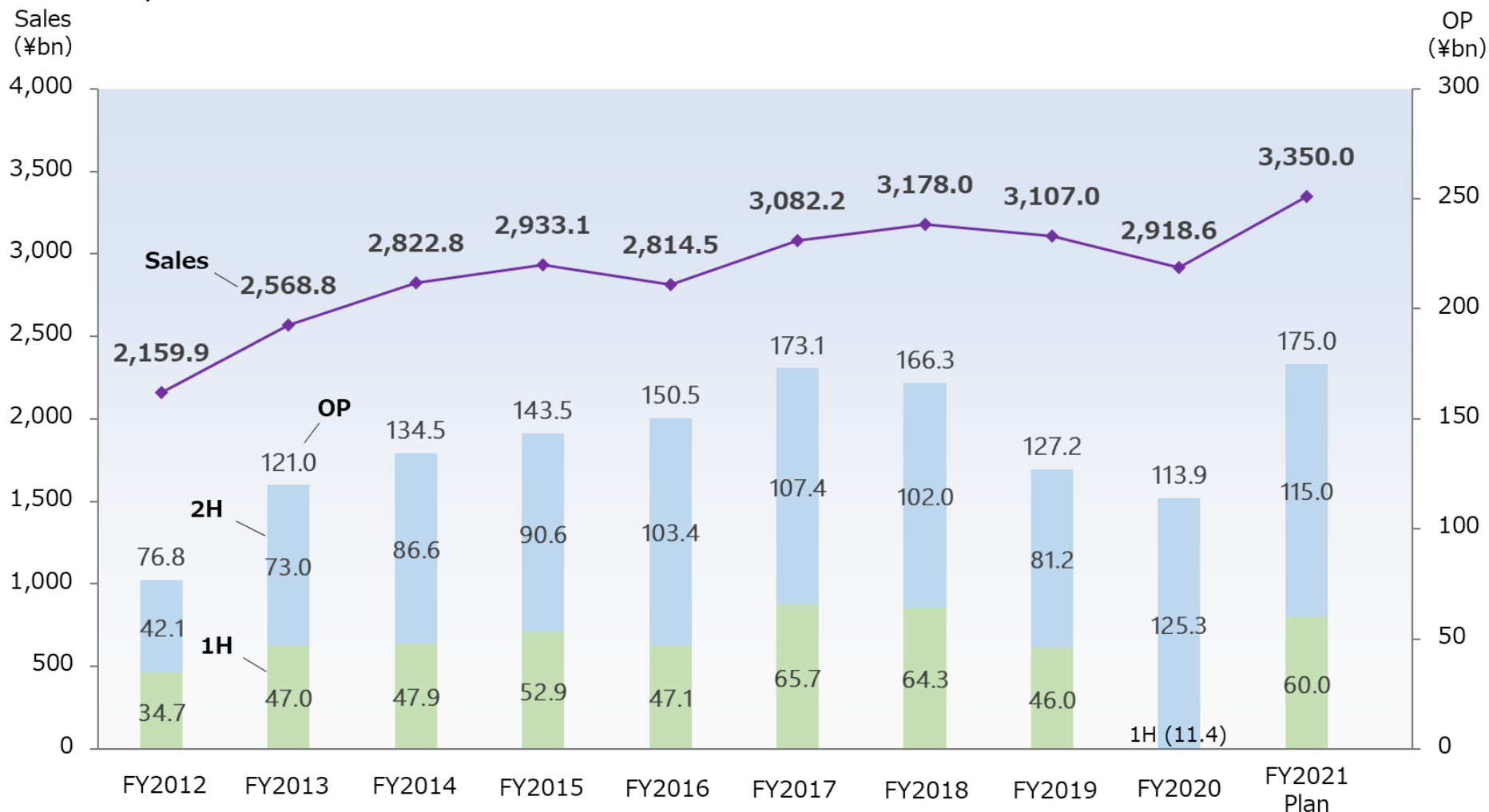
2. FY2021 Forecasts

2-1.FY2021 Forecasts (PL)

¥ bn	FY2020 Actual	FY2021			Growth	FY2021 Plan Forex rate ¥105/USD ¥125/EUR Copper price ¥950k/t
		1H Plan	2H Plan	Annual Plan		
Net Sales	2,918.6	1,600.0	1,750.0	3,350.0	+431.4	
Operating Profit	113.9	60.0	115.0	175.0	+61.1	
Non-Operating Income/Expenses	0.1	3.0	10.0	13.0	+12.9	
Ordinary Income	114.1	63.0	125.0	188.0	+73.9	
Net Extraordinary Profit/Loss	(3.7)					
Profit before Income Taxes	110.3					
Taxes and Profit Attributable to Non-Controlling Interests	(54.0)					
Profit Attributable to Owners of the Parent	56.3	33.0	77.0	110.0	+53.7	

2-2. Historical data of Sales and OP

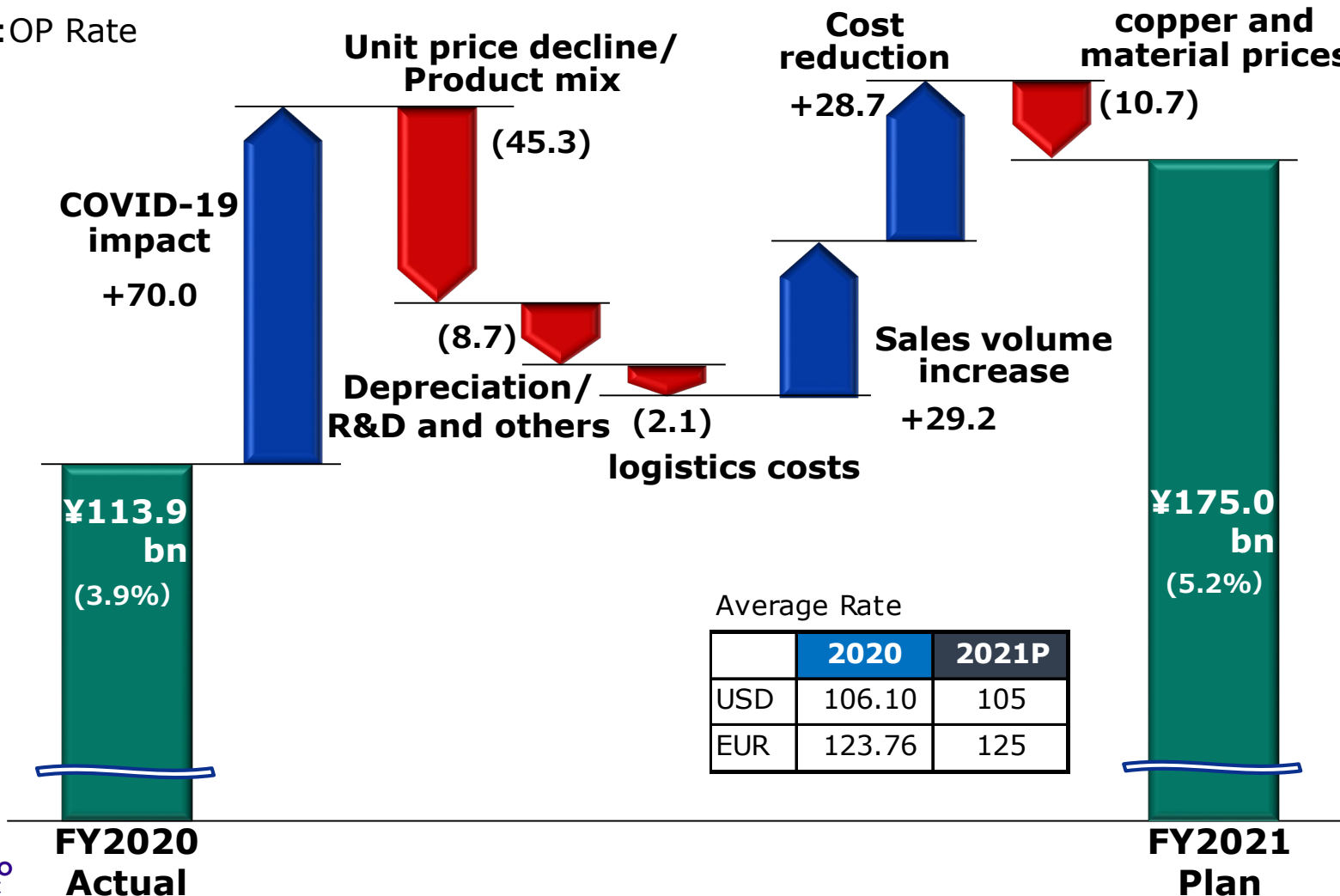
In FY2021, sales and OP are expected to reach record-high levels as demand will recover from last year's decline caused by COVID-19, and efforts will be made to maintain and improve the business structure.



2-3. OP variation factors from FY2020 to FY2021

Although price decline, increased depreciation and R&D expenses, increased logistics costs, and rising copper and material prices are expected to contribute to a decrease in OP, we will aim to increase OP by ¥61.1 bn by recovering from the impact of COVID-19 in the previous period, expanding sales in growing fields, and cutting costs.

(%):OP Rate



2-4. Sales and OP by Segment

In the automotive, electronics, environment & energy, and industrial materials & others segments, sales and OP are expected to increase.

In the infocommunications segment, OP is expected to decrease due to a fall in the volume of GaN devices and deterioration in the product mix.

¥ bn	FY2020		FY2021				Growth			
	Actual ^①		1H Plan		2H Plan		Annual Plan ^②			
	Sales	OP	Sales	OP	Sales	OP	Sales	OP		
Automotive	1,602.0	48.2	900.0	33.0	970.0	65.0	1,870.0	98.0	+268.0	+49.8
Infocommunications	224.6	24.3	110.0	4.0	120.0	12.0	230.0	16.0	+5.4	(8.3)
Electronics	252.6	10.0	130.0	8.0	130.0	5.0	260.0	13.0	+7.4	+3.0
Environment and Energy	634.2	25.0	360.0	7.0	430.0	20.0	790.0	27.0	+155.8	+2.0
Industrial Materials and Others	302.5	6.7	150.0	8.0	160.0	13.0	310.0	21.0	+7.5	+14.3
合 計	2,918.6	113.9	1,600.0	60.0	1,750.0	115.0	3,350.0	175.0	+431.4	+61.1

2-5. Our major efforts in FY2021

Our business environment and policies

- Although uncertainty remains about the timing of the resolution of semiconductor shortage and logistics congestion, the recovery of automotive production and the increase in investments related to data centers and renewable energy are providing a boost to our business.
- As for GaN devices, highly profitable products will temporarily decrease in FY2021 due to the change in policies by Chinese carriers, but they will return to a growth track in FY2022 with the accelerated adoption of highly efficient (low power-consuming) GaN products for decarbonization.
- We will work aggressively on new promising markets and products, such as new on-vehicle products, renewable energy and data centers, and further strengthen our competitiveness in cost, quality, and time to delivery.
- We will maintain the business structure that has been streamlined under the COVID-19 pandemic and further enhance our initiatives to improve capital efficiency.

Segment-specific efforts

Automotive

- ✓ Create new products for next-generation CASE vehicles and enhance cost competitiveness of wiring harnesses.
- ✓ Restore profitability of Sumitomo Riko through its site integration and concentration and cost cutting efforts.

Infocommunications

- ✓ Work toward growth of the optical & electronic device business (expand sales to countries other than China and develop new products).
- ✓ Introduce differentiated products into data centers and expand sales of high-performance optical fibers.

Electronics

- ✓ Complete structural reform of the FPC business and explore new products and markets.
- ✓ Expand sales of automotive cables and lead wires for EV battery terminals (tab leads).

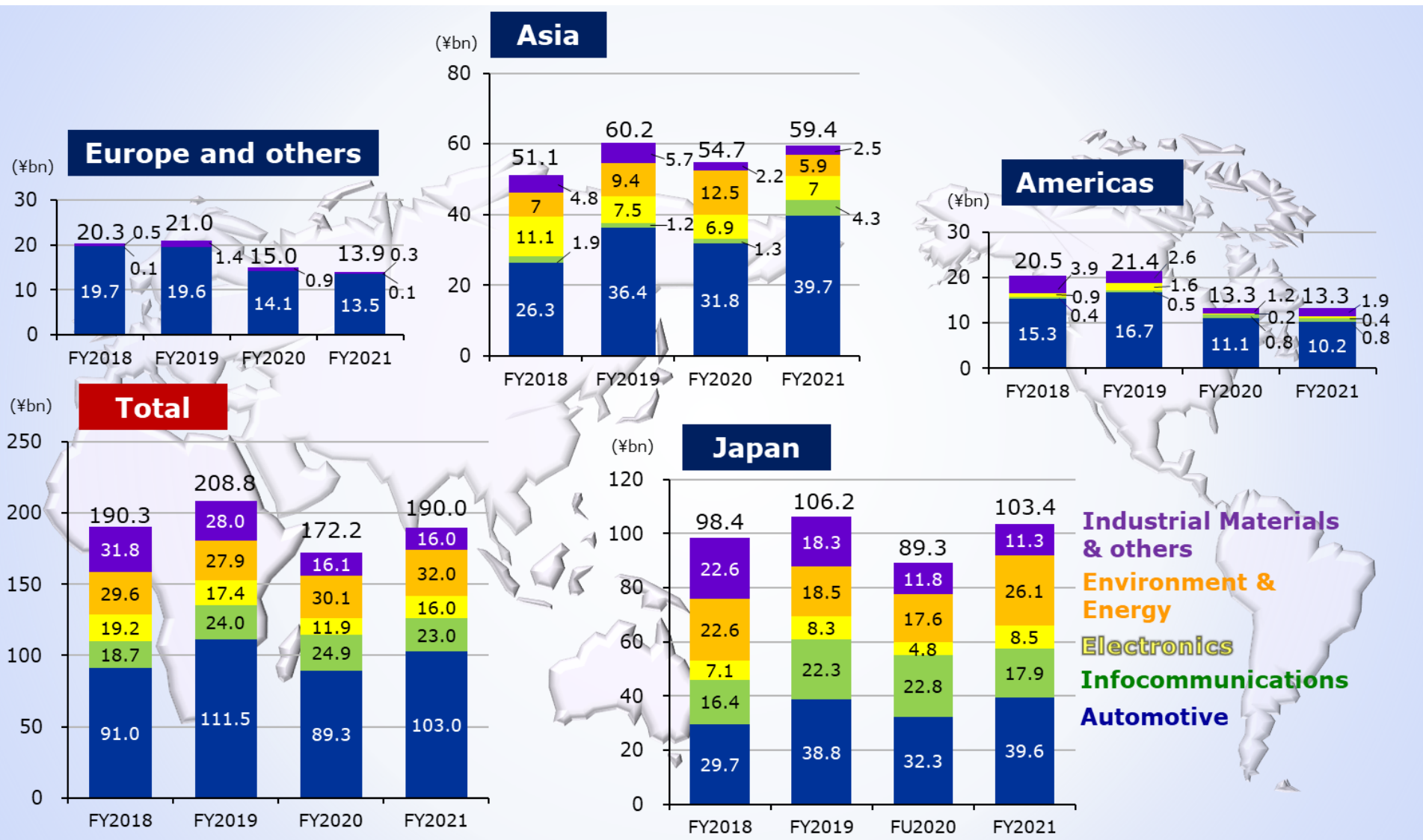
Environment & energy

- ✓ Secure large-scale overseas power cable projects, acquire domestic demand for replacement projects, and strengthen project management capabilities.
- ✓ Expand sales in the renewable energy market in collaboration with Sumitomo Densetsu and Nissin Electric.
- ✓ Increase production capacity and sales of rectangular magnet wires for motors in electric vehicles.

Industrial materials & others

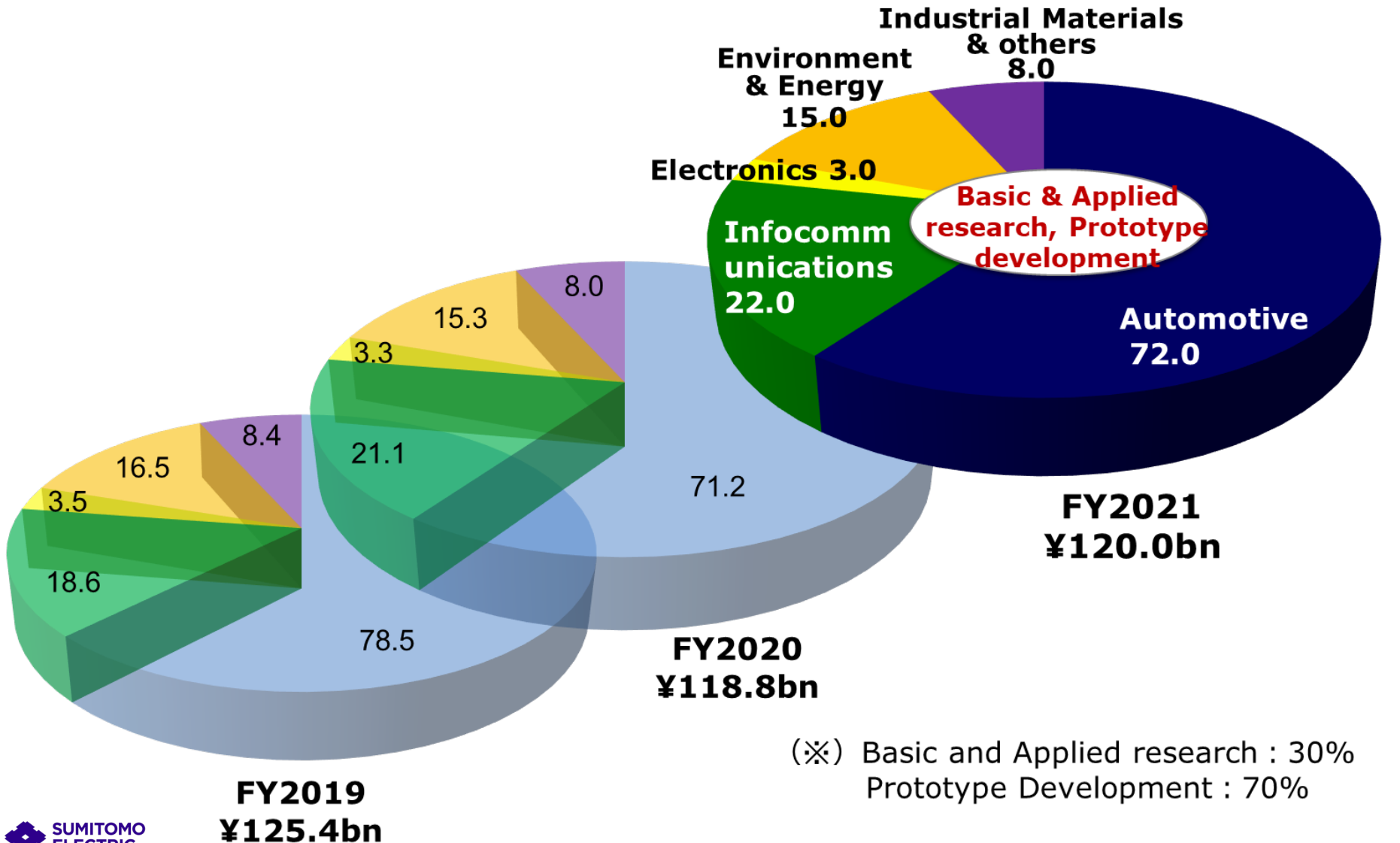
- ✓ Expand global sales of cemented carbide tools and explore new markets such as electric vehicles and aircraft.
- ✓ Enhance cost and production systems for sintered parts, Prestressing steel wires, and steel wires for springs.

2-6. Capital Investment by Region/Segment



2-7. R&D Expenditures by Segment

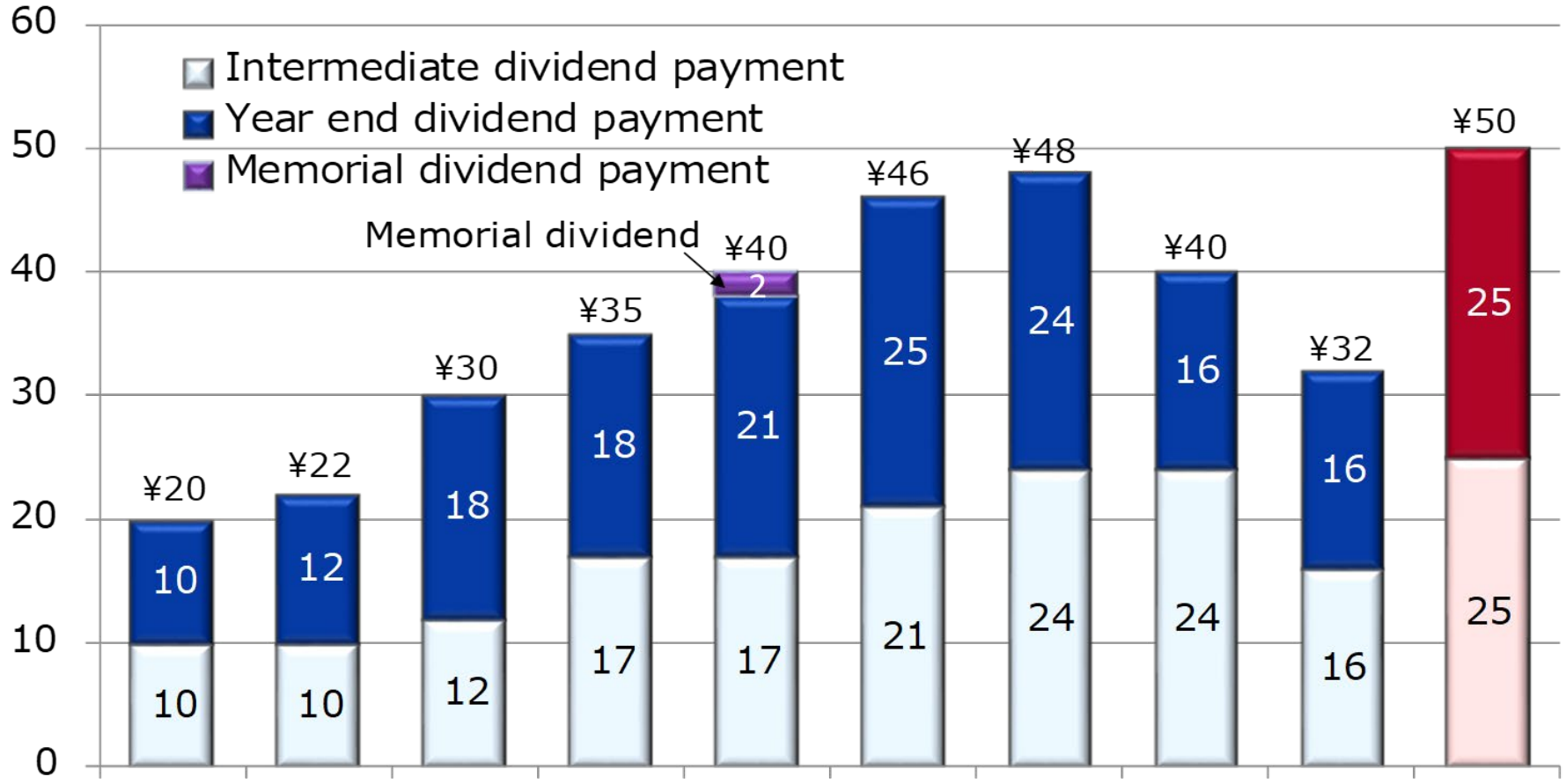
R&D expenditures in FY2021 are planned to be ¥120.0 bn in total.



2-8. Dividend

The annual dividend for FY2021 is planned to be a record high of ¥50/share.

(¥/share)



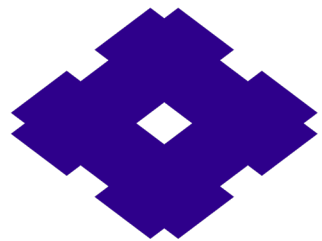
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021P
Earnings per Share (Yen)	47.85	84.15	151.00	114.73	137.61	154.29	151.38	93.24	72.25	141.05
Dividend Payout Ratio	41.8%	26.1%	19.9%	30.5%	29.1%	29.8%	31.7%	42.9%	44.3%	35.4%

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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