

FY2023 1st half results and annual forecasts

Sumitomo Electric Industries, Ltd.
November 13, 2023

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- First Half Performance (by Segment)
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- Operating Income Increase/Decrease Factors (Full-year)
- Region-specific, Segment-specific Capital Investment

1 – 1. Overview of Consolidated Results

¥bn	FY2021 1H Actual	FY2022 1H Actual	FY2023 1H Plan	FY2023 1H Actual	Growth
Net Sales	1,570.4	1,891.1	1,950.0	2,072.1	+10%
Operating Profit	46.1	49.7	50.0	67.3	+35%
Ordinary Income	60.3	60.9	44.0	60.8	(0%)
Profit Attributable to Owners of the Parent	32.4	35.1	22.0	26.7	(24%)
Dividend(¥/share)	25	25	25	25	

Sales of wire harnesses, anti-vibration rubber, power cables, and other products **increased 10% year-on-year and reached a record high in the first half of the year** due to the impact of yen depreciation in addition to sales expansion.

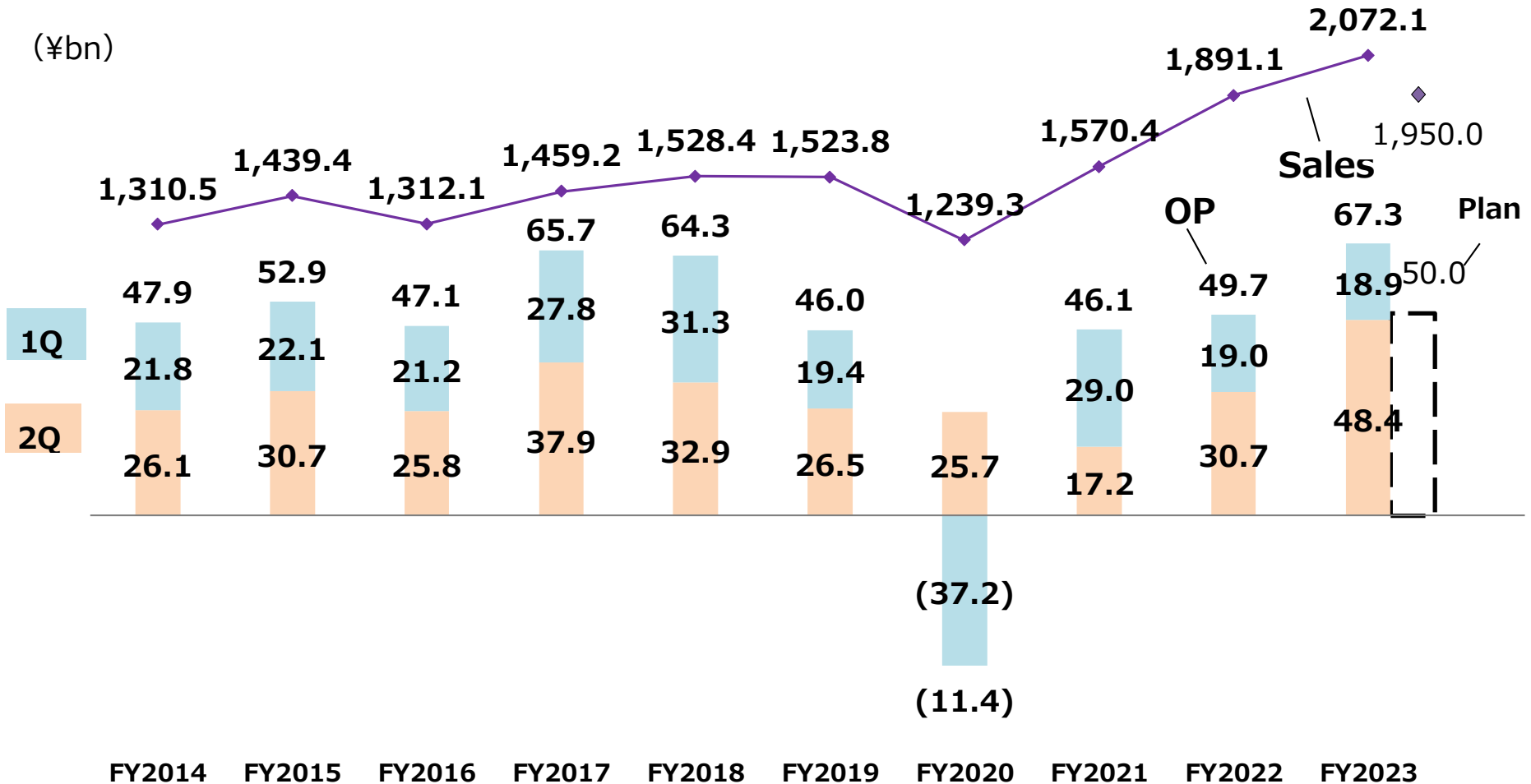
Operating income increased year-on-year as a result of increased sales, as well as drastic cost reduction and improvement of selling prices, **exceeding the published forecast and reached a record high for the first half of the year.**

Although net income decreased due to an increase in interest expenses and an extraordinary profit in the previous period, the published forecast was achieved.

1 – 2. First Half Performance Trends

Record-high operating income in both 2Q (July-September) and 1H (April-September)

(¥bn)



1 – 3. Sales and Operating Income by Segment

The automotive segment significantly exceeded the forecast announced at the beginning of the year due to a recovery in automobile production and improved productivity. On the other hand, the Info-communications and Industrial Materials segments failed to reach the levels announced at the beginning of the year due to a decline in orders for core products.

	FY2022		FY2023		FY2023		Growth		Difference	
	1H		1H		1H		③ – ①		③ – ②	
	Actual①		Plan②		Actual③		Sales	OP	Sales	OP
¥ bn	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Environment and Energy	435.0	12.6	450.0	8.0	448.7	12.2	+13.8	(0.4)	(1.3)	+4.2
Info-communications	121.3	12.9	110.0	0.0	102.4	(0.8)	(18.9)	(13.7)	(7.6)	(0.8)
Automotive	1,016.7	△ 8.0	1,100.0	20.0	1,214.6	32.3	+197.9	+40.3	+114.6	+12.3
Electronics	178.2	17.7	160.0	11.0	175.5	14.5	(2.6)	(3.2)	+15.5	+3.5
Industrial Materials and Others	185.2	15.0	180.0	11.0	179.9	9.0	(5.2)	(6.1)	(0.1)	(2.0)
Total	1,891.1	49.7	1,950.0	50.0	2,072.1	67.3	+181.0	+17.6	+122.1	+17.3

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

2 – 1. Summary of the Business Environment

Although there are concerns about a slowdown in the global economy due to rising global prices, prolonged monetary tightening, and a further increase in political and geopolitical risks,

- ✓ Progress of decarbonized society continues, investment in energy infrastructure and renewable energy is brisk
- ✓ Global automobile production is expected to recover in the second half of the year and beyond as parts shortages are resolved.
- ✓ In the information and telecommunications sector, demand is temporarily stagnant due to customers' investment restraints and inventory adjustments, but solid growth is expected in the medium term due in part to the creation of new demand from the generative AI.



Earnings forecast revised upward based on 1H results and future outlook.

2 – 2. Forecast of Consolidated Results

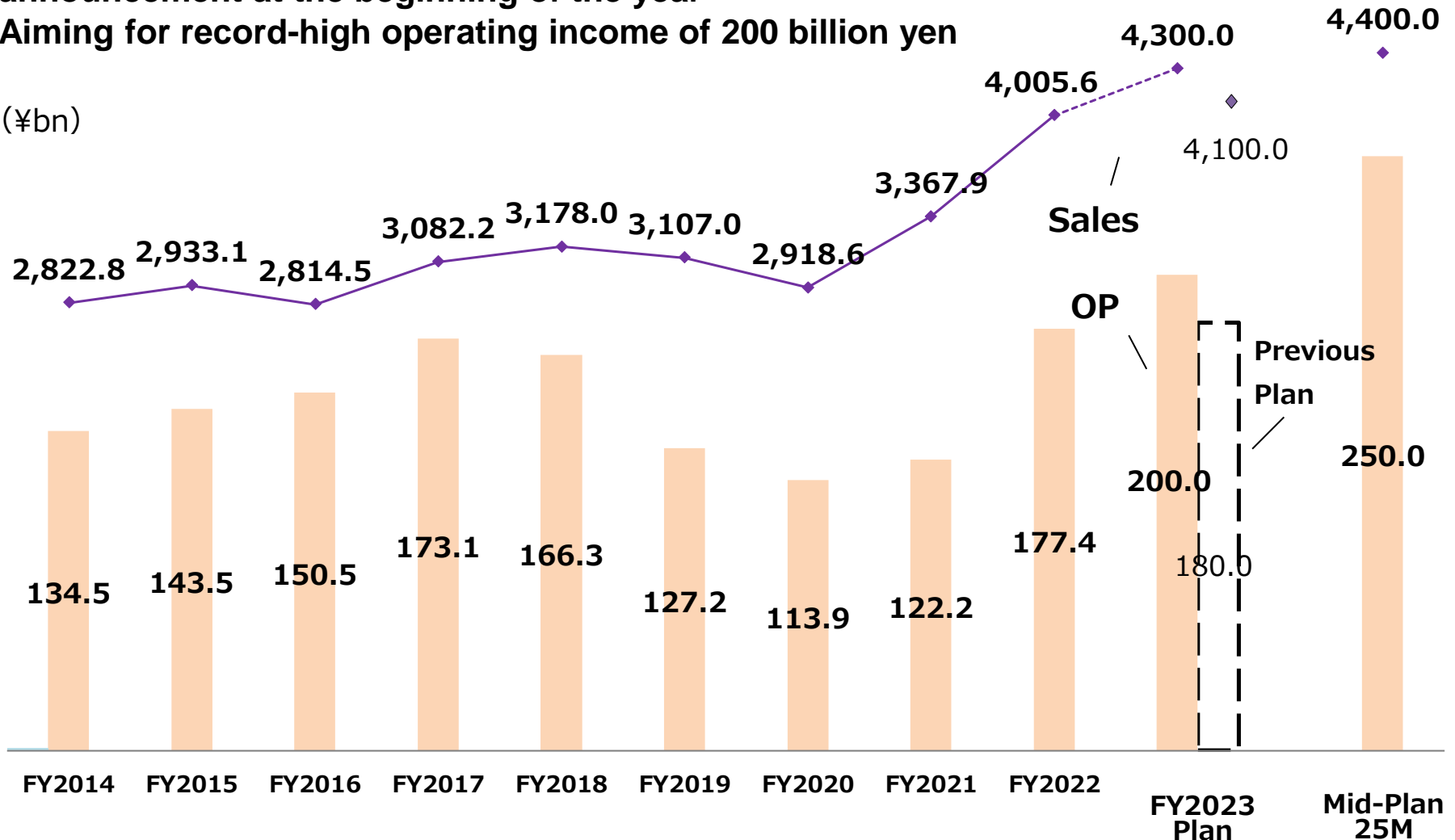
¥bn	FY2022 Actual ^①	FY2023 Previous Plan ^②	FY2023 Revised Plan ^③	Growth ③ – ①	Difference ③ – ②
Net Sales	4,005.6	4,100.0	4,300.0	+294.4	+200.0
Operating Profit	177.4	180.0	200.0	+22.6	+20.0
Ordinary Income	173.3	170.0	183.0	+9.7	+13.0
Profit Attributable to Owners of the Parent	112.7	100.0	110.0	(2.7)	+10.0
Dividend(¥/share)	50	50	50	0.0	0.0
			(2nd half)		
USD	¥136	¥130	¥140		
EUR	¥141	¥140	¥150		
Copper	¥1209k/t	¥1200k/t	¥1200k/t		

2 – 3. Full Year Performance

Sales and operating income both revised upward from the announcement at the beginning of the year

Aiming for record-high operating income of 200 billion yen

(¥bn)



2 – 4 . Sales and Operating Income by Segment

Revised segment forecasts based on 1H results and current business environment.

The automotive segment aims to achieve a new record high and achieve the mid-term management plan of 25M ahead of schedule. (Automotive Segment record profit: 98.6 billion yen in FY2016)

¥bn	FY2022 Actual ^①		FY2023 Previous Plan ^②		FY2023 Revised Plan ^③		Growth ③ – ①		Difference ③ – ②	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Environment and Energy	928.2	37.9	960.0	38.0	970.0	40.0	+41.8	+2.1	+10.0	2.0
Info-communications	250.3	21.9	230.0	6.0	220.0	1.0	(30.3)	(20.9)	(10.0)	(5.0)
Automotive	2,186.8	55.7	2,300.0	85.0	2,500.0	110.0	+313.2	+54.3	+200.0	+25.0
Electronics	366.0	38.3	340.0	22.0	350.0	24.0	(16.0)	(14.3)	10.0	2.0
Industrial Materials and Others	363.3	24.0	370.0	29.0	360.0	25.0	(3.3)	+1.0	(10.0)	(4.0)
Total	4,005.6	177.4	4,100.0	180.0	4,300.0	200.0	+294.4	+22.6	+200.0	20.0

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

3 – 1. Environment and Energy

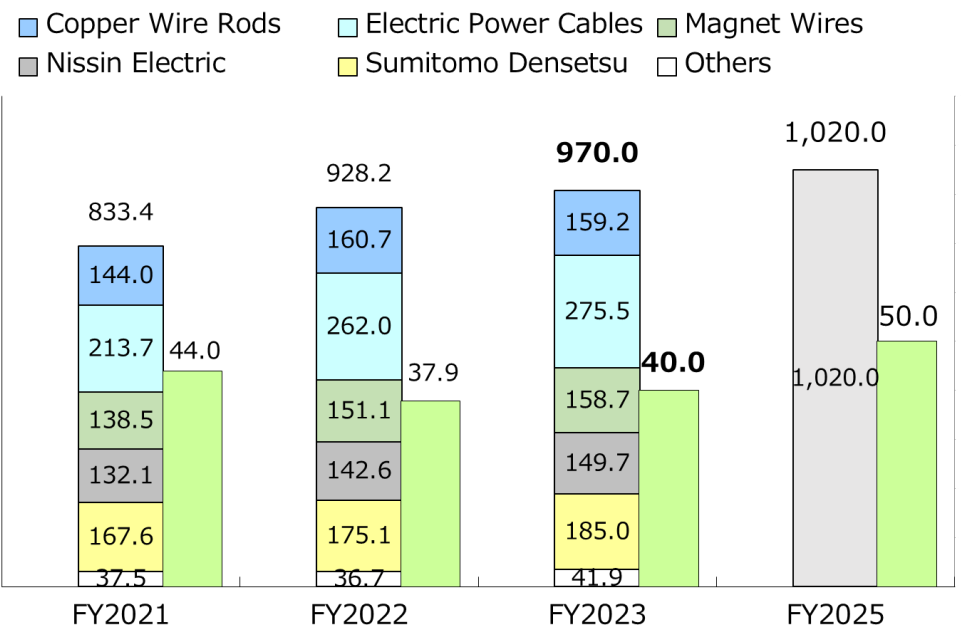
Business Environment

- Progress toward a decarbonized society continues. Energy infrastructure and investments related to renewable energy remain active, with continued strong demand for high-voltage power cables and transmission and distribution equipment
- Recovery in automobile production has led to an increase in demand for rectangular magnet wires for electric vehicles

Initiatives

- ✓ Expanding orders for power cables (interconnection cables, wind power generation, etc.), increasing production capacity, reducing costs, improving quality, developing new products, and strengthening project management
- ✓ Reducing costs and developing next-generation products for rectangular magnet wires used in electric vehicles.
- ✓ Creating further synergy with Nissin Electric

Left:Sales Right:OP (¥bn)



Topics

Redox flow batteries
 New order received for Queensland, Australia and Kashiwazaki, Niigata



Contributing to the realization of a sustainable society through long-life and safe RF batteries

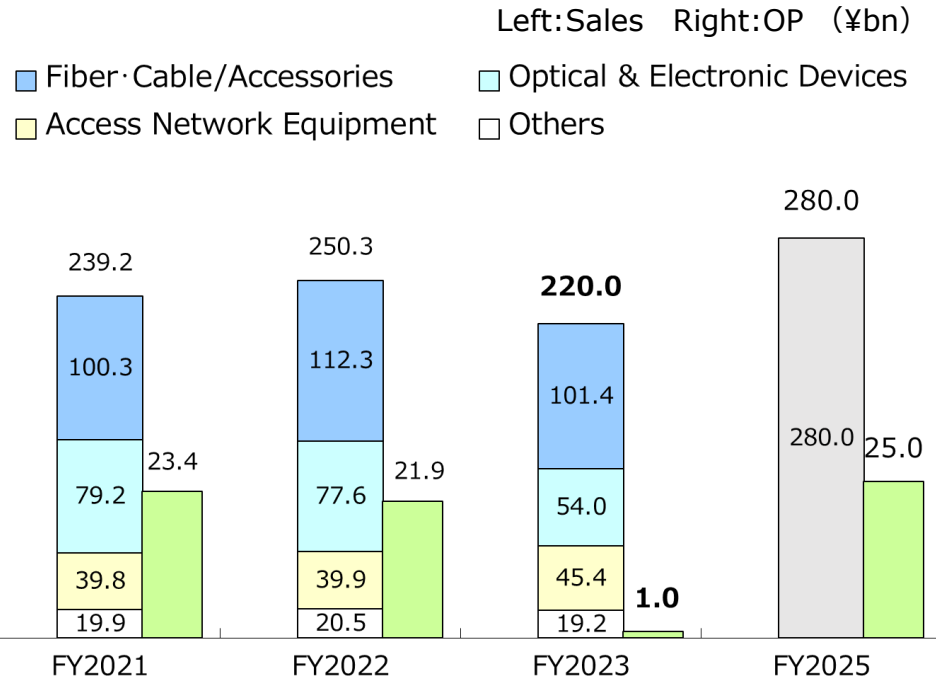
3 – 2. Info-communications

Business Environment

- High interest rates/inflation have caused telecom carriers to curb investment
→ Weak demand for optical fiber, optical devices, and GaN devices
- Data center investment is recovering due to demand for generative AI.
- Although the business environment will be challenging this fiscal year, the trend of increasing data volume will remain unchanged, and the market will expand steadily in the medium term.

Initiatives

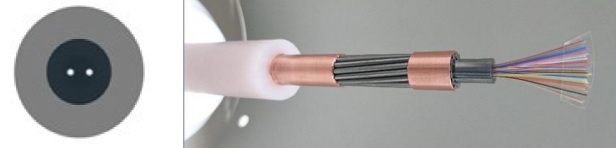
- ✓ Development and sales expansion of data center related products (cables, connectors, devices, etc.)
- ✓ Development and sales expansion of ultra-low-loss, high-capacity optical fibers for submarine cables
- ✓ Development and sales expansion of high-efficiency GaN devices



Topics

- Succeeded in the world's first mass production of ultra-low loss multi-core optical fiber and started sales in October 2023.

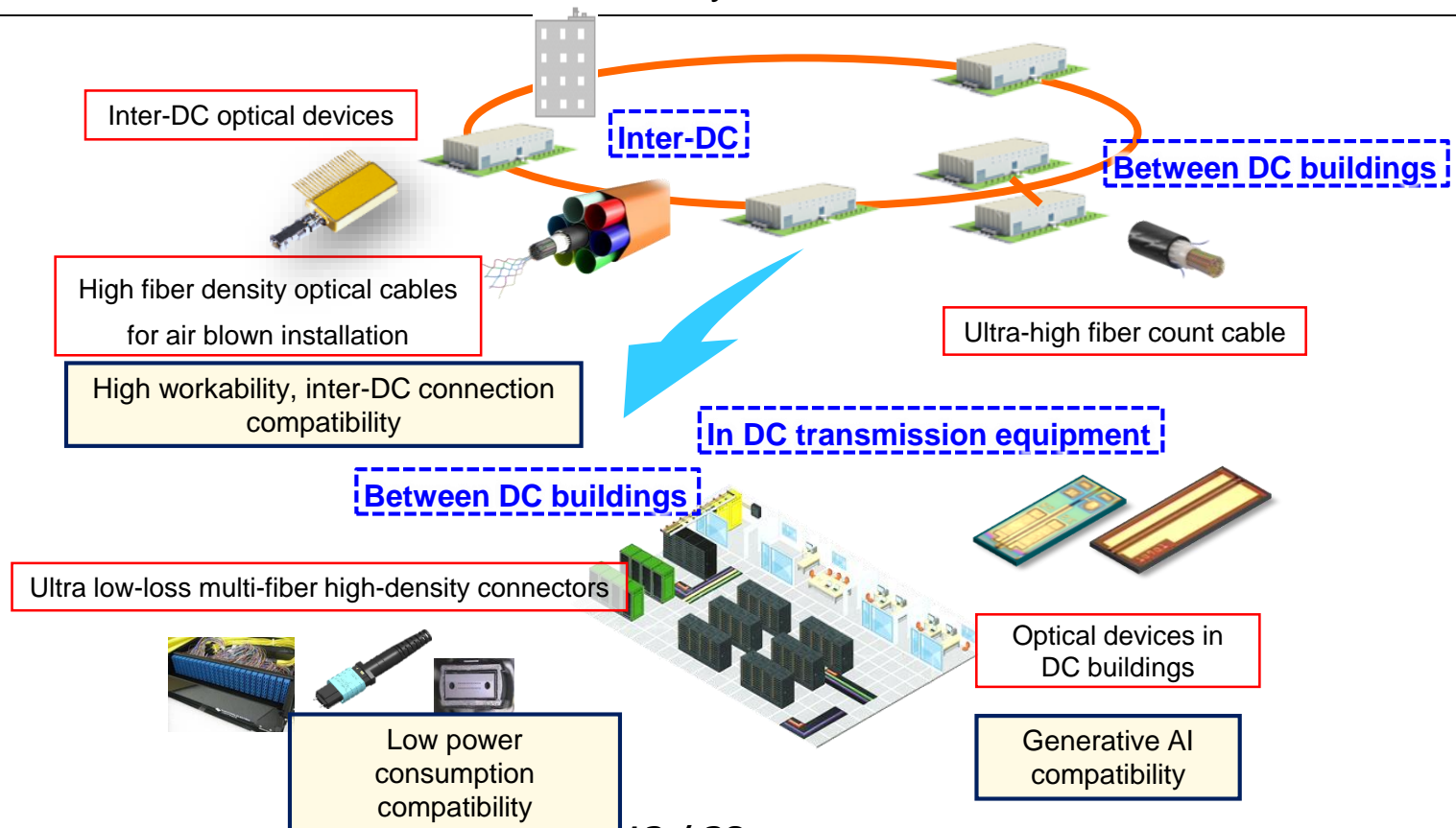
Realization of submarine cable densification



3 – 2. Info-communication, Initiatives for the DC Market

With the rapid evolution of generative AI, there is a rapidly growing demand for data centers (DCs) to support increased processing capacity, increased communication traffic, distributed DC placement, high-density storage, and reduced power consumption.

To meet these changing demands, we are developing and launching new products that leverage our strengths in high-speed optical device technology (400G/800G) and high-density, low-loss technology (multi-core, high-density cables, low-loss multi-core high-density connectors) to contribute to the evolution of the information society.



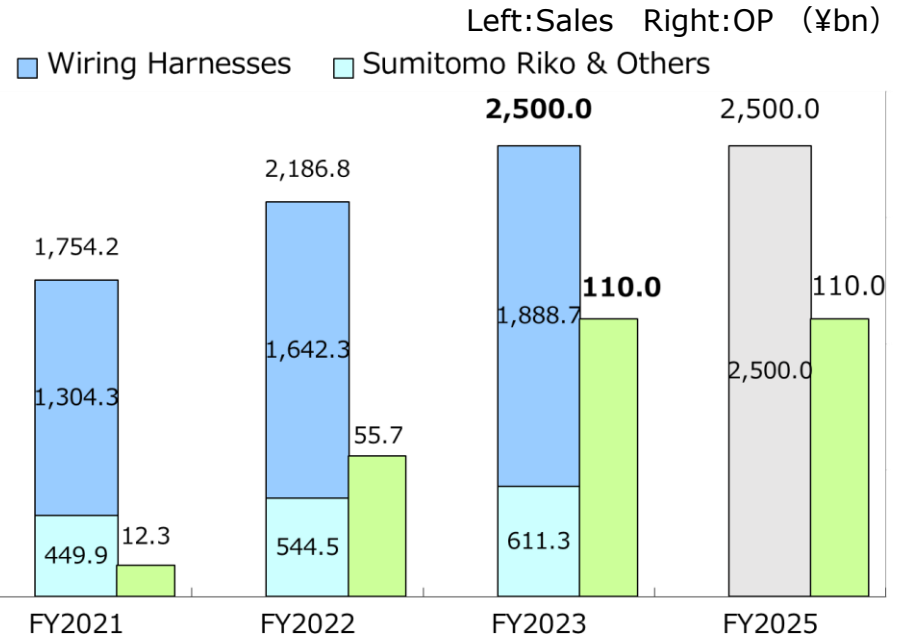
3 – 3. Automotive

Business Environment

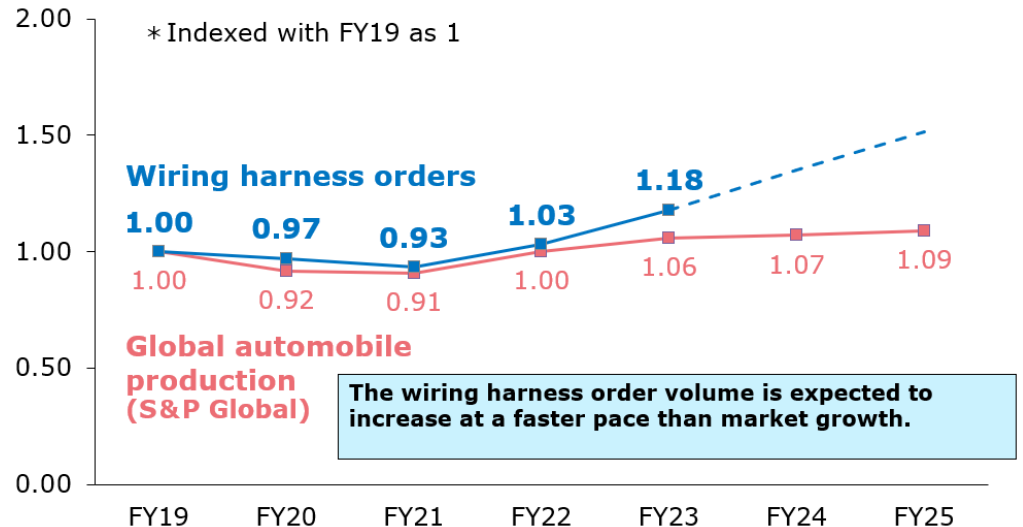
- Global automobile production will recover as semiconductor and other component shortages are resolved.
- Progress in productivity improvement with increase in order volume
- Sharp decline in ocean freight rates to North America

Initiatives

- ✓ Strengthening business structure (reduce costs and improve asset efficiency)
- ✓ Evolution of conventional harnesses, including new design and expansion of new construction methods
- ✓ Creation and sales expansion of new CASE products



Volume of orders for wire harnesses



3 – 4. Electronics

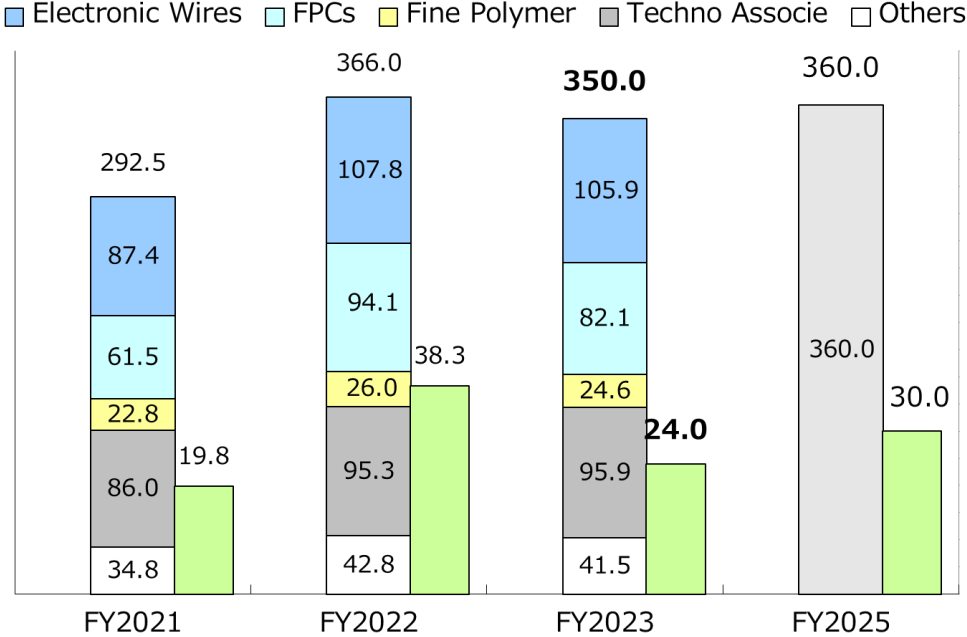
Business Environment

- The market environment for consumer applications remains weak due to the slowdown in the Chinese market and the continuing backlash (delayed recovery) from COVID-related demand.
- Demand for automotive applications is increasing due to the recovery of automobile production.

Initiatives

- ✓ Expanding sales of FPCs with high functionality, reducing costs, and further enhancing functionality
- ✓ Expanding sales of FPCs for automotive and medical applications, and developing new products for higher frequencies
- ✓ Expanding sales of lead wires for EV battery terminals (tab leads) and wires for automotive applications
- ✓ Creating further synergy with TECHNO ASSOCIE

Left:Sales Right:OP (¥bn)



Topics

- Electronic wire products (tab leads, etc.)
- Establishment of new manufacturing base in Mexico (Scheduled to start operation in 2025)

Responding to growing demand for high-performance wires/wiring materials due to the progress of CASE in North America

3 – 5. Industrial Materials

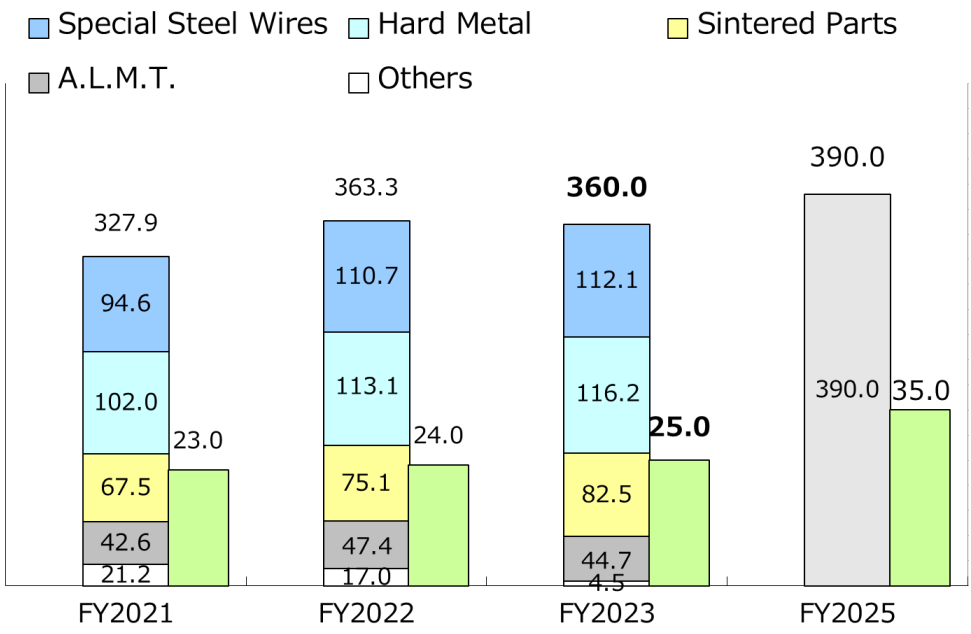
Business Environment

- Although global automobile production is recovering, orders received for cemented carbide tools in the first half were lower than in the same period of the previous year due to the slowdown in the Chinese market and other factors (recovery will be made in the second half).
- Expanding new markets for electric vehicles, aircraft, and renewable energy

Initiatives

- ✓ Expanding global sales of cemented carbide tools and developing new markets for electric vehicles, aircraft, semiconductors, renewable energy, etc., and developing new materials and processing technologies
- ✓ Strengthening cost competitiveness and production systems for sintered parts, PC steel, and steel wire for springs

Left:Sales Right:OP (¥bn)



Topics

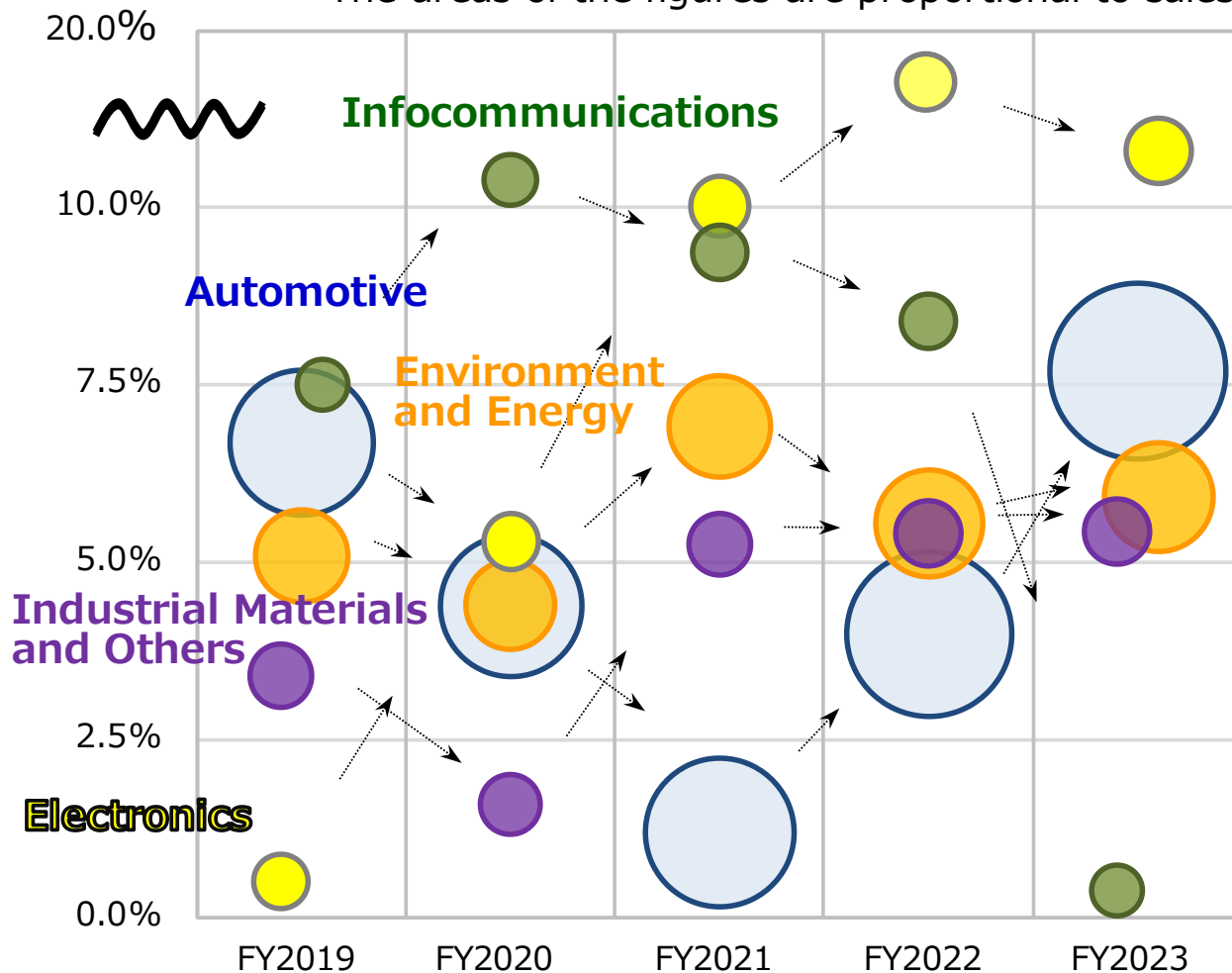
Full-scale operations of the carbide tools sales subsidiary in India
Sumitomo Electric Hardmetal India



Aiming to capture demand in the Indian market, which is expected to grow at a high rate.

4 . ROIC by Segment

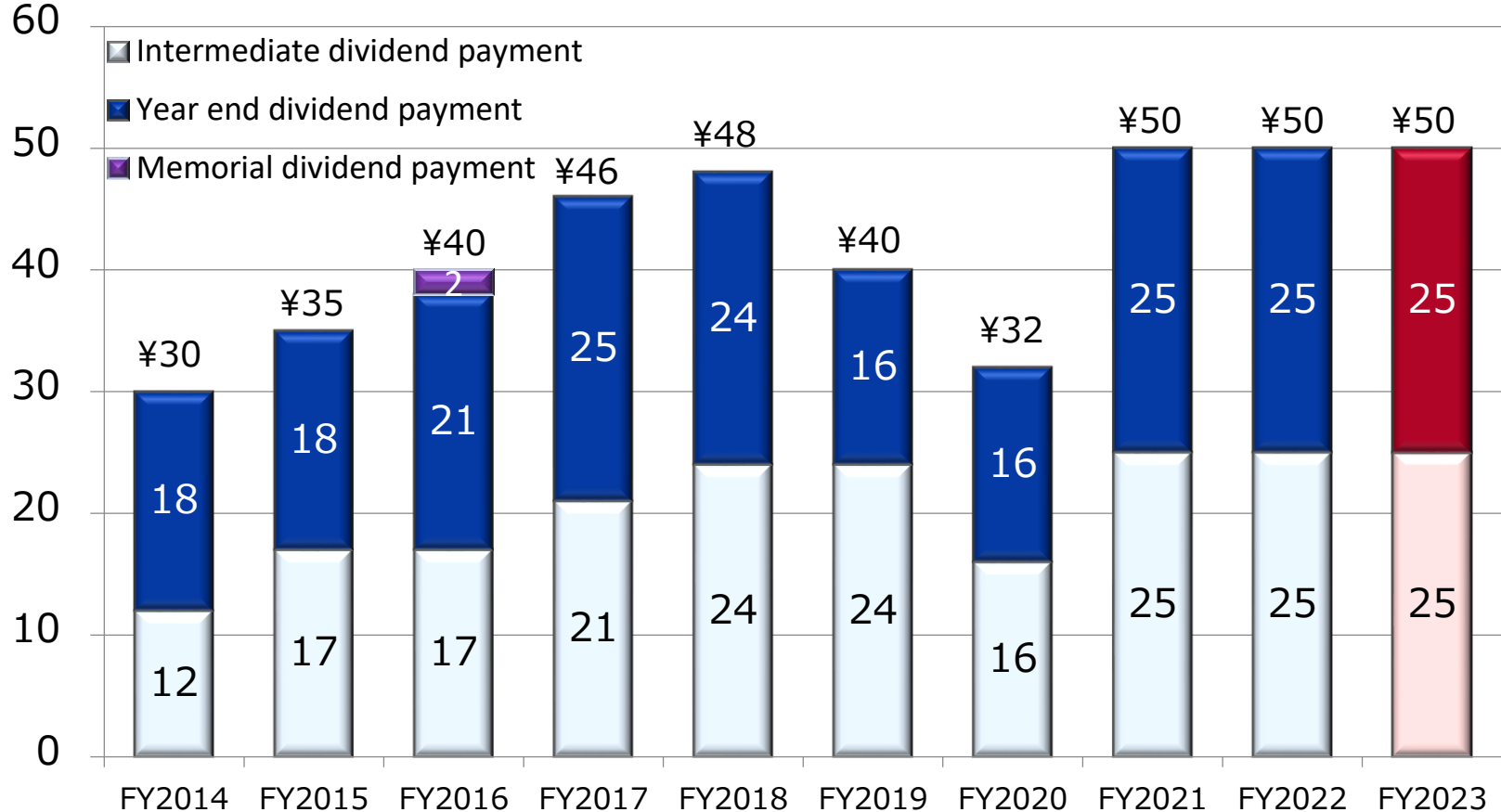
* The areas of the figures are proportional to sales



Operating profit ROIC	5.4%	4.6%	4.5%	5.9%	6.6%
Before-tax ROIC	5.6%	4.4%	5.8%	6.6%	6.3%

5 . Dividends

(¥/share)



Earnings per share (Yen)	151.00	114.73	137.61	154.29	151.38	93.24	72.25	123.49	144.45	141.05
Dividend Payout Ratio	19.9%	30.5%	29.1%	29.8%	31.7%	42.9%	44.3%	40.5%	34.6%	35.5%

The year-end dividend will be reviewed based on the mid-term target of 40% and progress in the second half of the fiscal year.

6. Toward Enhancing Corporate Values

Mid-term Management Plan 2025



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%

6. Toward Enhancing Corporate Values

Aiming for sustainable enhancement of corporate values by pursuing growth and efficiency through growth strategies and strengthening of the foundation set forth in the Mid-term Management Plan 2025.

Growth Potential

30V Target
Sales expansion of more than 1 trillion yen in 3 focal areas

Three focal areas: Energy, Info-communications, and Mobility

25M Target
Expand sales by 400 billion yen through growth themes

(700 billion yen in 2022 → 1.1 trillion yen in 2025)

Energy

- Interconnectors / battery storages for power grids
- Renewable energy networks
- Environmentally friendly power transmission and distribution / energy-saving equipment

Info-communications

- High-speed large-capacity and low-latency communications network
- Data Centers and related Equipment
- Next-generation telecommunication devices and equipment

Mobility

- Materials for electrified automobiles / weight reduced materials
- Driver-assistance and autonomous driving systems
- Mobility solutions from energy infrastructure and integrated transport infrastructure

Efficiency

30V Target Before-tax ROIC of 10% or more

25M Target Before-tax ROIC of 8% or more
ROE 8% or more

Maximize cash generation through efficiency.

EBITDD 1.6 trillion yen over 3 years

EBITDD: Earnings Before Interest Taxes Depreciation and Development

6 – 1. Initiatives to Improve ROIC

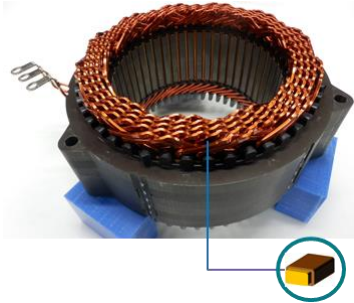
Set ROIC as the most important indicator for efficiency improvement and work on improvement.

ROIC Tree Items		Focal Initiatives
Improving profitability	Improving operating margin ratio	<ul style="list-style-type: none"> • Improving profitability through higher added value • Pursuing innovative technologies and manufacturing methods • Improving orders-received profitability
	Reducing interest rate burden	<ul style="list-style-type: none"> • Reducing interest-bearing debt (to improve financial soundness)
Improving asset efficiency	BS overall	<ul style="list-style-type: none"> • Strengthening division-specific B/S and free CF management • Reviewing cross shareholdings
	CCC (Improving working assets)	<ul style="list-style-type: none"> • Optimizing inventory balances and number of days held • Improving balance of receivables and payables and number of days held
	Tangible fixed assets	<ul style="list-style-type: none"> • Capital investment management (Improving investment certainty and strengthening investment budget management)

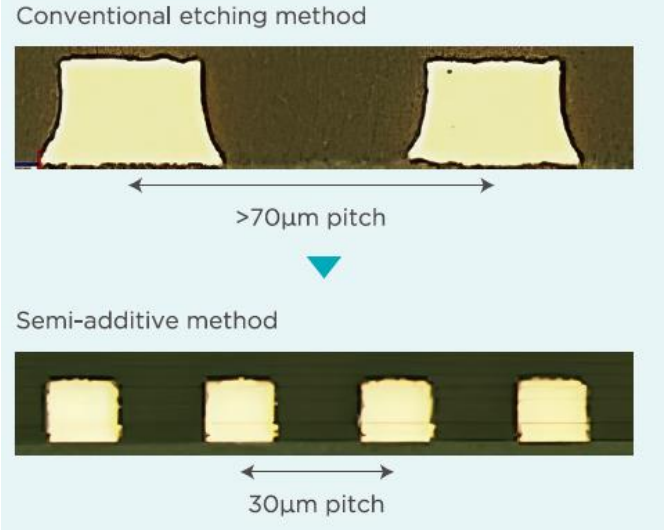
6 – 1 – 1. Initiatives to Improve Earnings

High added value Pursuit of high value-added products through “business metabolism”

Magnet wire Focusing on “rectangular magnet wires” that contribute to higher performance and weight reduction of electric vehicles



FPC Focusing on high value-added products utilizing fine pitch circuit technology



Info-communications

Strengthening data center products

Optical cables for data centers

- Ultra-high fiber count cable
- High fiber density optical cables for air blown installation

- Ultra-low loss optical connectors
- Ultra-high-speed optical device
- Optical interconnection equipment

Wire harnesses

Expansion of new products contributing to electrification and connectivity

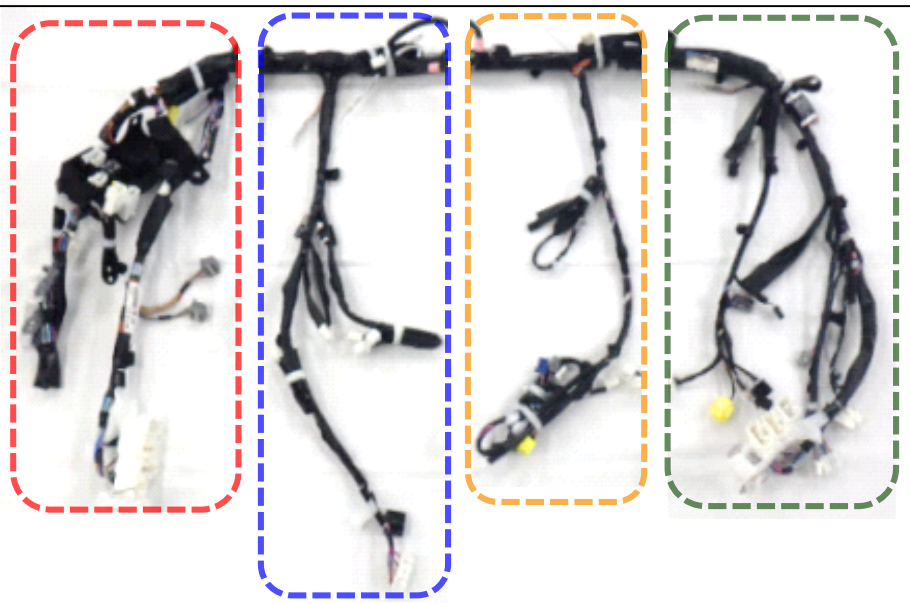
Cemented carbide tools

Introduction of new products such as tools for wind power generation parts and aircraft applications

6 – 1 – 1. Initiatives to Improve Earnings

Pursuit of innovative technologies and manufacturing methods

Split harnesses (4 to 5 sections)



<Merits>

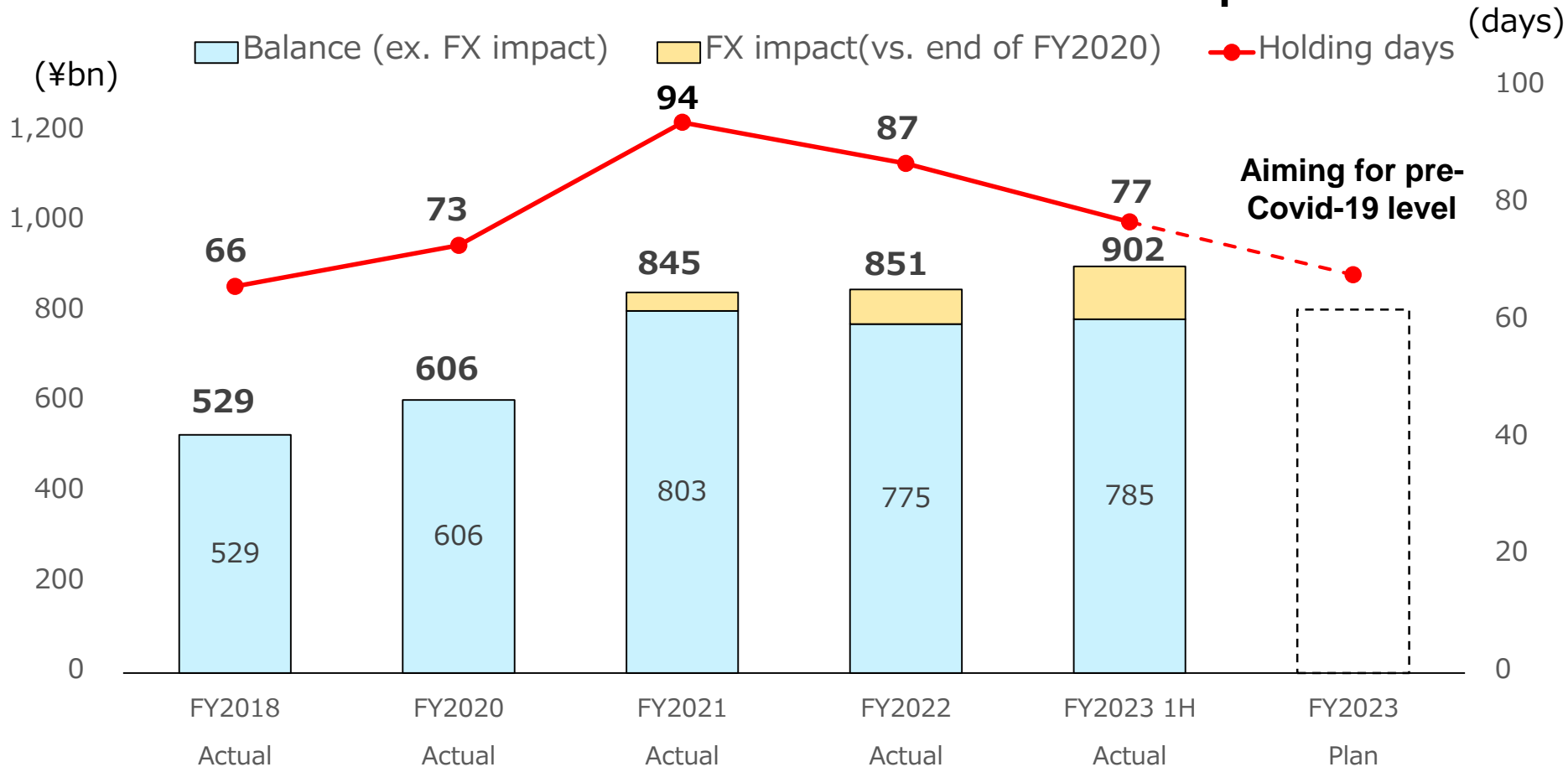
- (1) Simple form that can be easily automated
- (2) Able to handle a wide variety of products with a small number of part numbers
- (3) Avoids centralized production for risk management and local production for local consumption

- **Production system is under construction at each global site** for mass production
- **Accelerating proposal activities** to expand to OEMs and other vehicle types

6 – 1 – 2. Initiatives to Improve Asset Efficiency

Inventory optimization

Focusing on optimizing inventories, which increased due to the COVID-19 pandemic



Examples of initiatives

Shortening manufacturing and procurement lead times
Inventory visualization using DX

Supply chain reforms

6 – 1 – 2. Initiatives to Improve Asset Efficiency

Capital investment management

Improving investment certainty and strengthening investment budget management

1. Equipment budget management

Establishment of departmental budgets based on cash flow plans for each business.
Large-scale projects are managed individually as strategic investment quotas after careful examination of the details.

2. Project deliberation and Investment decisions

Business plans and investment details are scrutinized for each project, and business profitability is considered.
Approval is granted only when the hurdle rates set for each business and investment category are exceeded.

3. Implementation

Approved individual projects are implemented according to the plan.

4. Measurement of results

Measuring the results of past capital investment projects
Sharing success factors and failure cases within the company and providing feedback for consideration of future capital investment projects.

6 – 1 – 3 . Free Cashflow

Free cashflow trends

(¥bn)

Full year 86.6

Second half 46.9
First half 39.7

← COVID-19
Supply chain confusion →

6.2

29.8

(23.6)

(89.4)

(41.3)

(48.2)

117.4

85.6

31.7

126.8

[Includes proceeds from sales of assets]

[+16.2]

[+21.5]

[+22.8]

[+54.1]

FY2019

FY2020

FY2021

FY2022

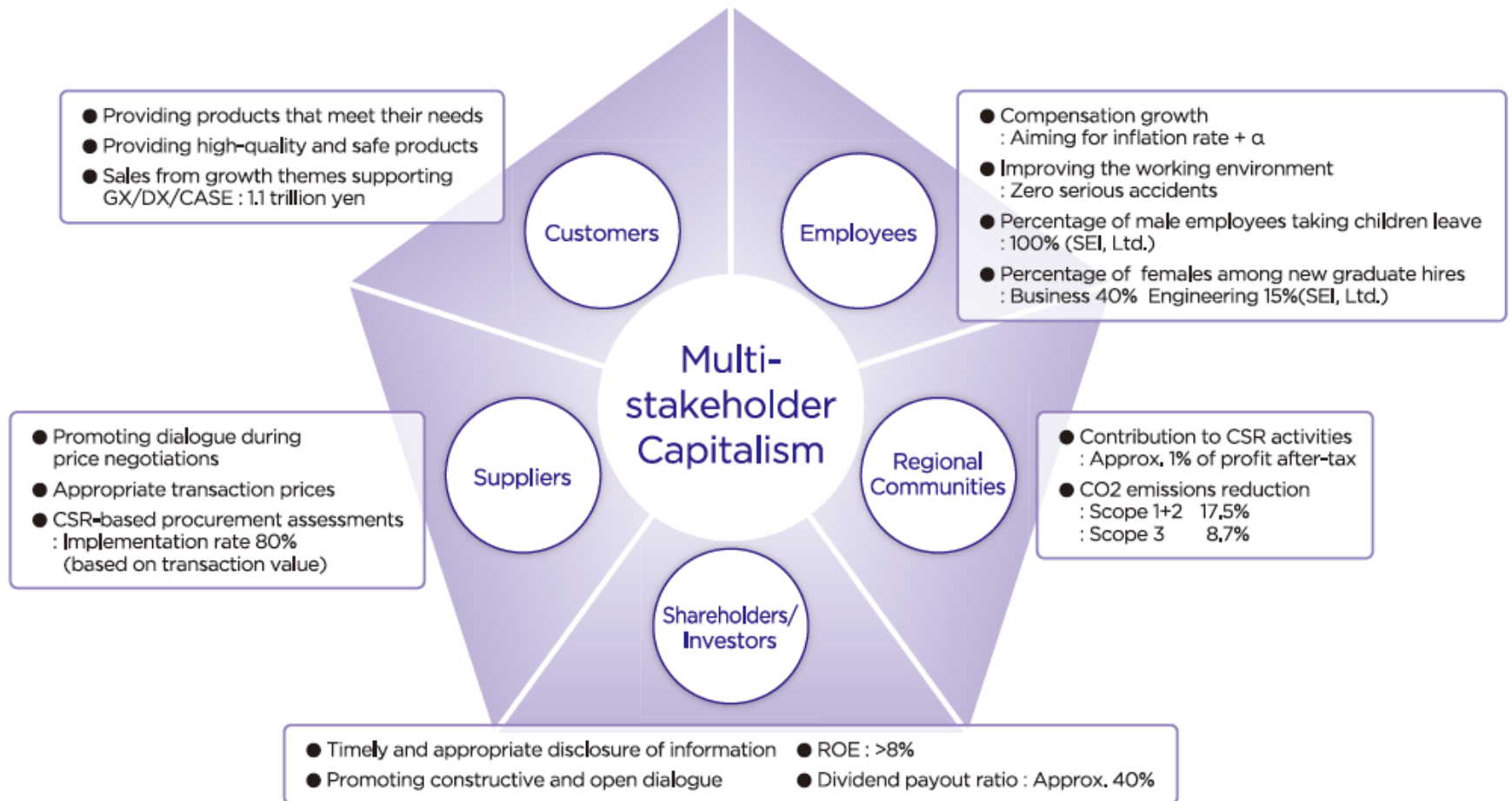
FY2023

Maximizing free cash flow by further promoting initiatives to improve profitability and asset efficiency

6 – 2. Mid-term Management Plan Key Indicators and Targets

Achieving increased corporate values and sharing the results with stakeholders

Net sales 4.4 trillion Yen	Operating profit 250 billion Yen	Before-tax ROIC >8%	R&D 360 billion Yen / 3years	Capital Investment 720 billion Yen / 3years
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6 — 3 . Corporate Social Contribution Activities

(1) Basic thinking

Sumitomo Electric Group Basic Policies on Social Contributions

(Established in April 2007)

··· We will actively work on the themes of “respect for human resources,” “attaching importance to technology,” and “creating a better society and environment.”

(2) Targets and Initiatives in the Mid-term Management Plan 2025

Target: Contributions to CSR activities will be approx 1% of after-tax profit.

··· We will strive to realize co-prosperity with multi-stakeholders.

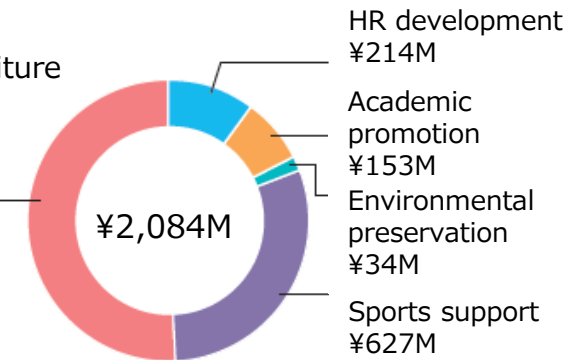
(3) Social contribution activities

Converted to monetary amount: 2,084 million yen

(FY2021: 1,684 million yen)

FY2022 Social Contribution Expenditure

Contribution to the community ¥1,056M



(4) Efforts to build momentum for Expo 2025 Osaka, Kansai, Japan

··· Contribute to the Expo 2025 Osaka, Kansai, Japan by promoting the Expo at internal and external events and by participating in the "Sumitomo Pavilion".

6 — 3 . Corporate Social Contribution Activities

(5) Examples of specific initiatives

Presentation Ceremony for University Chair Donations and Academic Research Grants from the "Sumitomo Electric Group Social Contribution Fund"



Local cleaning activities



Support for Athletics Department Activities



AED training in the community



Track and field class by athletes



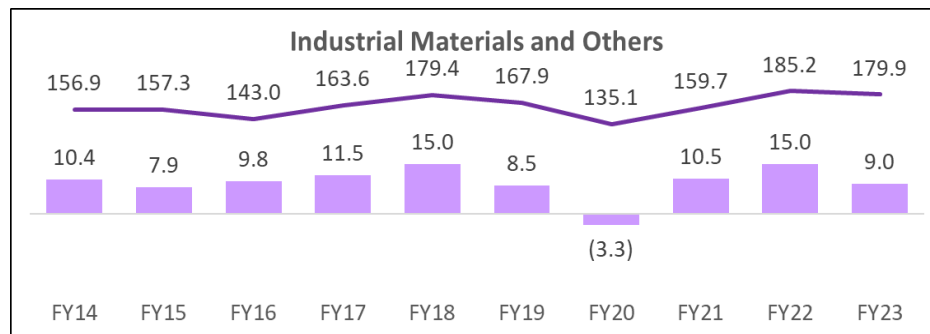
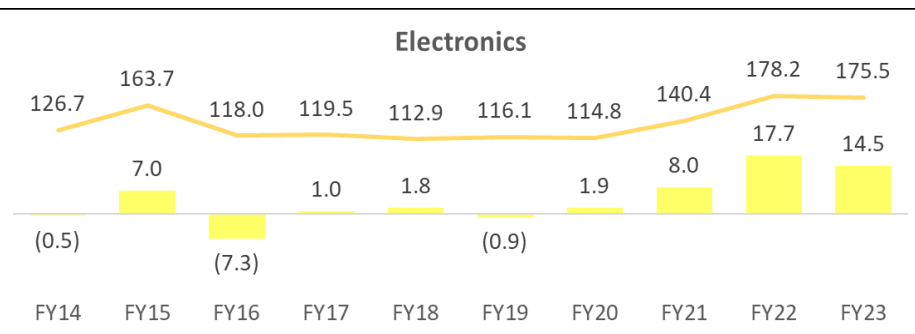
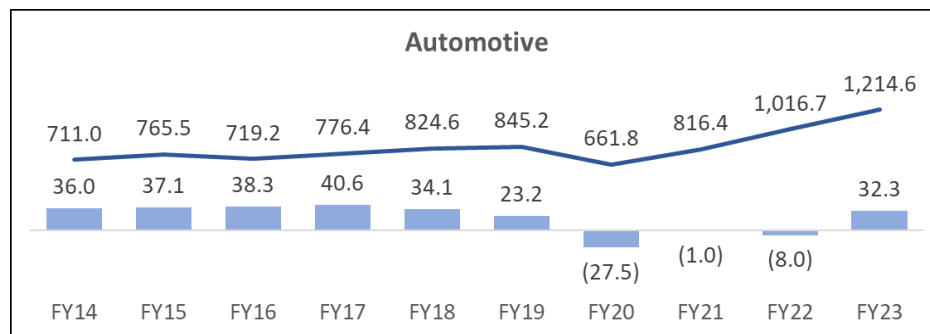
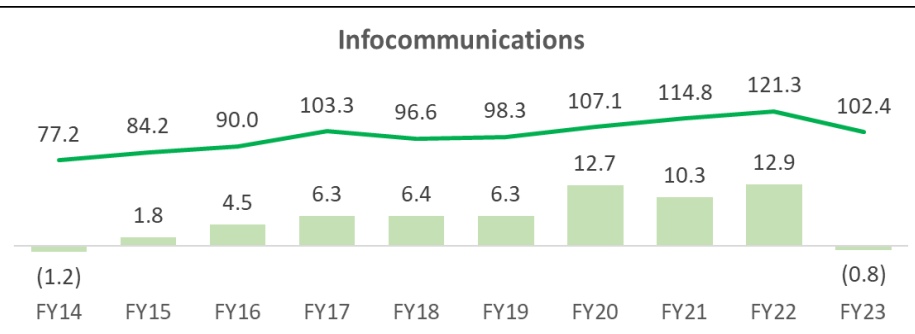
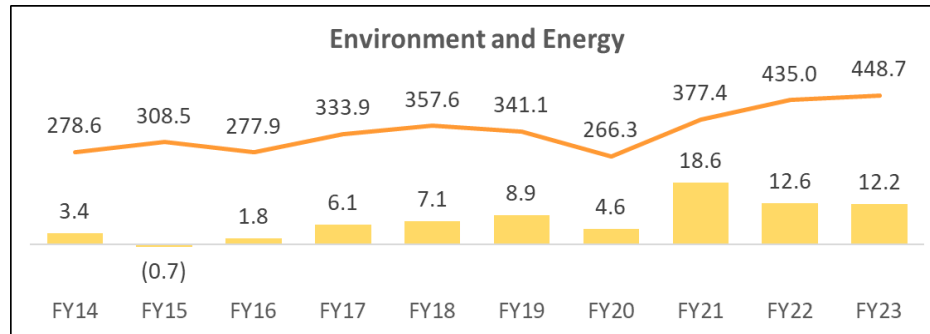
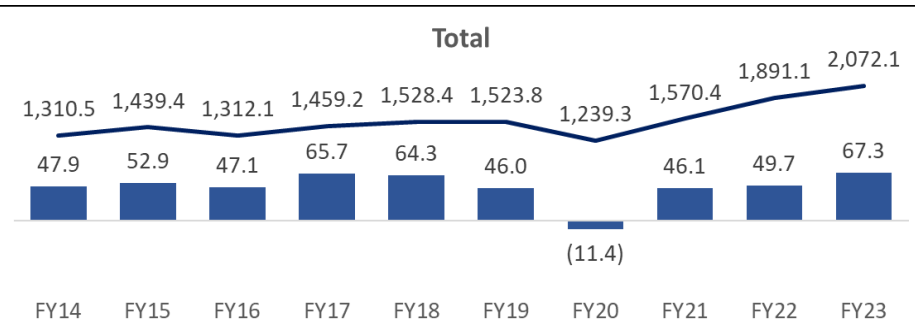
Plant openings and exchanges



- As a company with operations around the world, it is essential for us to promote social contribution activities rooted in local communities to enhance our corporate value over the medium to long term.
- Based on the concept of multi-stakeholder capitalism, we will continue with our social contribution activities and build good relationships with our stakeholders.

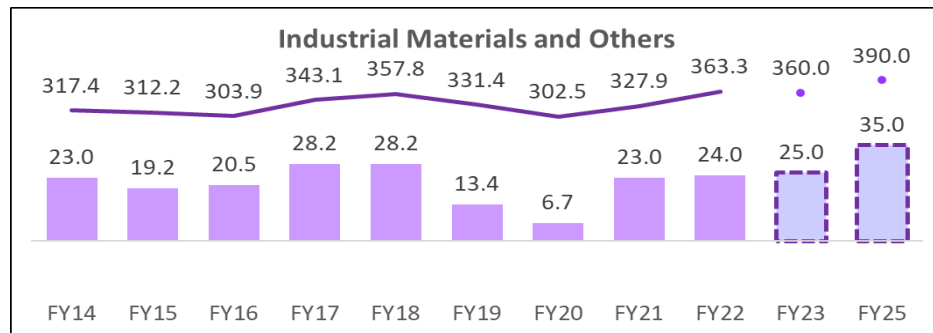
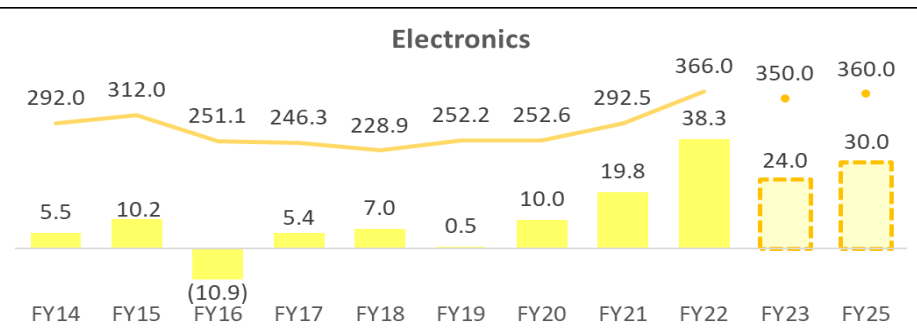
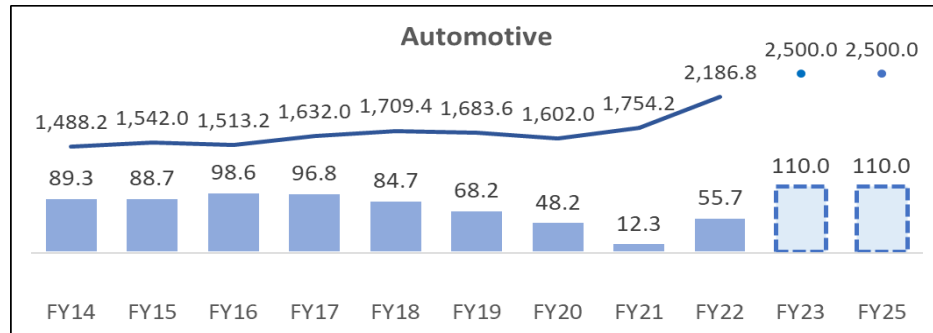
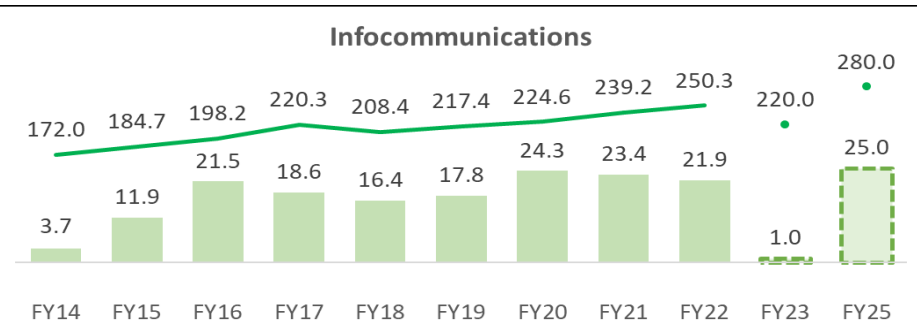
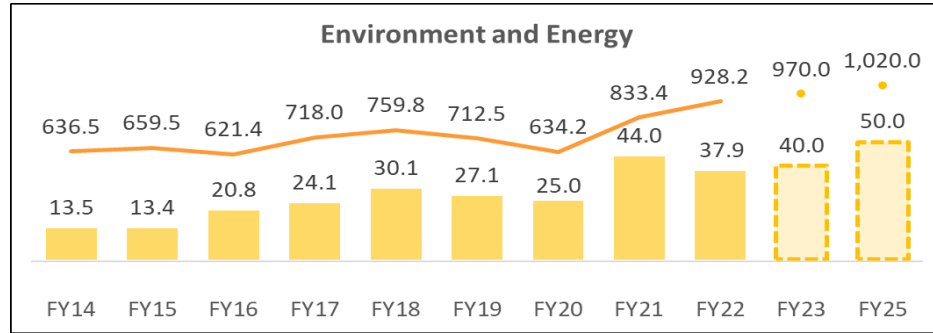
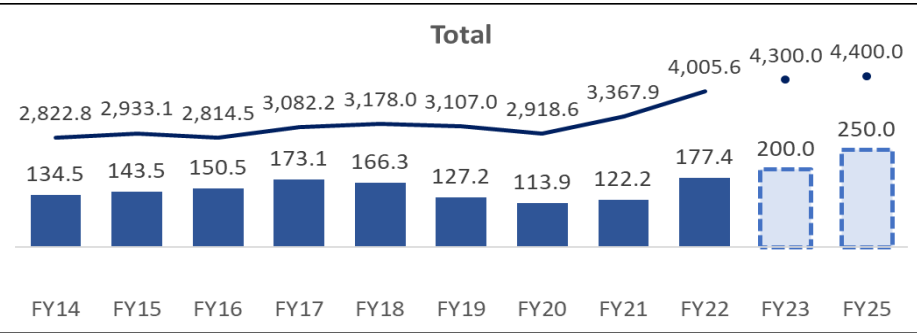
(Reference) First Half Performance (by Segment)

line:Sales bar:OP (¥bn)



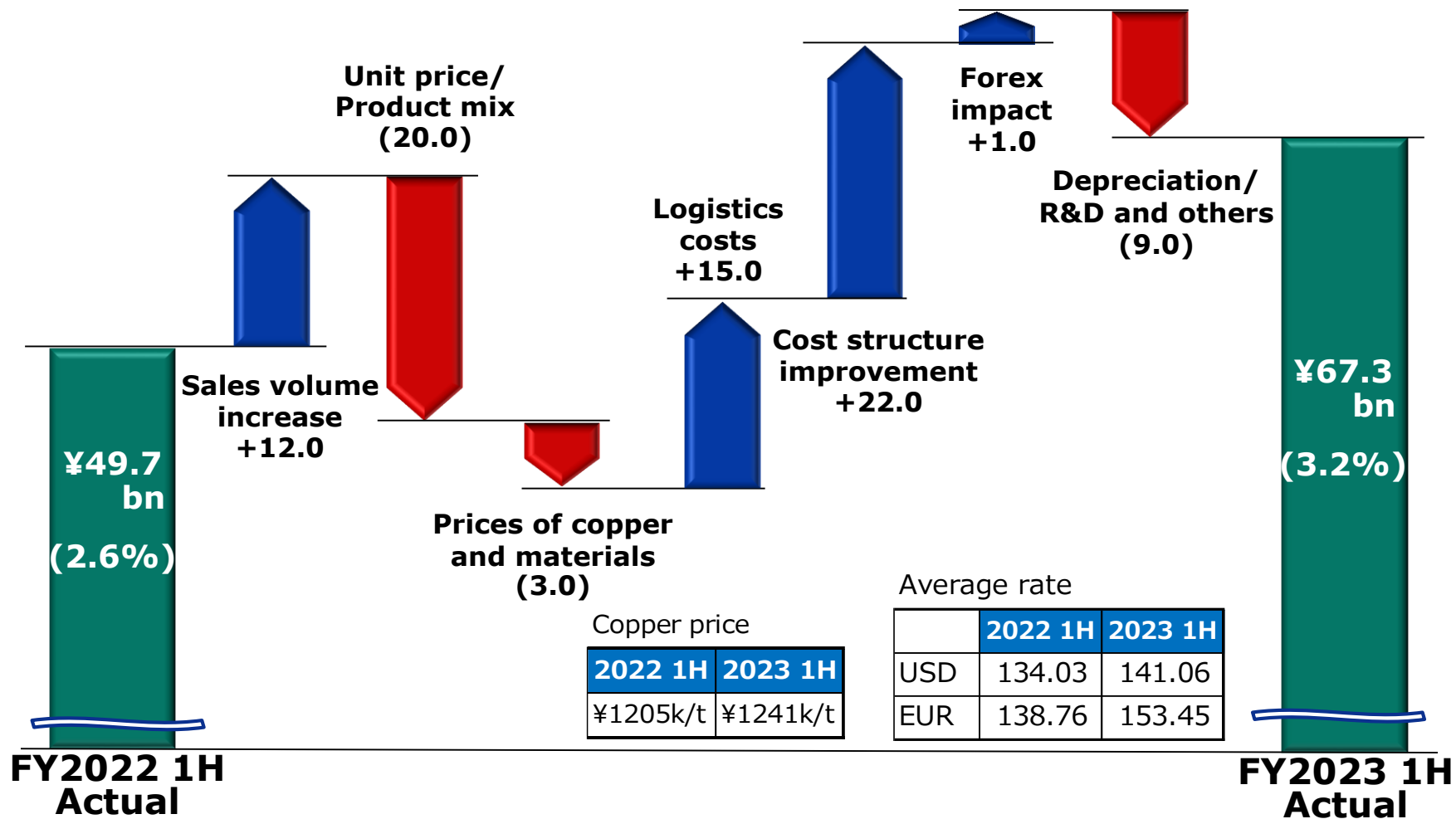
(Reference) Whole Year Performance (by Segment)

line:Sales bar:OP (¥bn)

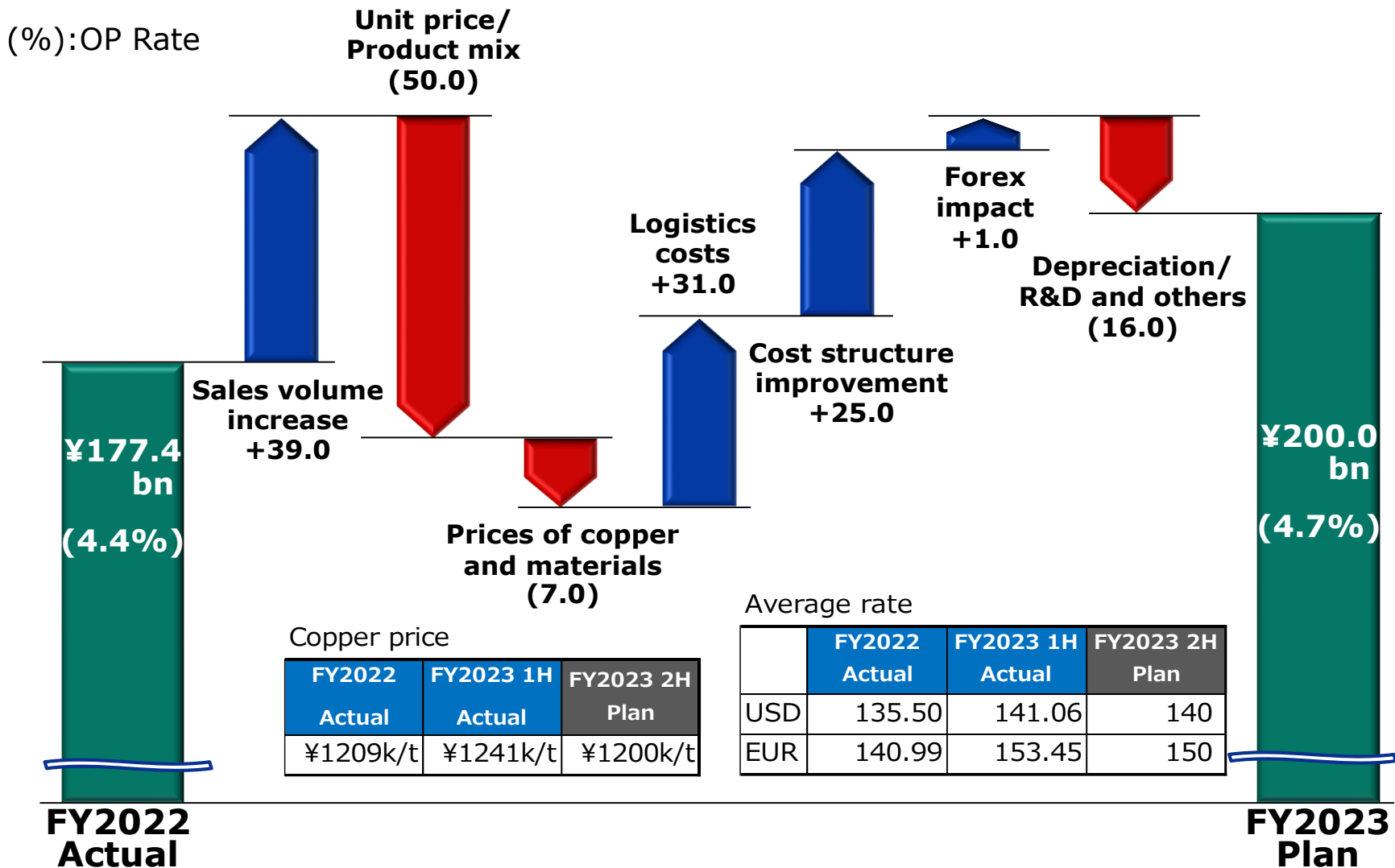


(Reference) Operating Income Increase/Decrease Factors (First Half)

(%):OP Rate

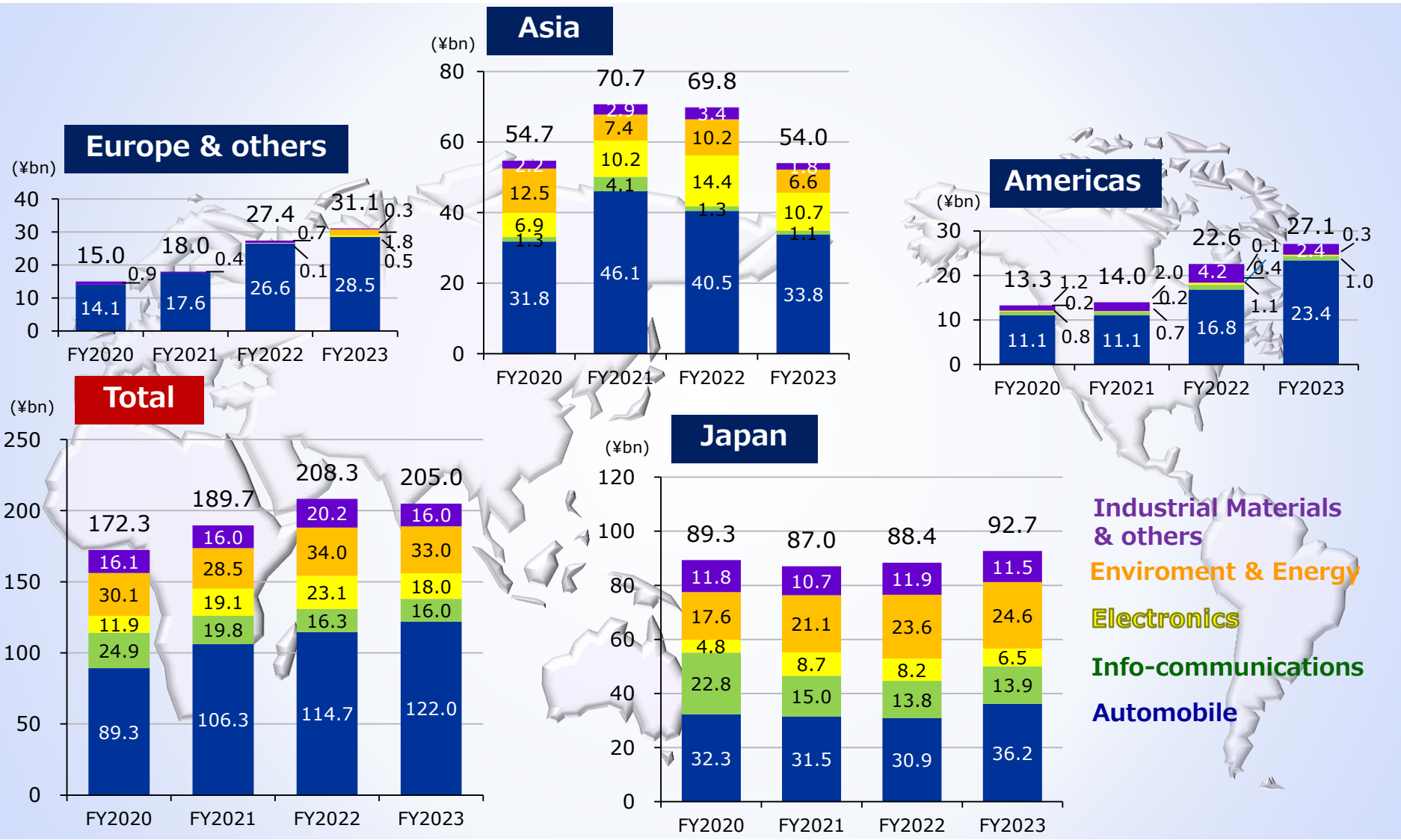


(Reference) Operating Income Increase/Decrease Factors (Full-year)



(Reference) Region-specific, Segment-specific Capital Investment

Planned capital investment for FY2023 is ¥205 billion. (Mid-term Management Plan 2025: ¥720 bn. over three years)

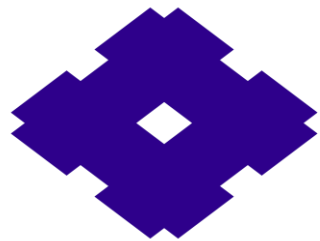


Notes on Perspective Information

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