

FY2021 Results and FY2022 Forecasts

Sumitomo Electric Industries, Ltd.
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INDEX

1. FY2021 Results

1. Business environment/Performance summary
2. FY2021 Results (PL)
3. OP variation factors from FY2020 to FY2021
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
5. Our major efforts in FY 2022
6. Initiatives in the wiring harness business
7. Review of VISION 2022
8. Dividend

1. FY2021 Results

1-1. Business environment/Performance summary

Business environment

- ✓ The global supply shortage of semiconductors, supply chain disruptions caused by the spread of the Covid-19 variant, the Ukraine crisis and other factors led to a series of reductions in automobile production.
- ✓ Soaring material prices, global logistics disruptions and rising freight costs have also become more serious.
- ✓ The trends of greater data traffic, decarbonization, and expanding renewable energy have continued.

Performance summary

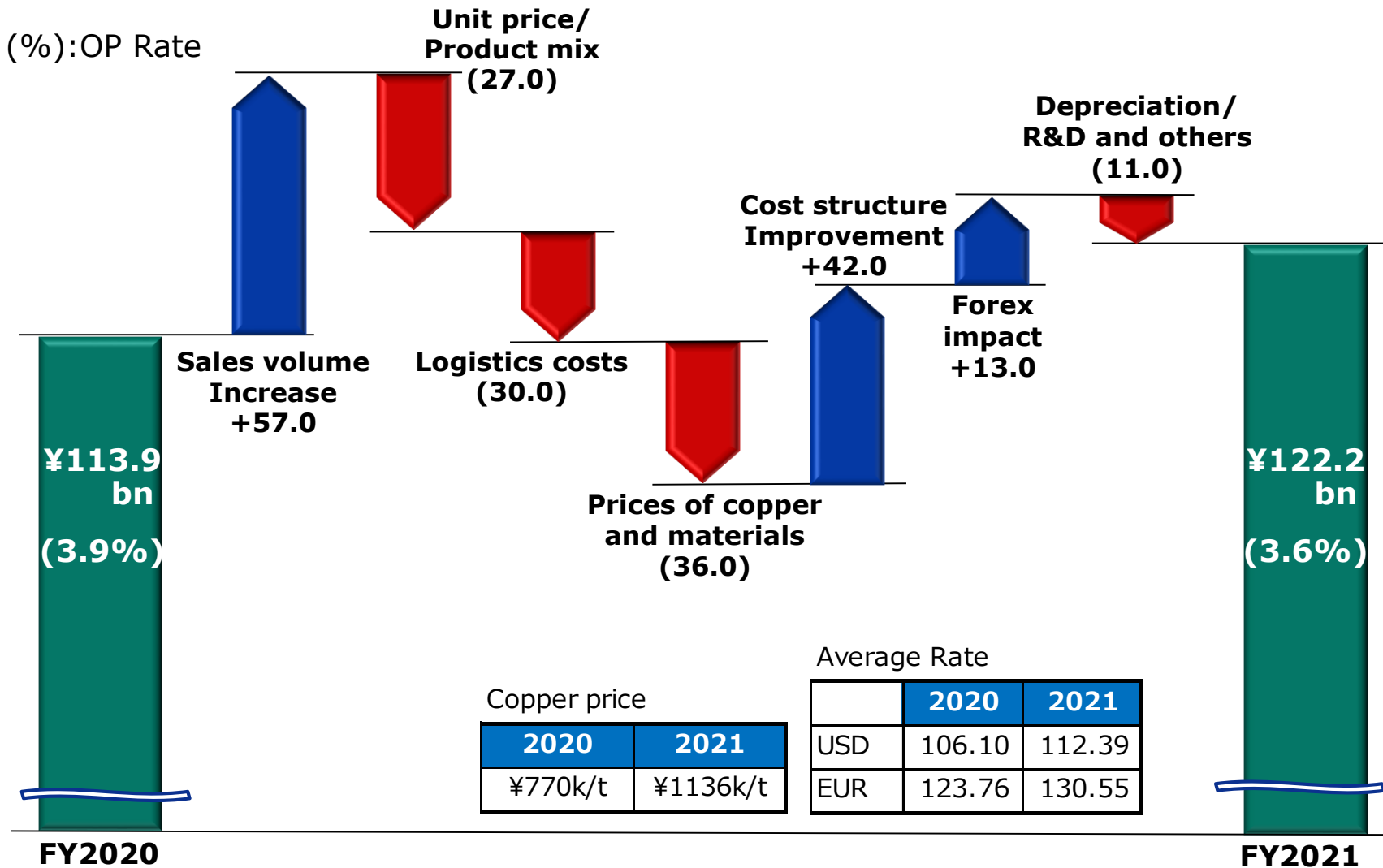
- ✓ The automotive segment recorded a year-on-year decline in operating profit (OP) due to decreased automobile production and higher material prices and logistics costs.
- ✓ Operating profit of ¥110 billion is ensured in the four segments other than the automotive segment owing to successful efforts such as sales expansion, new product development, shift to high-performance products, and productivity improvement.
- ✓ Progress has been made toward the realization of the balanced portfolio set forth in Vision 2022.

1-2. FY2021 Results (PL)

¥bn	FY2020 Actual ^①	FY2021 Revised Plan ^②	FY2021 Actual^③	Growth ③-①	Difference ③-②
Net Sales	2,918.6	3,300.0	3,367.9	+449.3	+67.9
Operating Profit	113.9	125.0	122.2	+8.3	(2.8)
Share of profit of investments accounted for using equity method	12.5		20.6	+8.1	
Other Non-Operating Income/Expenses	(12.4)		(4.6)	+7.8	
Ordinary Income	114.1	140.0	138.2	+24.1	(1.8)
Extraordinary Income or Loss	(3.7)		21.8	+25.5	
Profit before Income Taxes	110.3		159.9	+49.6	
Taxes and Profit Attributable to Non-Controlling Interests	(54.0)		(63.6)	(9.6)	
Profit Attributable to Owners of the Parent	56.3	80.0	96.3	+40.0	+16.3

1-3. OP variation factors from FY2020 to FY2021

Despite our efforts to expand sales and improve the cost structure (cost reduction and negotiations with customers), OP increased only by ¥8.3 billion year-on-year because of the significant impact of rising logistics costs and copper and material prices.



		Average Rate		
Copper price		2020	2021	
2020	2021	USD	106.10	112.39
¥770k/t	¥1136k/t	EUR	123.76	130.55

1-4. Sales and OP by Segment

The decrease in OP in the automotive segment was offset by the other four segments, resulting in a year-on-year increase in OP.

¥ bn	FY2020 Actual ^①		FY2021 Revised Plan ^②		FY2021 Actual ^③		Growth ③ - ①		Difference ③ - ②	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	1,602.0	48.2	1,730.0	20.0	1,754.2	12.3	+152.2	(35.9)	+24.2	(7.7)
Infocommunications	224.6	24.3	240.0	22.0	239.2	23.4	+14.6	(0.9)	(0.9)	+1.4
Electronics	252.6	10.0	280.0	19.0	292.5	19.8	+39.9	+9.8	+12.5	+0.8
Environment and Energy	634.2	25.0	820.0	42.0	833.4	44.0	+199.2	+19.0	+13.4	+2.0
Industrial Materials and Others	302.5	6.7	320.0	22.0	327.9	23.0	+25.4	+16.4	+7.9	+1.0
Total	2,918.6	113.9	3,300.0	125.0	3,367.9	122.2	+449.3	+8.3	+67.9	(2.8)

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

2. FY2022 Forecasts

2-1. Business environment summary

- ✓ Although automobile production is expected to gradually recover, the outlook remains uncertain given the shortage of semiconductors and other components, a downturn in the market stemming from the Ukraine crisis, and supply chain disruptions caused by the lockdown of cities in China due to COVID-19.
- ✓ Soaring material prices, global logistics disruptions and rising freight costs are also continuing.
- ✓ A continued favorable business environment is expected in businesses other than the automotive segment, involving increased investment in renewable energy for decarbonization and greater data traffic.



Although the outlook remains uncertain mainly in the automotive segment, we will strive to thoroughly reduce costs, maintain and secure the supply chain, and improve selling prices to wrap up VISION 2022 this year.

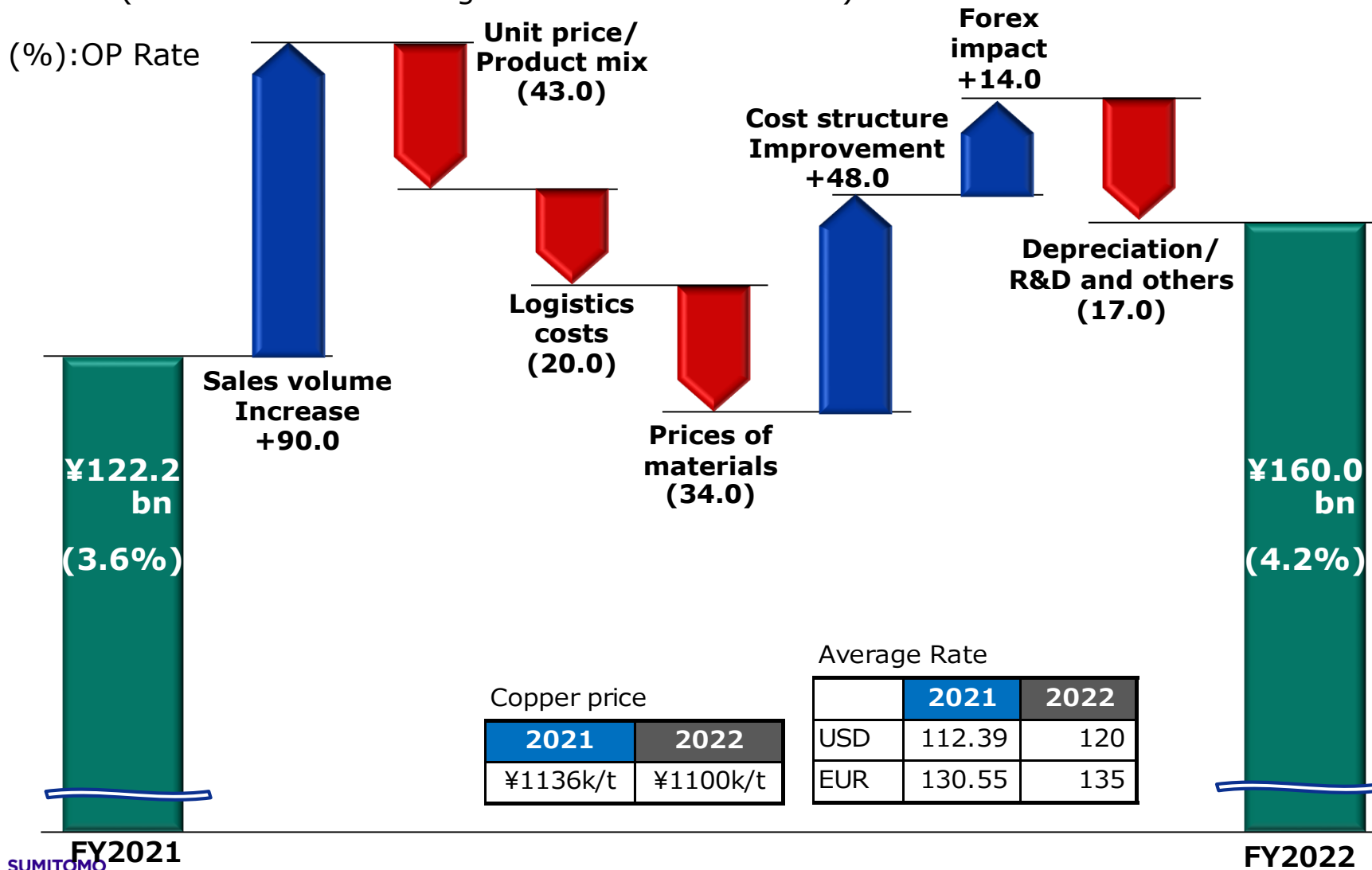
2-2. FY2022 Forecasts (PL)

	¥bn	FY2021	FY2022			Growth	22Vision FY2022 Plan
		Actual	1H Plan	2H Plan	Annual Plan		
Net Sales		3,367.9	1,800.0	2,050.0	3,850.0	+482.1	3,600.0
Operating Profit		122.2	45.0	115.0	160.0	+37.8	230.0
Non-Operating Income/Expenses		16.0	5.0	0.0	5.0	(11.0)	
Ordinary Income		138.2	50.0	115.0	165.0	+26.8	
Extraordinary Income or Loss		21.8					
Profit before Income Taxes		159.9					
Taxes and Profit Attributable to Non-Controlling Interests		(63.6)					
Profit Attributable to Owners of the Parent		96.3	32.0	68.0	100.0	+3.7	

FY2022 Plan
Forex rate
¥120/USD
¥135/EUR
Copper price
¥1,100k/t

2-3. OP variation factors from FY2021 to FY2022

Despite the continued rise in logistics costs and material prices, we will aim to increase OP by ¥37.8 billion year-on-year by reinforcing our efforts to expand sales and improve the cost structure (cost reduction and negotiations with customers).



2-4. Sales and OP by Segment

In the environment and energy segment, OP is expected to increase on an actual basis excluding the effects of copper prices (+ ¥7.0 billion) in the previous fiscal year. In all the other four segments, both sales and OP are expected to increase.

¥bn	FY2021		FY2022				Difference			
	Actual ^①		1HPlan		2HPlan		Annual Plan ^②		② - ①	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	1,754.2	12.3	980.0	0.0	1,120.0	46.0	2,100.0	46.0	+345.8	+33.7
Infocommunications	239.2	23.4	120.0	10.0	140.0	16.0	260.0	26.0	+20.9	+2.6
Electronics	292.5	19.8	160.0	12.0	160.0	8.0	320.0	20.0	+27.5	+0.2
Environment and Energy	833.4	44.0	420.0	11.0	500.0	28.0	920.0	39.0	+86.6	(5.0)
Industrial Materials and Others	327.9	23.0	170.0	12.0	190.0	17.0	360.0	29.0	+32.1	+6.0
Total	3,367.9	122.2	1,800.0	45.0	2,050.0	115.0	3,850.0	160.0	+482.1	+37.8

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

2-5. Our major efforts in FY 2022

Company as a whole

- We will further focus on new promising markets and products, such as renewable energy and data centers.
- We will review our selling prices in light of rising logistics costs and material prices, and promote thorough cost reduction.
- We will further strengthen our efforts to improve capital efficiency through such measures as implementing carefully selected capital investments and reducing inventory assets and operating receivables.

By segment

Automotive

- ✓ Respond to rising logistics costs and material prices (including through negotiations with customers)
- ✓ Build a lean and robust business structure that can withstand demand fluctuations (reduce costs and improve production efficiency)
- ✓ Create new products for next-generation CASE vehicles

Info-communications

- ✓ Develop and expand sales of data-center-related products (cables, connectors, devices, etc.)
- ✓ Develop and expand sales of ultra-low-loss/high capacity optical fibers for submarine cables.
- ✓ Develop new products and expand sales of GaN devices for 5G base stations.

Electronics

- ✓ Shift FPCs for smartphones to high-performance products and improve their productivity.
- ✓ Expand sales of FPCs for automotive applications and develop new products that meet the need for high frequency applications.
- ✓ Expand sales of automotive cables and lead wires (tab leads) for EV battery terminals.

Environment & Energy

- ✓ Expand order intake for renewable energy projects for power cables (interconnectors, wind farm, etc.), reduce costs, improve quality, develop new products, and strengthen project management.
- ✓ Increase global production capacity of rectangular magnet wires for motors in electrified vehicles and reduce costs.

Industrial Materials

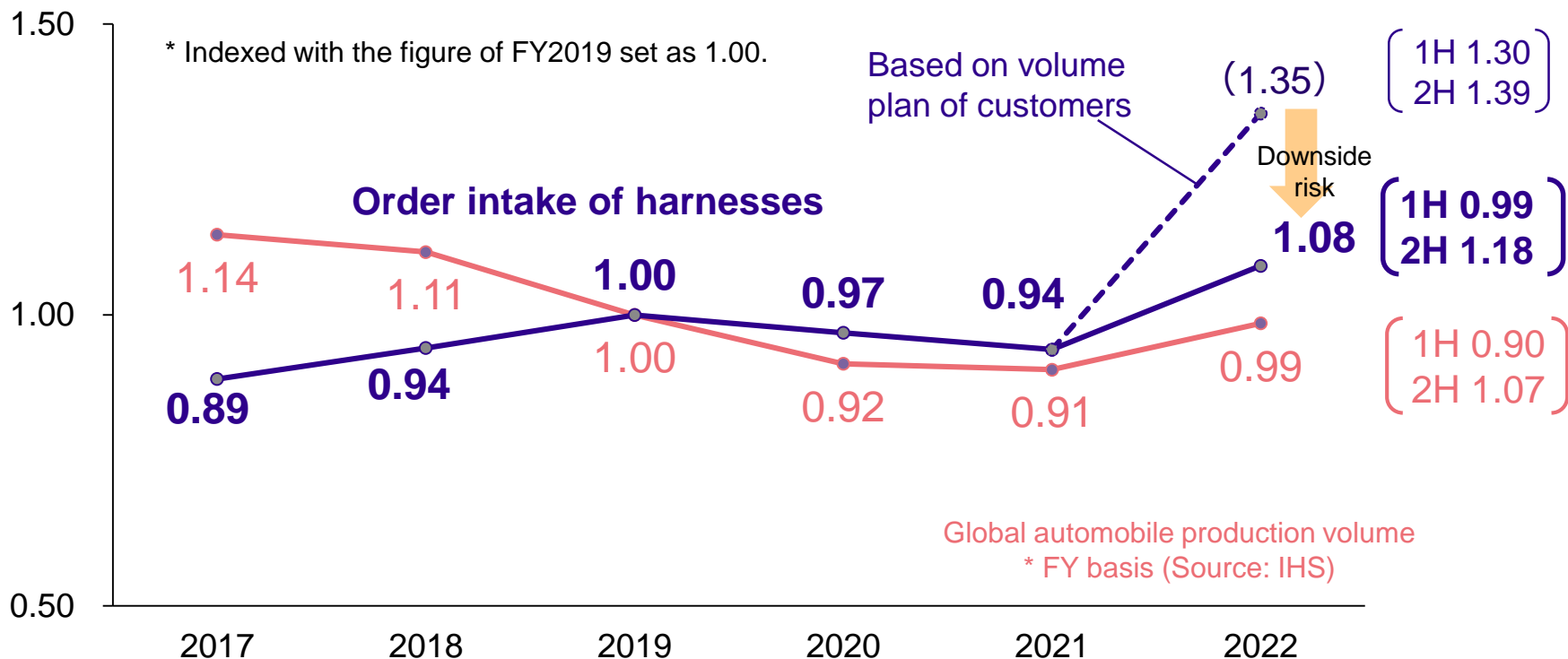
- ✓ Expand global sales of cemented carbide tools and explore new markets such as electrified vehicles and aircraft.
- ✓ Enhance the cost competitiveness and production systems of sintered components, PC steel wires, and steel wires for springs.

2-6. Initiatives in the wiring harness business

Order intake

Develop a conservative plan in consideration of the risk of production reduction.

2021→2022 +15%
(0.94→1.08)



Logistics

Soaring container shipping rates (Freight rates to the U.S. tripled from 2021)
→ Work on improvement of capacity efficiency, review of transportation routes for logistics costs reduction, and negotiation with customers.

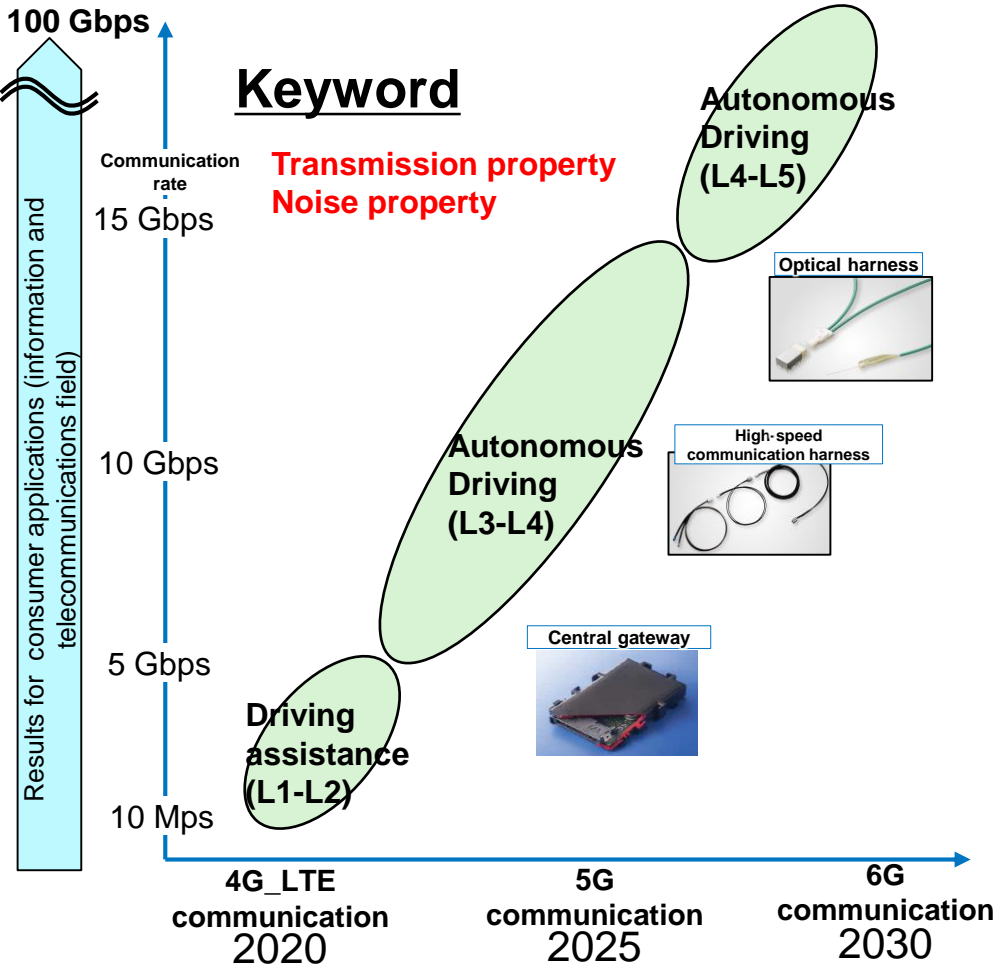
Materials

Enhance supply chain (stable procurement), apply low-cost materials, negotiate with customers.

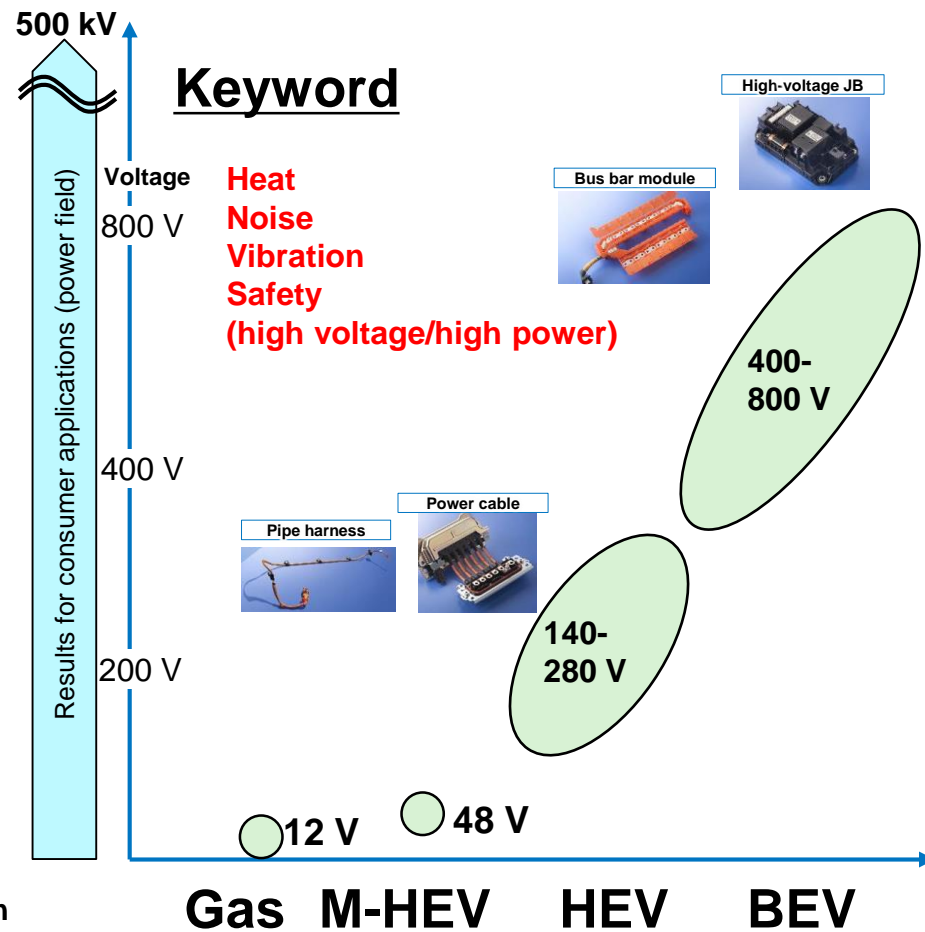
2-6. Initiatives in the wiring harness business

Improve the value of wiring harnesses

Communication rate



Voltage of electrified vehicles



- The faster the communication rate and the higher the voltage, the higher the added value of WH.
- Apply the high-speed communication and high-voltage technologies cultivated in consumer applications to automotive applications.

2-7. Review of VISION 2022

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

Strive for growth in business segments focusing on the **Mobility, Energy, and Communications** fields as well as materials, products and solutions supporting these fields, aiming to achieve a **balanced business portfolio**.

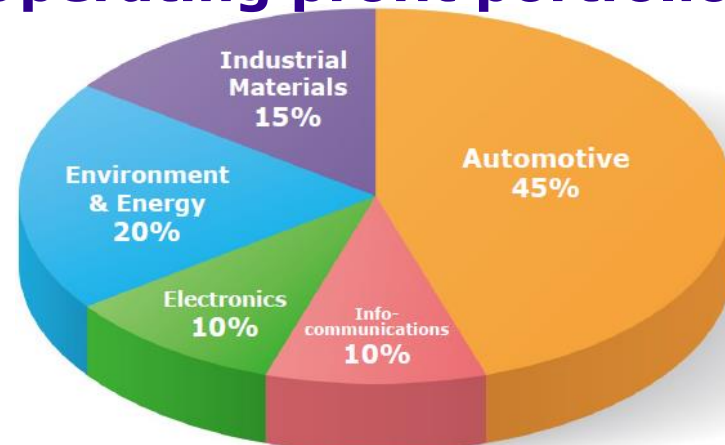
Numerical targets (FY2022)

Net sales (¥bn)	3,600
Operating profit (¥bn)	230
Operating profit ratio	6.4%
ROIC	9% or more
ROE	8% or more

Further Growth Through Innovation

Create innovation and develop and offer new technologies, products and services to meet many emerging social needs, including **dramatic changes in the automobile industry** together with **the widespread use of renewable energy** and **utilization of big data**.

Operating profit portfolio

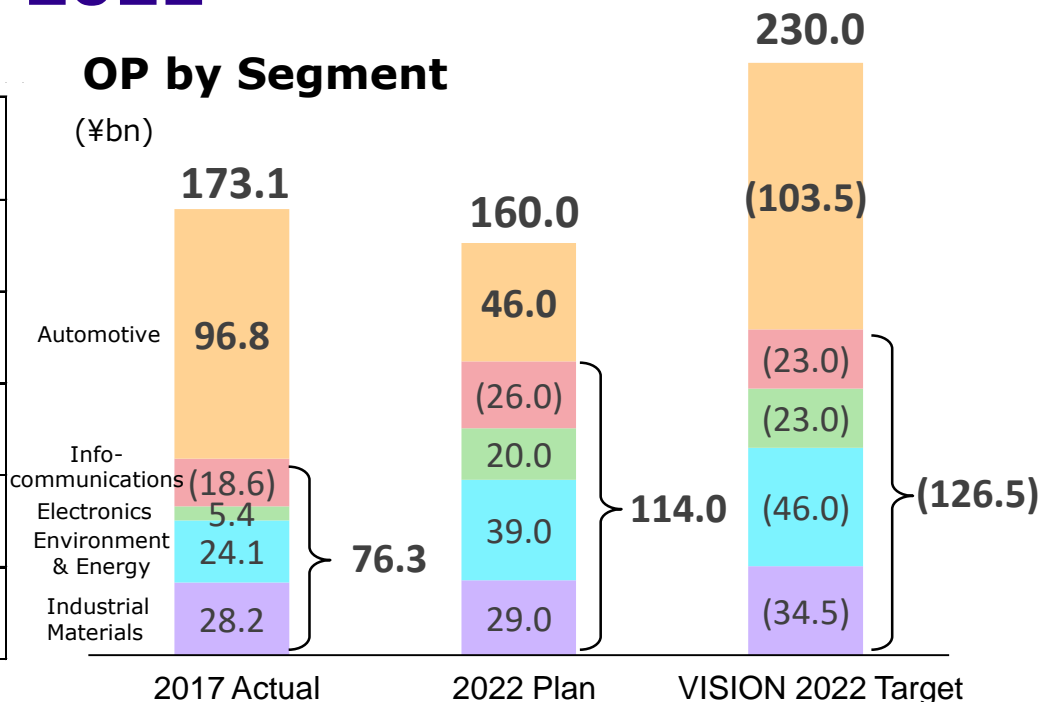


We aim to achieve a balanced portfolio while growing the overall operating profit.

2-7. Review of VISION 2022

For operating profit by segment in Vision 2022, ¥230 billion is divided proportionally according to the ideal portfolio.

	2017 Actual	2022 Plan	VISION 2022
Net sales (¥bn)	3,082.2	3,850.0	3,600.0
Operating profit (¥bn)	173.1	160.0	230.0
Operating profit ratio	5.6%	4.2%	6.4%
ROIC	7.9%	5.5%	9% or more
ROE	8.1%	5.6%	8% or more



The social transformation anticipated in VISION 2022 has progressed and accelerated, including dramatic changes in automobiles and society, the widespread use of renewable energy, and further progress in digitization.

All businesses other than the automotive segment grew through efforts in line with the strategy of VISION 2022.

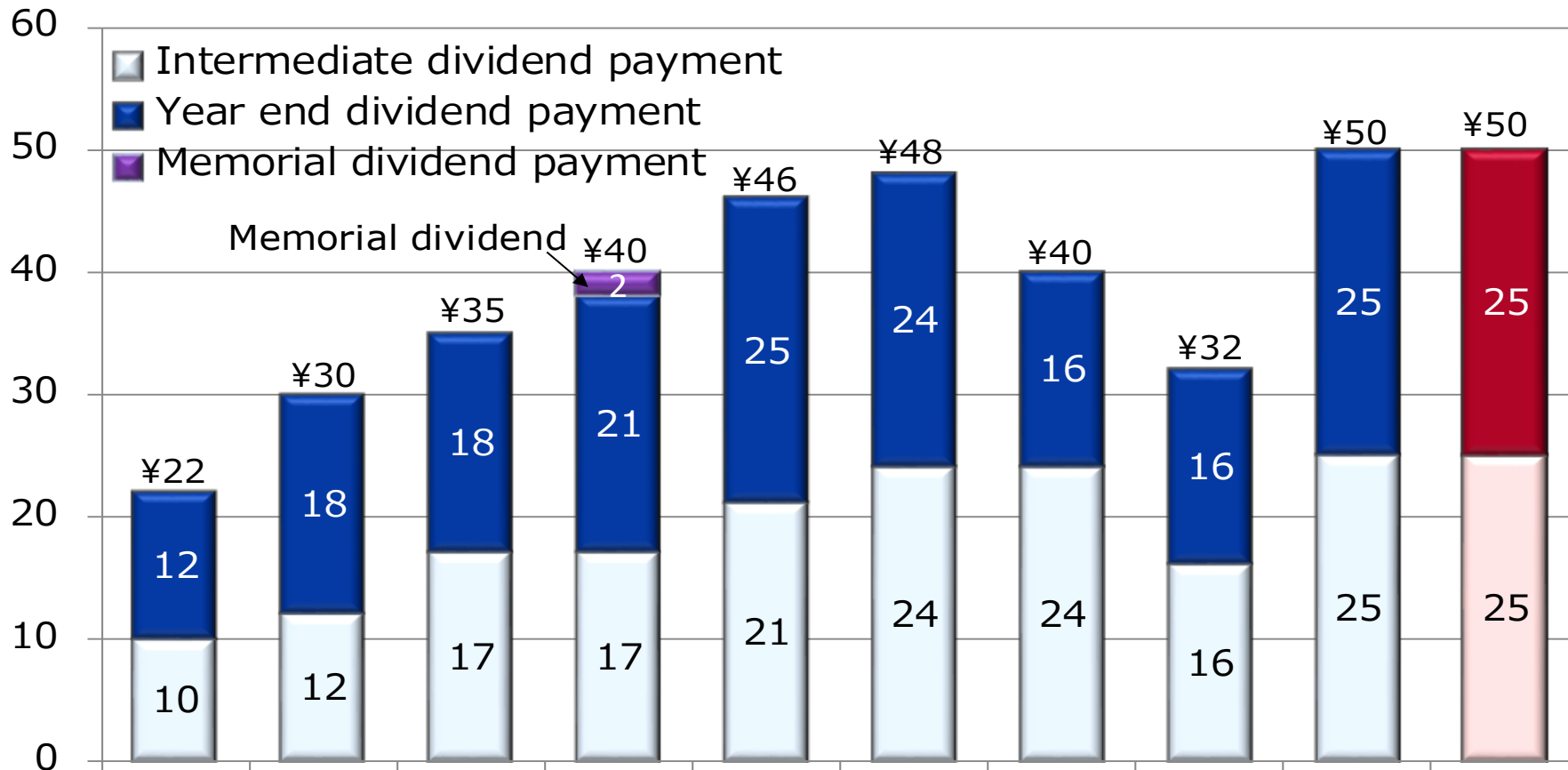
Although the automotive segment is currently struggling due to rapid changes in the external environment (COVID-19, semiconductor shortages, logistics disruptions and rising material prices), efforts in line with the strategy of VISION 2022, such as response to CASE and expansion of the global market share, have made steady progress.

Efforts to improve capital efficiency should be further enhanced.

2-8. Dividend

The annual dividend for FY2021 was a record high of ¥50 per share.
The same amount is also planned for FY2022.

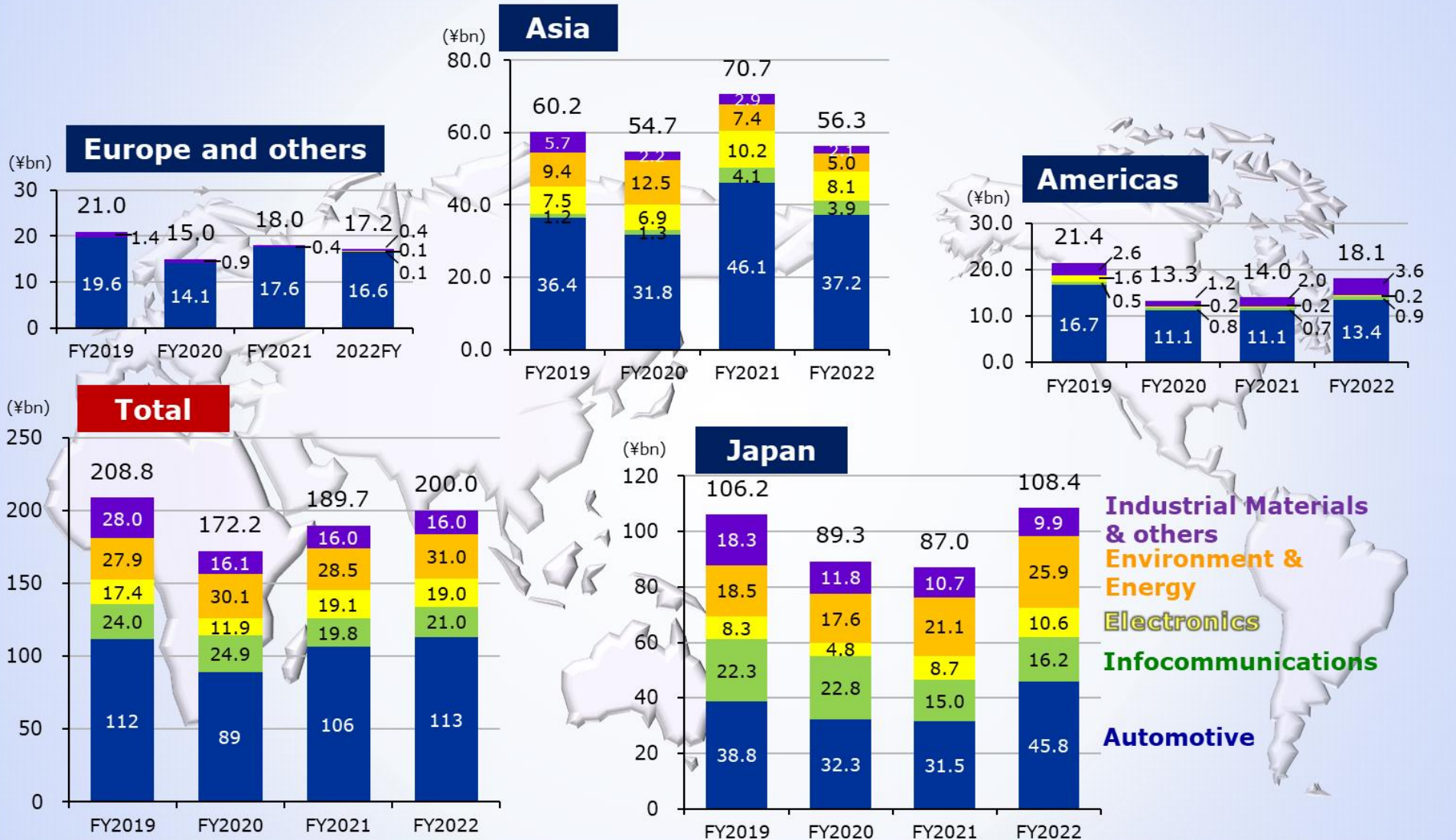
(¥/share)



	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%

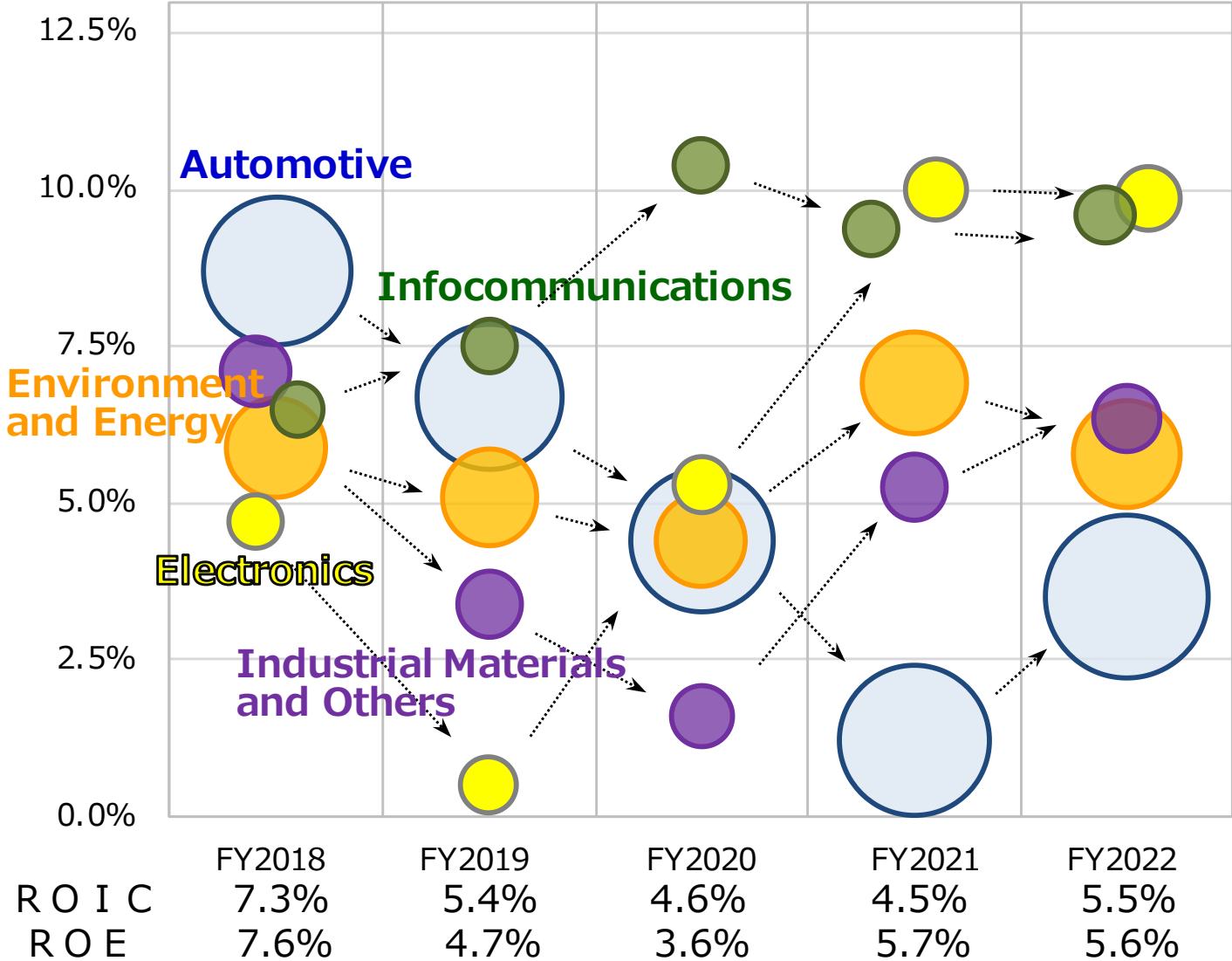
(Reference) Capital Investment by Region/Segment

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



(Reference) ROIC by Segment

* The areas of the figures are proportional to sales



FY2018

FY2019

FY2020

FY2021

FY2022

22Vision

ROIC

7.3%

5.4%

4.6%

4.5%

5.5%

9.0% or more

ROE

7.6%

4.7%

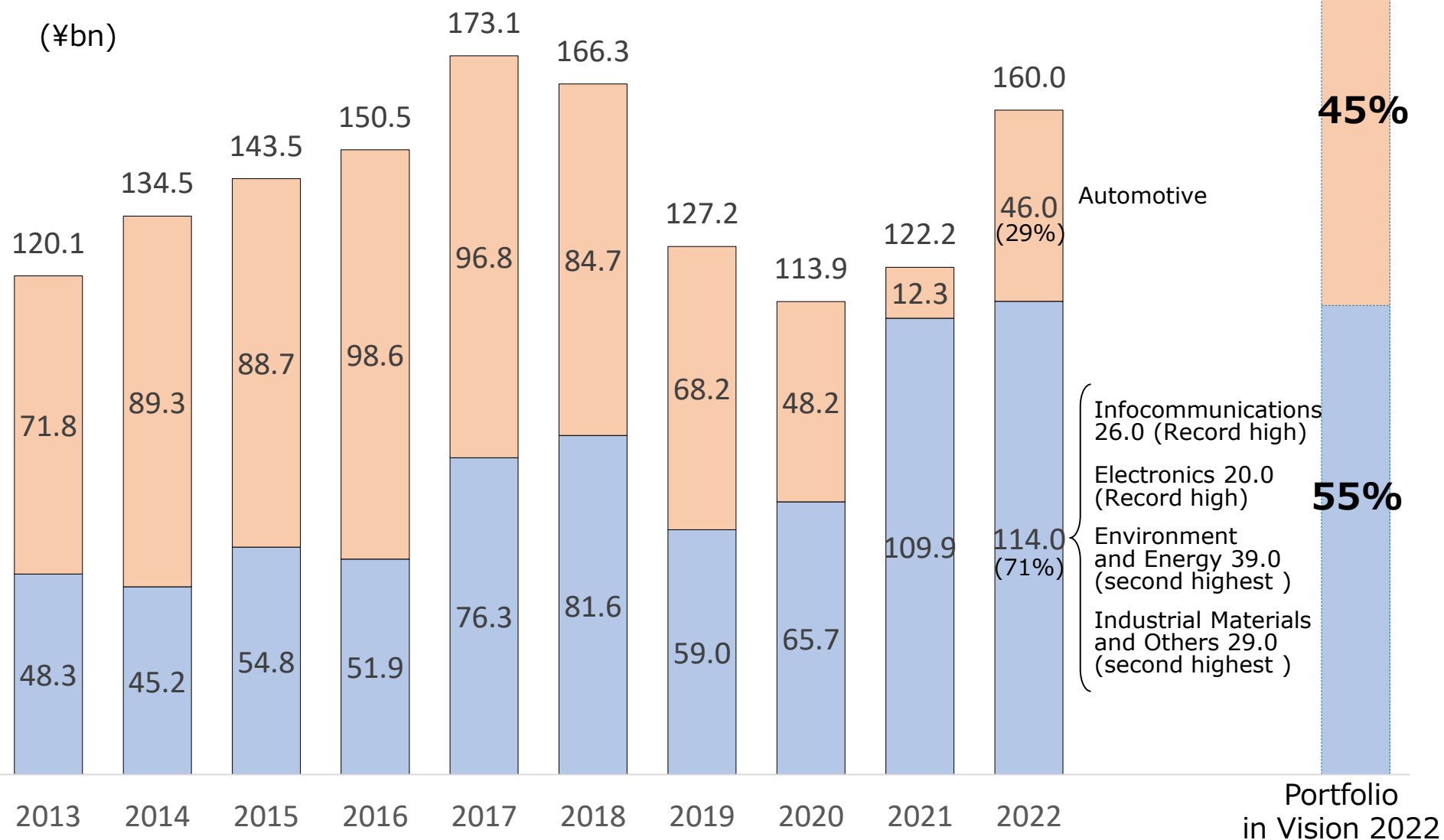
3.6%

5.7%

5.6%

8.0% or more

(Reference) OP portfolio



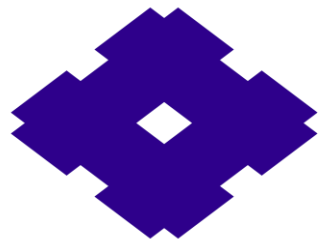
Operating profit in excess of ¥100 billion is ensured in the four segments other than the automotive segment.

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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