

# **FY2022 results and FY2023 forecasts**

Sumitomo Electric Industries, Ltd.  
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- Wiring Harness Order Volume
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# 1-1. FY2022 Performance Summary

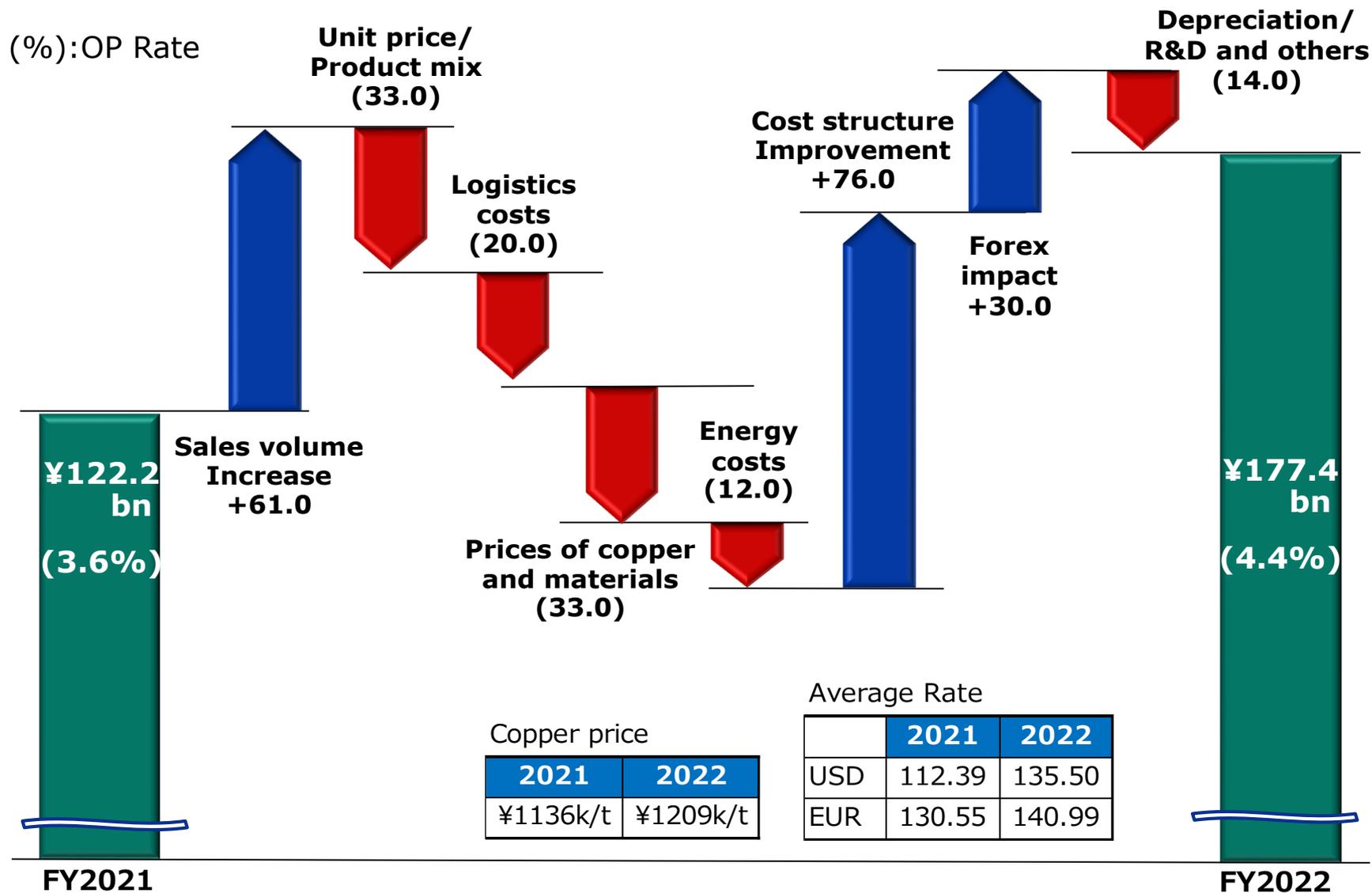
| ¥bn  | FY2020<br>Actual | FY2021<br>Actual | FY2022<br>Revised<br>Plan | FY2022<br>Actual | Growth |
|--|------------------|------------------|---------------------------|------------------|--------|
| Net Sales                                      | 2,918.6          | 3,367.9          | 4,000.0                   | <b>4,005.6</b>   | +19%   |
| Operating Profit                               | 113.9            | 122.2            | 160.0                     | <b>177.4</b>     | +45%   |
| Ordinary Income                                | 114.1            | 138.2            | 163.0                     | <b>173.3</b>     | +25%   |
| Profit Attributable to<br>Owners of the Parent | 56.3             | 96.3             | 100.0                     | <b>112.7</b>     | +17%   |
| Dividend(¥/share)                              | 32               | 50               | 50                        | <b>50</b>        |        |
| USD  |                  | ¥112             |                           | ¥136             |        |
| EUR  |                  | ¥131             |                           | ¥141             |        |
| Copper   |                  | ¥1136k/t         |                           | ¥1209k/t         |        |

**Net sales increased 19% year on year and reached ¥4 trillion for the first time**, thanks to efforts to expand sales of wiring harnesses, power cables, cemented carbide tools, and other products, as well as the impact of yen depreciation.

**Profit increased** year on year despite impact from soaring material and energy prices, due to efforts to thoroughly reduce costs and improve selling prices. **Operating profit (OP) marked record highs.** (Previous OP high: ¥173.1 billion in FY2017)

Paid dividends of ¥50 per share (no change year on year), including intermediate dividend.

# 1-2. OP variation factors from FY2021 to FY2022



# 1-3. Sales and OP by Segment

| ¥ bn                            | FY2021<br>Actual <sup>①</sup> |              | FY2022<br>Revised Plan <sup>②</sup> |              | FY2022<br>Actual <sup>③</sup> |              | Growth<br>③ - ① |              | Difference<br>③ - ② |              |
|---------------------------------|-------------------------------|--------------|-------------------------------------|--------------|-------------------------------|--------------|-----------------|--------------|---------------------|--------------|
|                                 | Sales                         | OP           | Sales                               | OP           | Sales                         | OP           | Sales           | OP           | Sales               | OP           |
| Environment and Energy          | 833.4                         | 44.0         | 940.0                               | 36.0         | <b>928.2</b>                  | <b>37.9</b>  | +94.8           | (6.1)        | (11.8)              | +1.9         |
| Infocommunications              | 239.2                         | 23.4         | 250.0                               | 25.0         | <b>250.3</b>                  | <b>21.9</b>  | +11.2           | (1.5)        | +0.3                | (3.1)        |
| Automotive                      | 1,754.2                       | 12.3         | 2,170.0                             | 41.0         | <b>2,186.8</b>                | <b>55.7</b>  | +432.7          | +43.5        | +16.8               | +14.7        |
| Electronics                     | 292.5                         | 19.8         | 370.0                               | 35.0         | <b>366.0</b>                  | <b>38.3</b>  | +73.5           | +18.5        | (4.0)               | +3.3         |
| Industrial Materials and Others | 327.9                         | 23.0         | 370.0                               | 23.0         | <b>363.3</b>                  | <b>24.0</b>  | +35.4           | +1.0         | (6.7)               | +1.0         |
| <b>Total</b>                    | <b>3,367.9</b>                | <b>122.2</b> | <b>4,000.0</b>                      | <b>160.0</b> | <b>4,005.6</b>                | <b>177.4</b> | <b>+637.7</b>   | <b>+55.2</b> | <b>+5.6</b>         | <b>+17.4</b> |

**Environment & Energy:** Demand for power cables and from Nissin Electric was strong. With the exception of copper price fluctuation impact, demand remained strong.

**Info-communications:** Demand for data-center-related products has slowed down due to customer investment restraint and inventory adjustment since Q4.

**Automotive:** Automobile production gradually recovered and shipments of wiring harnesses and anti-vibration rubber increased.

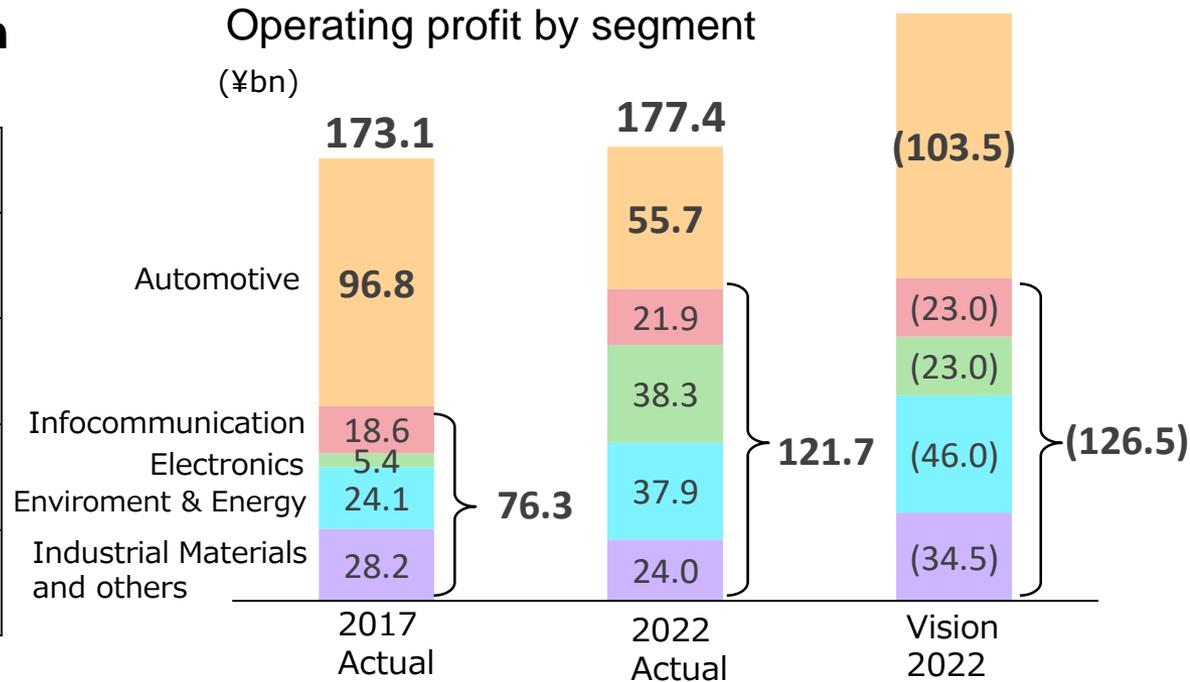
**Electronics:** Sales and profit increased due to higher sales in Flexible printed circuits (FPCs) and electric wires and efforts to improve productivity.

**Industrial Materials:** Sales and profit increased due to focus on sales expansion for cemented carbide tools.

# 1-4. Review of VISION 2022

## Achieved record highs for both net sales and operating profit

|                 | 2017<br>Actual | 2022<br>Actual | VISION<br>2022 |
|-----------------|----------------|----------------|----------------|
| Net Sales (¥bn) | 3,082.2        | <b>4,005.6</b> | <b>3,600.0</b> |
| O P (¥bn)       | 173.1          | <b>177.4</b>   | <b>230.0</b>   |
| R O I C         | 7.9%           | <b>5.9%</b>    | <b>over 9%</b> |
| R O E           | 8.1%           | <b>6.1%</b>    | <b>over 8%</b> |



Social transformation anticipated in VISION 2022, including dramatic changes in automobiles and society, the widespread use of renewable energy, and further progress in the shift to digital technologies, accelerated. Company business grew steadily in line with the VISION 2022 strategy.

The automotive segment struggled due to rapid external environment changes (COVID-19, automobile production cutbacks due to semiconductor shortages, logistics disruptions, and material price hikes), but the Company steadily implemented initiatives to address CASE and expand sales to global customers.

Achieved record-high net sales and operating profit in FY2022 due to recovery in the automotive segment and growth in other segments.

Though capital efficiency was not achieved due to increased inventories caused by supply chain disruptions, further improvements will be made.

## 2-1. Business Environment Summary

- ✓ The business environment remains unpredictable due to concerns over further rising political/geopolitical risks, rising prices worldwide, and the risk of economic downturn due to monetary tightening in various countries.
- ✓ In the automobile field, the shortage of semiconductors is expected to gradually fade away; therefore, we expect movement toward recovered production.
- ✓ Energy infrastructure investment is expected to remain strong.
- ✓ In the info-communications field, data communication volume continues to trend toward growth, but customer investment restraint and inventory adjustments have led to a temporary adjustment phase.



FY2023 is the first year of the Mid-term Management Plan 2025, where we aim to start by achieving record-high net sales and operating profit.

## 2-2. FY2023 Forecasts (PL)

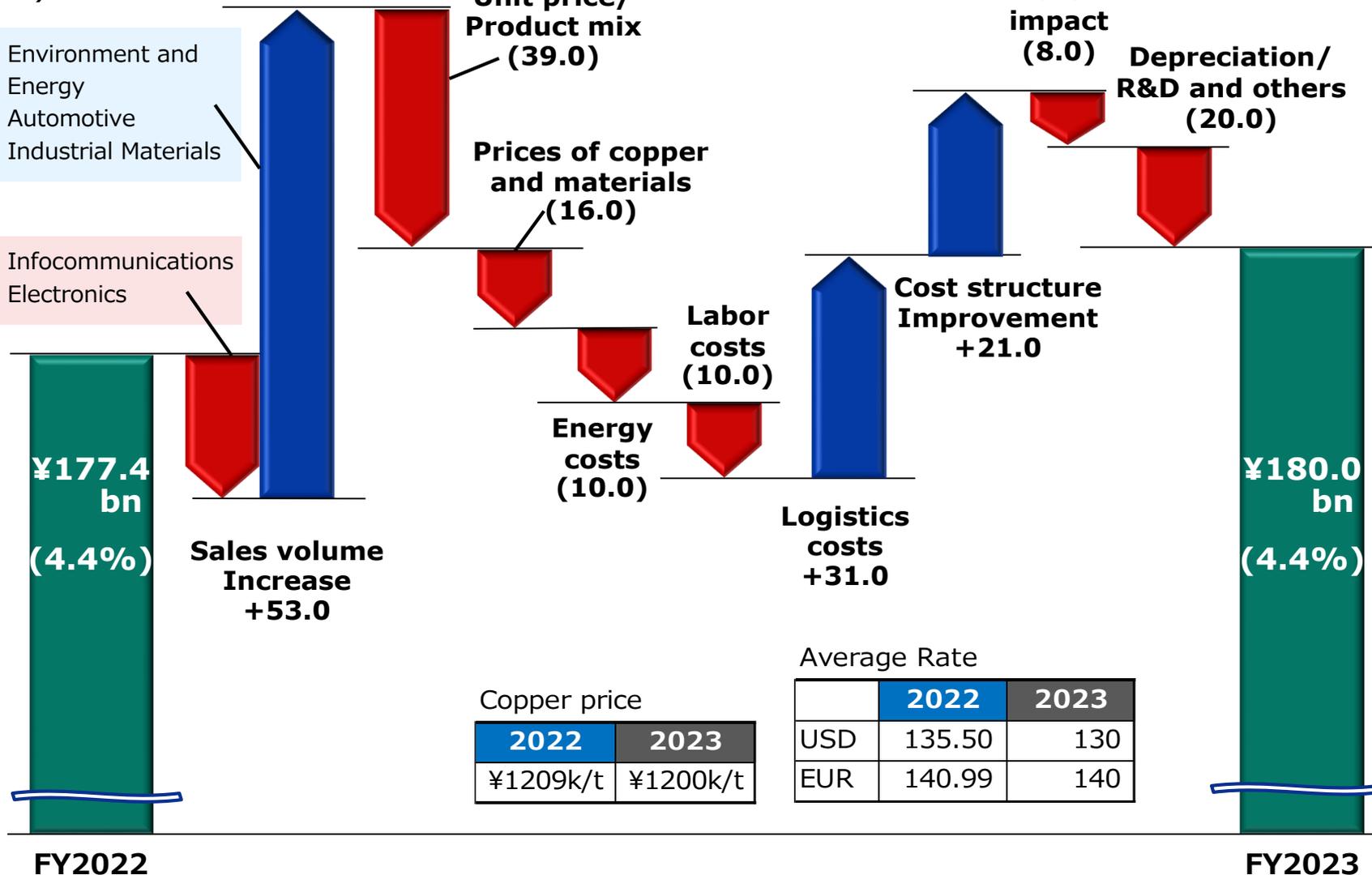
| ¥bn   | FY2022  | FY2023   |                | Growth   | FY2025         |
|---|---------|----------|----------------|----------|----------------|
|   | Actual  | 1H Plan  | Annual Plan    |          | 25M Plan       |
| Net Sales                                   | 4,005.6 | 1,950.0  | <b>4,100.0</b> | +94.4    | <b>4,400.0</b> |
| Operating Profit                            | 177.4   | 50.0     | <b>180.0</b>   | +2.6     | <b>250.0</b>   |
| Ordinary Income                             | 173.3   | 44.0     | <b>170.0</b>   | (3.3)    |                |
| Profit Attributable to Owners of the Parent | 112.7   | 22.0     | <b>100.0</b>   | (12.7)   |                |
| Dividend(¥/share)                           | 50      | 25       | <b>50</b>      | 0.0      |                |
|   | USD     | ¥136     |                | ¥130     |                |
|   | EUR     | ¥141     |                | ¥140     |                |
|   | Copper  | ¥1209k/t |                | ¥1200k/t |                |

# 2-3. OP variation factors from FY2022 to FY2023

(%):OP Rate

- Environment and Energy
- Automotive
- Industrial Materials

- Infocommunications
- Electronics



Copper price

| 2022     | 2023     |
|----------|----------|
| ¥1209k/t | ¥1200k/t |

Average Rate

|     | 2022   | 2023 |
|-----|--------|------|
| USD | 135.50 | 130  |
| EUR | 140.99 | 140  |

## 2-4. Sales and OP by Segment

|                                 | FY2022  |       | FY2023  |      |                |              | Difference |        | 25M            |              |
|---------------------------------|---------|-------|---------|------|----------------|--------------|------------|--------|----------------|--------------|
|                                 | Actual① |       | 1HPlan  |      | Annual Plan②   |              | ② - ①      |        | FY2025 Plan    |              |
|                                 | Sales   | OP    | Sales   | OP   | Sales          | OP           | Sales      | OP     | Sales          | OP           |
| Environment and Energy          | 928.2   | 37.9  | 450.0   | 8.0  | <b>960.0</b>   | <b>38.0</b>  | +31.8      | +0.1   | <b>1,020.0</b> | <b>50.0</b>  |
| Infocommunications              | 250.3   | 21.9  | 110.0   | 0.0  | <b>230.0</b>   | <b>6.0</b>   | (20.3)     | (15.9) | <b>280.0</b>   | <b>25.0</b>  |
| Automotive                      | 2,186.8 | 55.7  | 1,100.0 | 20.0 | <b>2,300.0</b> | <b>85.0</b>  | +113.2     | +29.3  | <b>2,500.0</b> | <b>110.0</b> |
| Electronics                     | 366.0   | 38.3  | 160.0   | 11.0 | <b>340.0</b>   | <b>22.0</b>  | (26.0)     | (16.3) | <b>360.0</b>   | <b>30.0</b>  |
| Industrial Materials and Others | 363.3   | 24.0  | 180.0   | 11.0 | <b>370.0</b>   | <b>29.0</b>  | +6.7       | +5.0   | <b>390.0</b>   | <b>35.0</b>  |
| Total                           | 4,005.6 | 177.4 | 1,950.0 | 50.0 | <b>4,100.0</b> | <b>180.0</b> | +94.4      | +2.6   | <b>4,400.0</b> | <b>250.0</b> |

**Environment & Energy:** Maintaining strong performance due to increased demand for power cables and rectangular magnet wires for electric vehicles.

**Info-communications:** Demand for data-center-related products is expected to remain stagnant in the first half of the fiscal year.

**Automotive:** Aiming for pre-pandemic profit level by increasing orders for wiring harnesses and by improving productivity.

**Electronics:** Maintaining high levels despite FPC sales decline and yen appreciation.

**Industrial Materials:** Increasing orders for cemented carbide tools due to recovery in automobile production.

# 2-5. Major Efforts in FY2023

## Entire Company

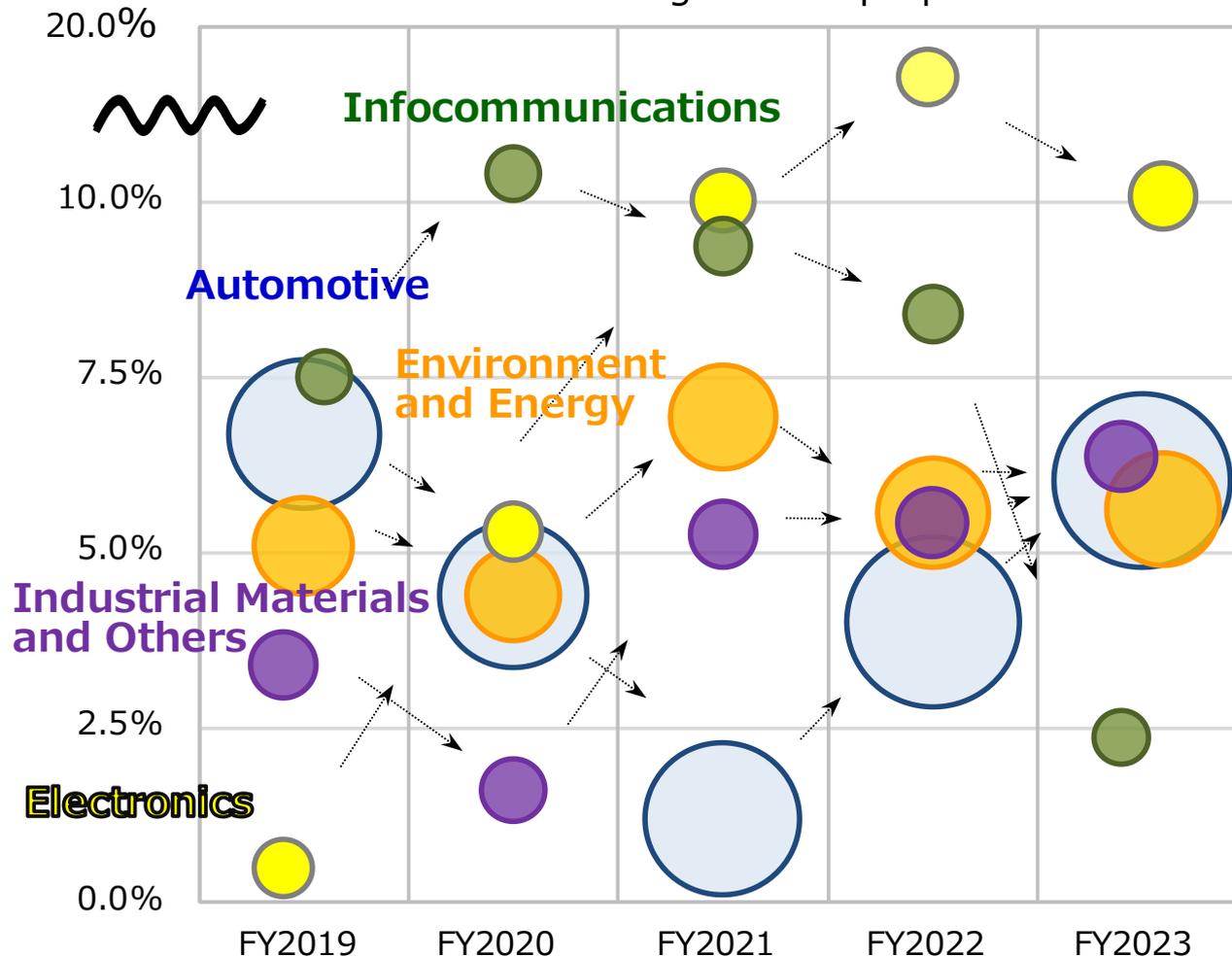
- Accelerate efforts in new markets and products with growth promise.
- Review selling prices in light of rising material and energy prices, and promote thorough cost reduction.
- Further strengthen capital efficiency efforts, e.g. carefully selecting capital expenditures and reducing inventory assets/operating receivables.

## By Segment

- |                                 |  |
|---------------------------------|--|
| <b>Environment &amp; Energy</b> | <ul style="list-style-type: none"><li>✓ Grow power cable orders for cable renewable energy projects (interconnectors, wind farms, etc.), expand production capacity, reduce costs, improve quality, develop new products, and strengthen project management</li><li>✓ Reduce costs and develop next-generation products for rectangular magnet wires for electric vehicle motors</li></ul>   |
| <b>Info-communications</b>      | <ul style="list-style-type: none"><li>✓ Develop and expand sales of data center-related products (cables, connectors, devices, etc.)</li><li>✓ Develop and expand sales of ultra-low-loss/high-capacity optical fibers for submarine cables</li><li>✓ Develop and expand sales of high-efficiency GaN devices for 5G base stations</li></ul>   |
| <b>Automotive</b>               | <ul style="list-style-type: none"><li>✓ Strengthen business structure (reduce costs and improve asset efficiency)</li><li>✓ Evolve conventional harness business, including new design and expansion of new construction methods</li><li>✓ Create and expand sales of new products for next-generation CASE vehicles</li></ul>   |
| <b>Electronics</b>              | <ul style="list-style-type: none"><li>✓ Expand sales of high-performance FPCs, reduce costs, and further enhance functionality</li><li>✓ Expand sales of FPCs for automotive and medical applications and develop new products for high-frequency applications</li><li>✓ Expand sales of EV battery terminal lead wires (tab leads) and electric wires for in-vehicle applications</li></ul> |
| <b>Industrial Materials</b>     | <ul style="list-style-type: none"><li>✓ Expand global sales of cemented carbide tools and cultivate new markets such as electric vehicles, aircraft, and renewable energy</li><li>✓ Enhance cost competitiveness and production systems of sintered parts, PC steel wires, and steel wire for springs</li></ul>  |

# 3.ROIC by Segment

\* The areas of the figures are proportional to sales

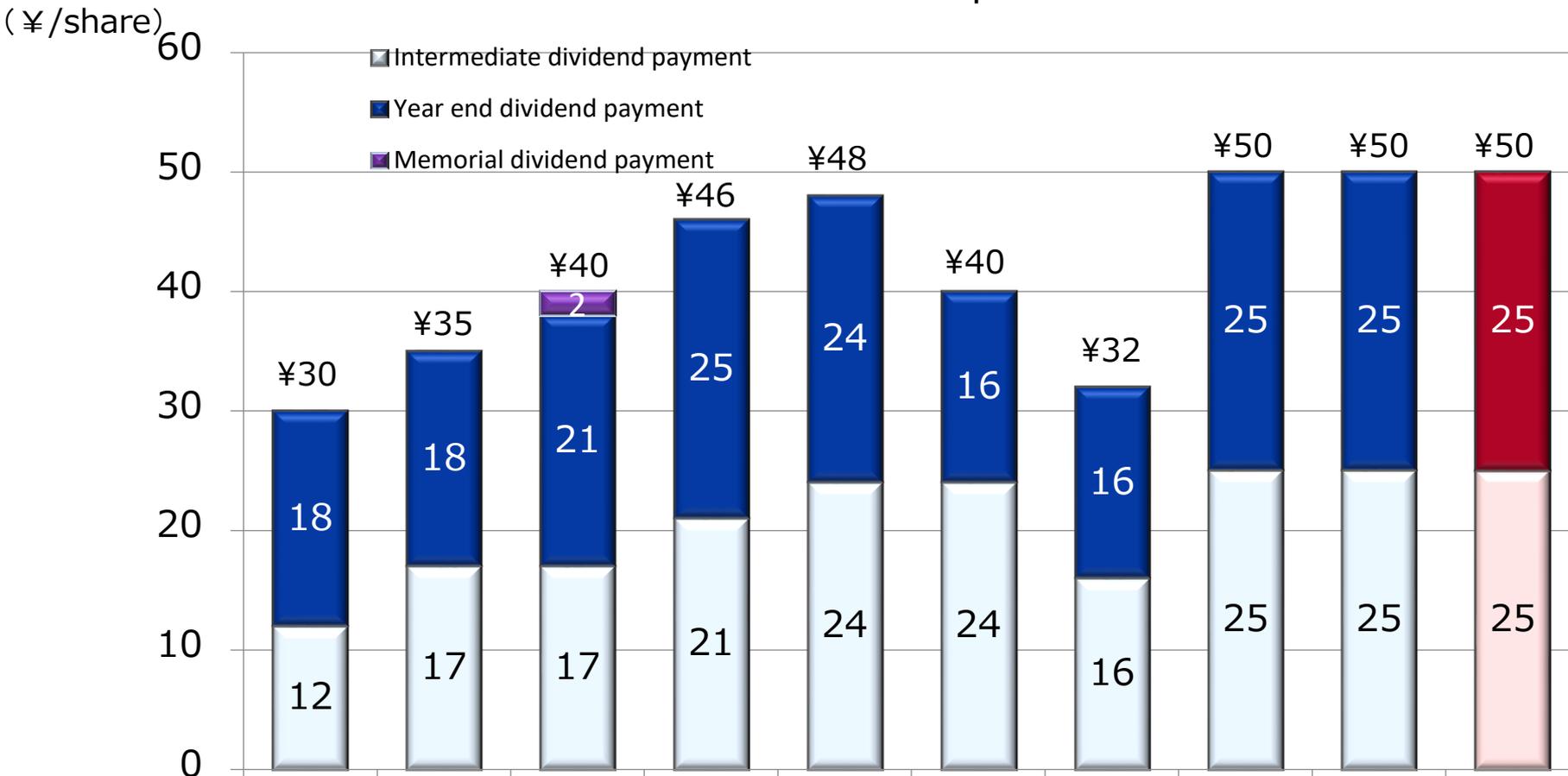


Operating profit ROIC  
Before-tax ROIC

|                       | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
|-----------------------|--------|--------|--------|--------|--------|
| Operating profit ROIC | 5.4%   | 4.6%   | 4.5%   | 5.9%   | 6.0%   |
| Before-tax ROIC       | 5.6%   | 4.4%   | 5.8%   | 6.6%   | 5.6%   |

## 4. Dividends

Annual dividend forecast for FY2023 is ¥50 per share.



Earnings per share (Yen)  
Dividend Payout Ratio

| Fiscal Year              | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Earnings per share (Yen) | 151.00 | 114.73 | 137.61 | 154.29 | 151.38 | 93.24  | 72.25  | 123.49 | 144.45 | 128.23 |
| Dividend Payout Ratio    | 19.9%  | 30.5%  | 29.1%  | 29.8%  | 31.7%  | 42.9%  | 44.3%  | 40.5%  | 34.6%  | 39.0%  |

# 5-1. Power Cable Factory in Scotland, U.K.

## Market Environment

The introduction of renewable energy and interconnected national/regional lines are being promoted toward a decarbonized society

→ **Growing demand for power cables, especially in the booming European market**

Net-zero targets:

|                 |             |
|-----------------|-------------|
| <b>U.K.</b>     | <b>2050</b> |
| <b>Scotland</b> | <b>2045</b> |

## Our Performance

### High-voltage direct current (HVDC) cables

- J-POWER: Hokkaido-Honshu interconnection facilities  
250 kV HVDC submarine cable system (completed in 2012)
- U.K.-Belgium interconnector (NEMO Link)  
400 kV HVDC submarine cable system (completed in 2019)
- Project in Germany (Corridor A-Nord)  
500 kV DC land cable system (order received in 2020)
- U.K.-Ireland (Greenlink Interconnector)  
320 kV HVDC submarine power transmission system (order received in 2021)
- ... and others

### Power cables for offshore wind power

|          |  |
|----------|--|
| Japan    | Offshore wind farms at Akita and Noshiro       |
| Overseas | Projects in U.K., Germany, Taiwan, Korea, etc. |

## Plan to establish a power cable factory in Scotland, U.K.

Purposes: Ensure local production, stable supply, and long-term operation and maintenance services in the European market

Expand business by also meeting customer needs for energy security

# 5-2. Mid-term Management Plan 2025

## Full report published today (May 25, 2023)



Development of a Decarbonized Society

Evolution of the Information Society

With-covid/Post-covid Society

Decoupling and destabilization in the global community

FY2022 (actual)

Net sales : 4.0 trillion yen  
 Operating profit : 177.4 billion yen  
 Before tax ROIC : 6.6%

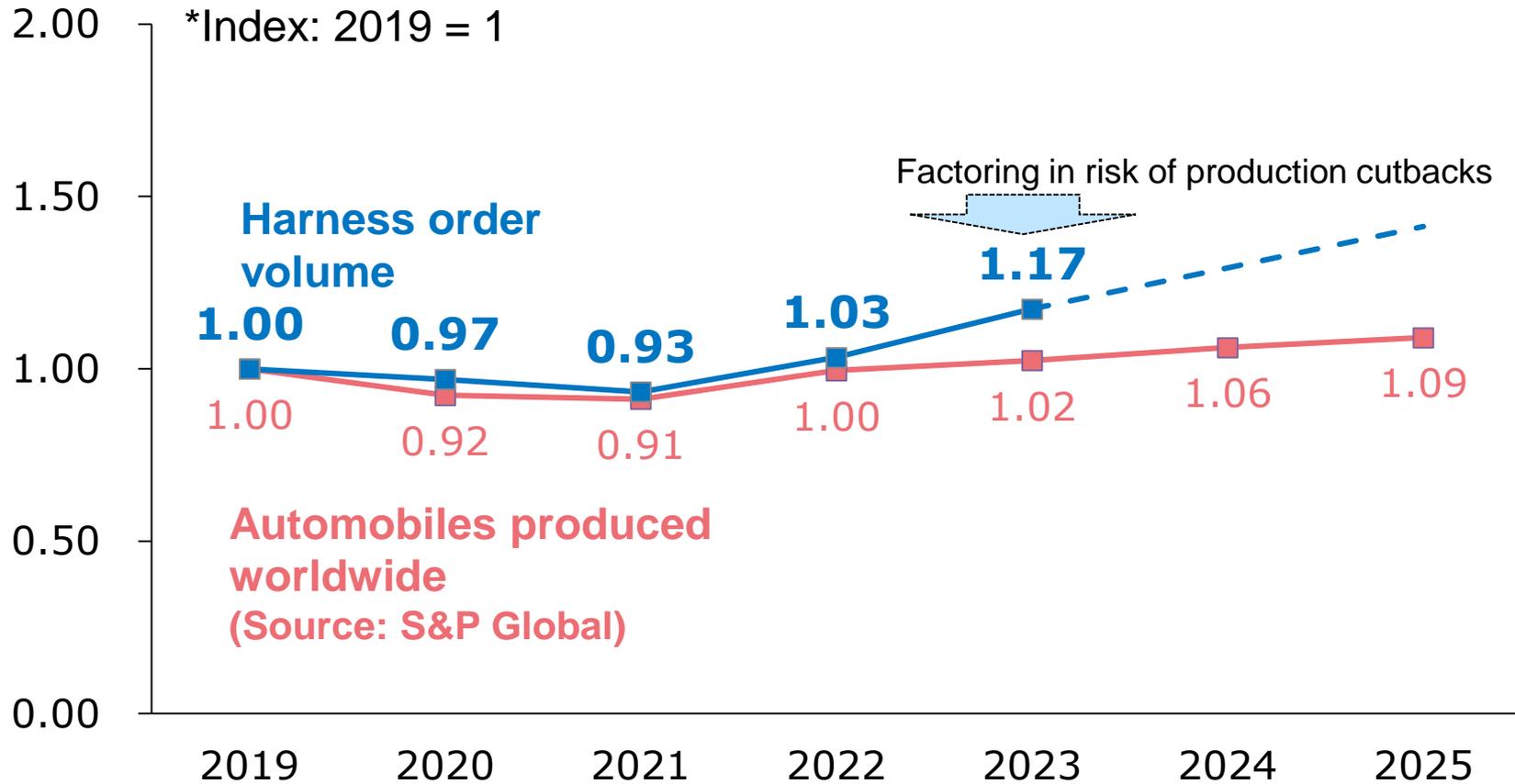
FY2025

Net sales : 4.4 trillion yen  
 Operating profit : 250 billion yen  
 Before tax ROIC : >8%

FY2030 (2030 VISION)

Net Sales : >5 trillion yen  
 Before tax ROIC : >10%

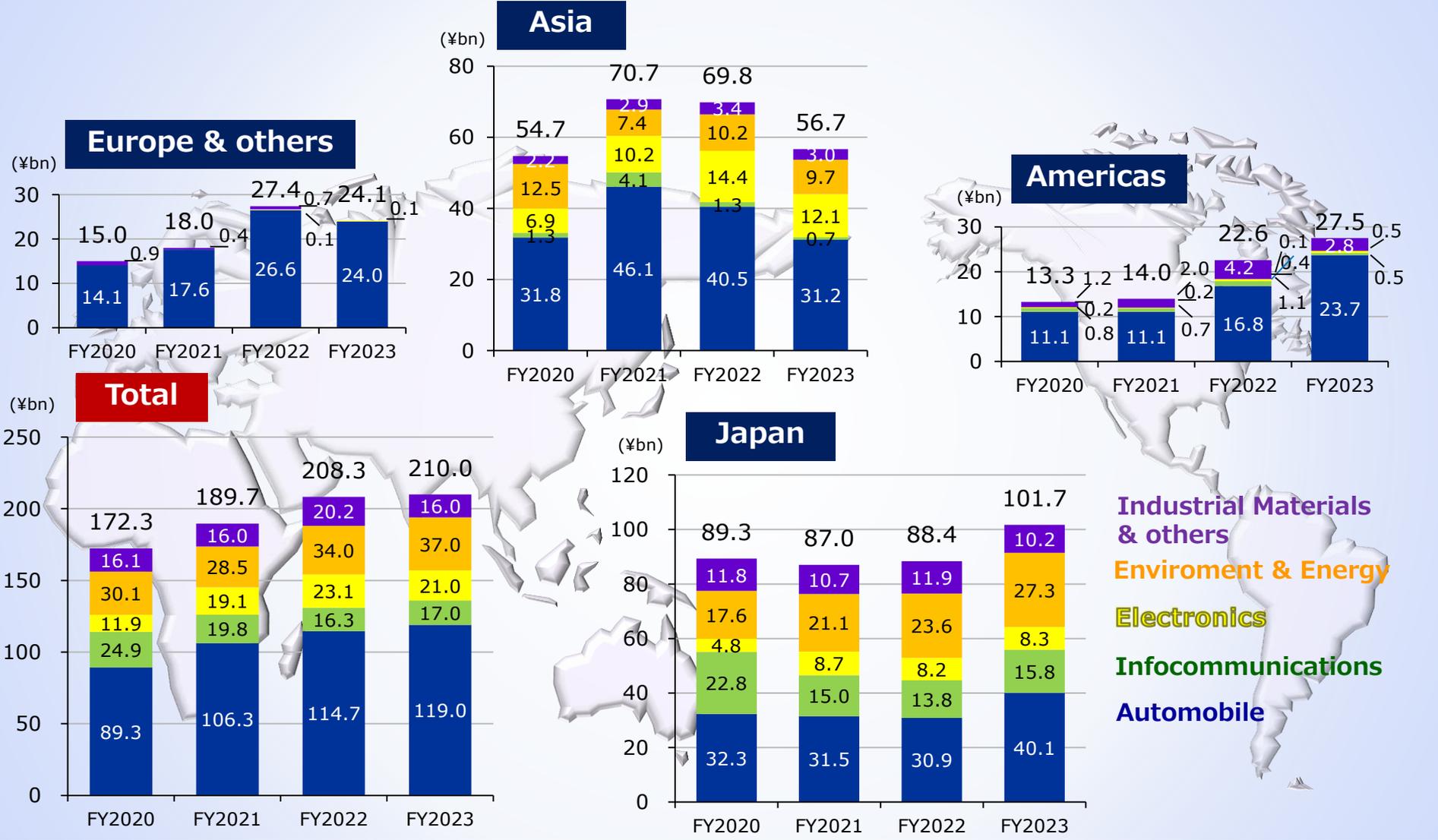
# (Reference) Wiring Harness Order Volume



**Harness order volume is expected to increase at a faster pace than market growth**

# (Reference) Capital Investment by Region/Segment

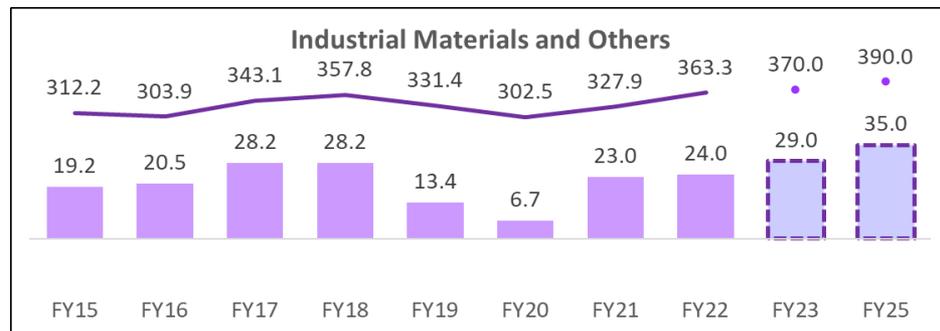
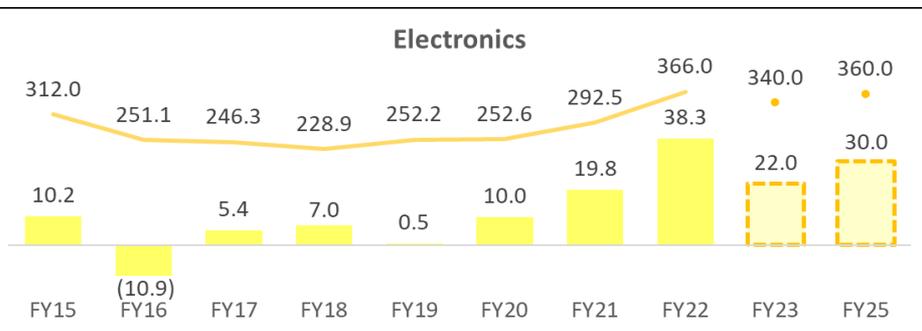
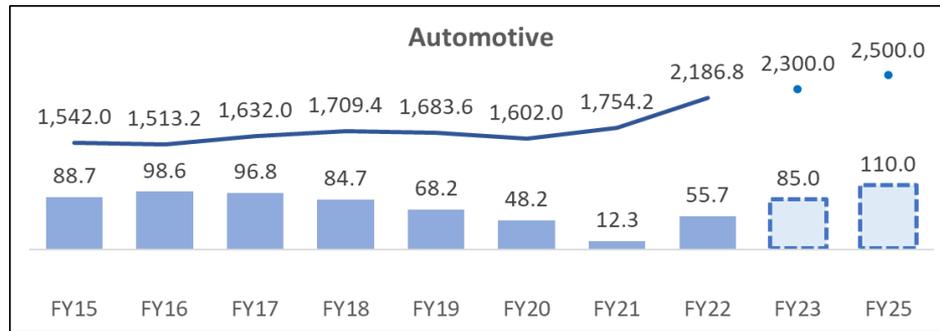
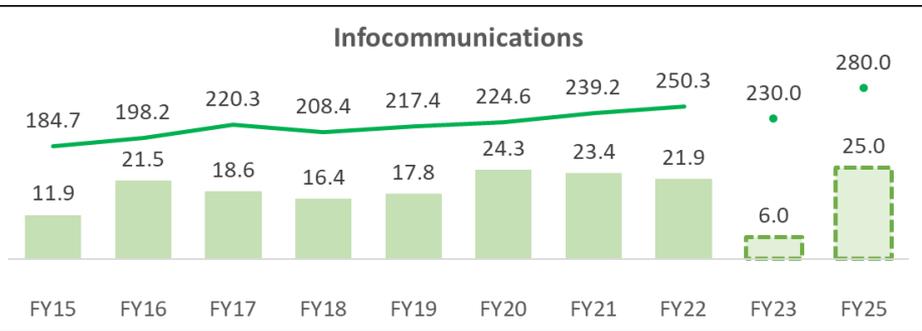
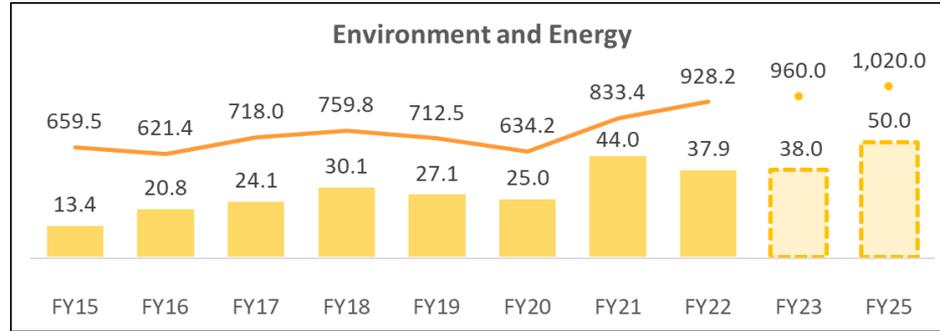
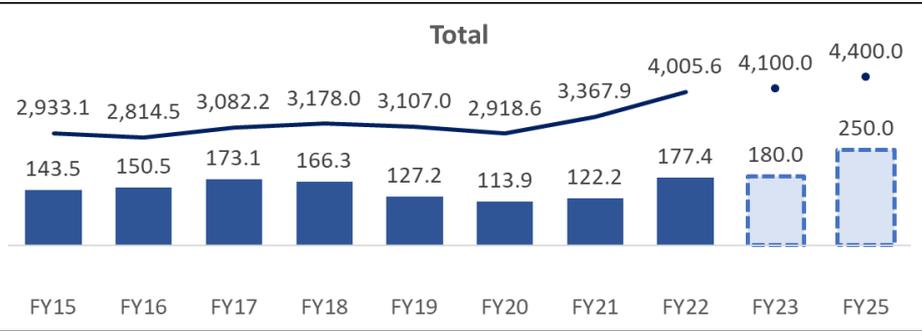
Planned capital investment for FY2023 is ¥210 billion. (Mid-term Management Plan 2025: ¥720 bn. over three years)



- Industrial Materials & others
- Environment & Energy
- Electronics
- Infocommunications
- Automobile

# (Reference) Annual Sales and OP

line:Sales bar:OP (¥bn)

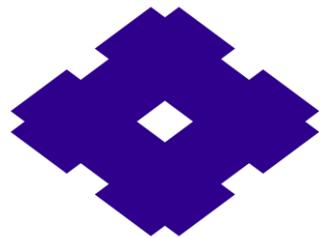


# Notes on Perspective Information

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:

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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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