

# **FY2023 Results and FY2024 Forecasts**

Sumitomo Electric Industries, Ltd.  
May 23, 2024

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# 1. FY 2023 Results

# 1-1. Performance summary

Announced in  
February 2024

¥bn	FY2021 Actual	FY2022 Actual	FY2023 Plan	<b>FY2023 Actual</b>	Growth
Net Sales	3,367.9	4,005.6	4,350.0	<b>4,402.8</b>	+10%
Operating Profit	122.2	177.4	215.0	<b>226.6</b>	+28%
Ordinary Income	138.2	173.3	198.0	<b>215.3</b>	+24%
Profit Attributable to Owners of the Parent	96.3	112.7	120.0	<b>149.7</b>	+33%
Before-tax ROIC	5.8%	6.6%		<b>7.6%</b>	
ROE	5.7%	6.1%		<b>7.3%</b>	

**Year-over-year net sales increased by 10%** due to sales promotions for wire harnesses, anti-vibration rubber, power cable, etc. as well as the effects of the weak yen.

Profits also **increased from the previous year** as a result of sweeping improvements to productivity and sale prices as well as cost reductions. **Net sales, operating profit, ordinary profit, and profit attributable to owners of the parent were all at record highs.**

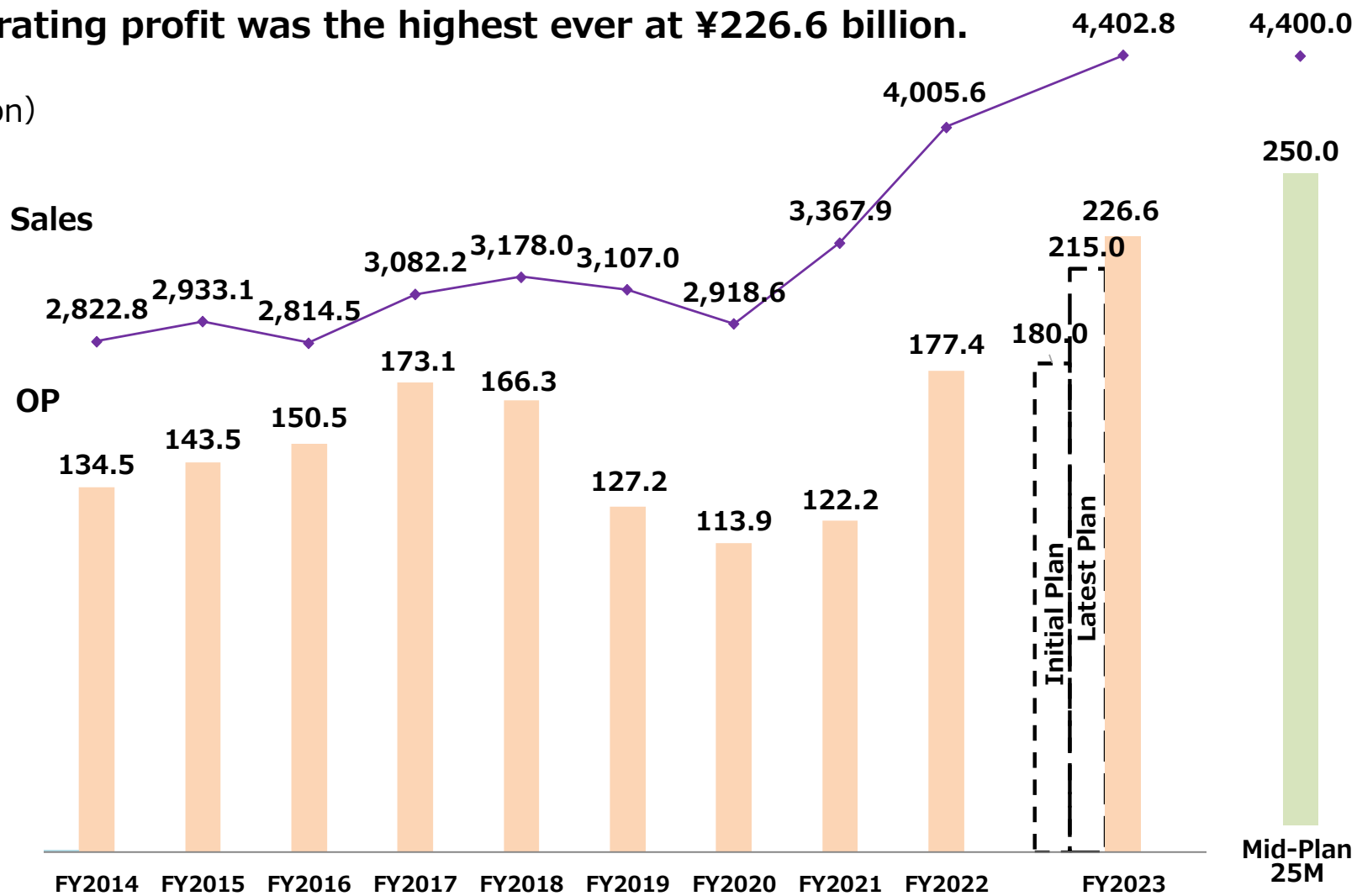
Before-tax ROIC and ROE were both higher than the previous fiscal year.

# 1-2. Performance trends

Sales was ¥4402.8 billion. Partly due to the weak yen, this was enough to achieve the target in the mid-term plan two years ahead of schedule.

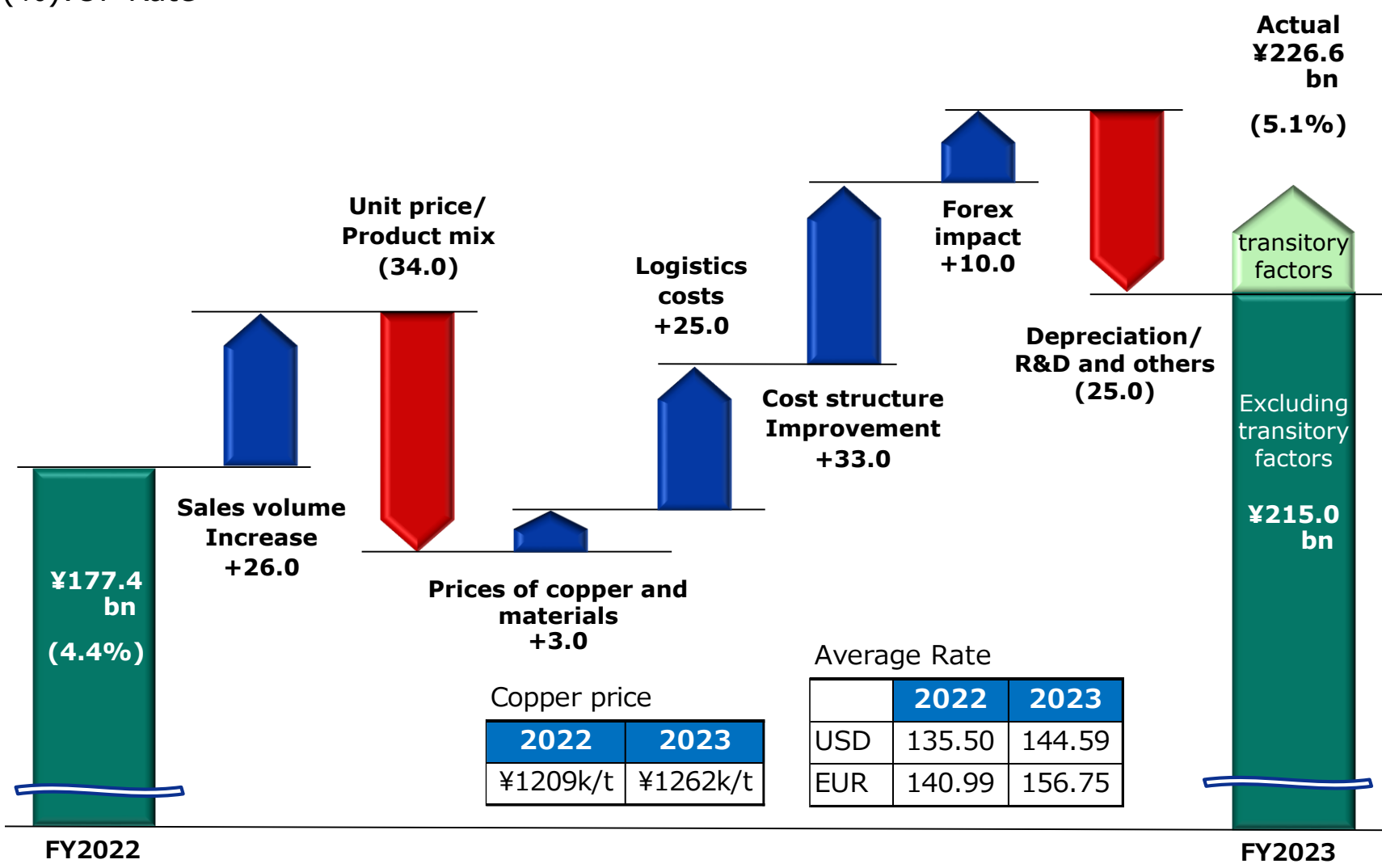
Operating profit was the highest ever at ¥226.6 billion.

(¥bn)



# 1-3. OP variation factors from FY2022 to FY2023

(%):OP Rate



# 1-4. Sales and OP by segment

OP in the automotive segment shattered the past record thanks to rebounds and improvements in production as well as a focus on recovering costs from customers.

(previously, our highest OP in the automotive segment was ¥98.6 billion in FY 2016)

¥ bn	FY2022 Actual <sup>①</sup>		FY2023 Revised Plan <sup>②</sup>		FY2023 Actual <sup>③</sup>		Growth ③ – ①		Difference ③ – ②	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Environment and Energy	928.2	37.9	980.0	42.0	<b>980.0</b>	<b>42.9</b>	+51.7	+5.0	0.0	+0.9
Infocommunications	250.3	21.9	210.0	(4.0)	<b>206.1</b>	<b>(11.6)</b>	(44.3)	(33.5)	(3.9)	(7.6)
Automotive	2,186.8	55.7	2,560.0	132.0	<b>2,596.4</b>	<b>144.7</b>	+409.6	+88.9	+36.4	+12.7
Electronics	366.0	38.3	350.0	24.0	<b>356.5</b>	<b>29.3</b>	(9.5)	(9.1)	+6.5	+5.3
Industrial Materials and Others	363.3	24.0	350.0	21.0	<b>364.2</b>	<b>21.1</b>	+0.9	(2.9)	+14.2	+0.1
Total	4,005.6	177.4	4,350.0	215.0	<b>4,402.8</b>	<b>226.6</b>	+397.3	+49.2	+52.8	+11.6

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

# 1-5. BS as of FY2023 end

[FX impact]

	¥ bn	FY2022 Actual①	FY2023 Actual②	Difference ②—①		¥ bn	FY2022 Actual①	FY2023 Actual②	Difference ②—①
Cash and Time Deposits		283.4	<b>269.7</b>	(13.7)	Trade Payables		446.0	<b>479.8</b>	+33.9
Trade Receivables		875.6	<b>912.4</b>	+36.8	Interest Bearing Debt		960.4	<b>801.5</b>	(158.9) [+40.2]
Inventories		851.2	<b>885.0</b>	+33.8 [+55.4]	Other		495.9	<b>652.2</b>	+156.3
Property, Plant and Equipment		1,062.8	<b>1,098.2</b>	+35.4 [+61.2]	Total Liabilities		1,902.2	<b>1,933.5</b>	+31.3
Investment Securities		503.8	<b>607.1</b>	+103.3	Total Shareholders' Equity		1,628.8	<b>1,738.1</b>	+109.3
Net Defined Benefit Assets		176.0	<b>303.7</b>	+127.7	Total Accumulated Other Comprehensive Income		271.1	<b>469.6</b>	+198.5
Other		260.2	<b>289.2</b>	+29.0	Non-Controlling Interests		210.9	<b>224.2</b>	+13.3
					Total Net Assets		2,110.8	<b>2,431.9</b>	+321.1
Total Assets		4,013.0	<b>4,365.4</b>	+352.4	Total Liabilities and Net Assets		4,013.0	<b>4,365.4</b>	+352.4



# 1-6. Free cash flow

Free cash flow remained in the black at ¥269.7 billion due to increased profits as well as a condensing of investment assets, the careful selection of capital expenditures, and the sale of investment securities.

	¥ bn	FY2022 Actual①	FY2023 Actual②	Difference ② - ①
Profit before Income Taxes		196.5	<b>238.5</b>	+42.1
Depreciation and Amortization		196.0	<b>206.3</b>	+10.3
Changes in Working Capital		△22.0	<b>47.6</b>	+69.6
Other		△105.3	△ <b>99.0</b>	+6.3
Cash Flows from Operating Activities		265.2	<b>393.5</b>	+128.3
Purchase of Property, Plant and Equipment		△184.5	△ <b>179.3</b>	+5.1
Proceeds from Sales of Investment Securities		43.8	<b>70.1</b>	+26.3
Other		△7.2	△ <b>14.6</b>	(7.5)
Cash Flows from Investing Activities		△147.8	△ <b>123.8</b>	+24.0
Free Cash Flow		117.4	<b>269.7</b>	+152.3

## 2. FY 2024 Forecast

## 2-1. Summary of business environment

While the current business environment is highly unpredictable due to fears of an economic downturn caused by a substantial increase in political and geostrategic risk as well as the extension of monetary tightening,

- ✓ In the fields of Environment and energy, demand is expected to remain bullish both domestically and overseas.
- ✓ In the world of automotives, even with the coordination involving the rapid shift to EVs, we expect no change to the move toward CASE development and that global automobile production will slowly increase.
- ✓ In the fields of Info-communications, investment in data-center suppliers will increase due to the expansion of generative AI.



We aim to achieve record sales and operating profit by securing some of these business opportunities involving the demand for energy infrastructure, CASE, expanded automobile production, and investment in generative AI.

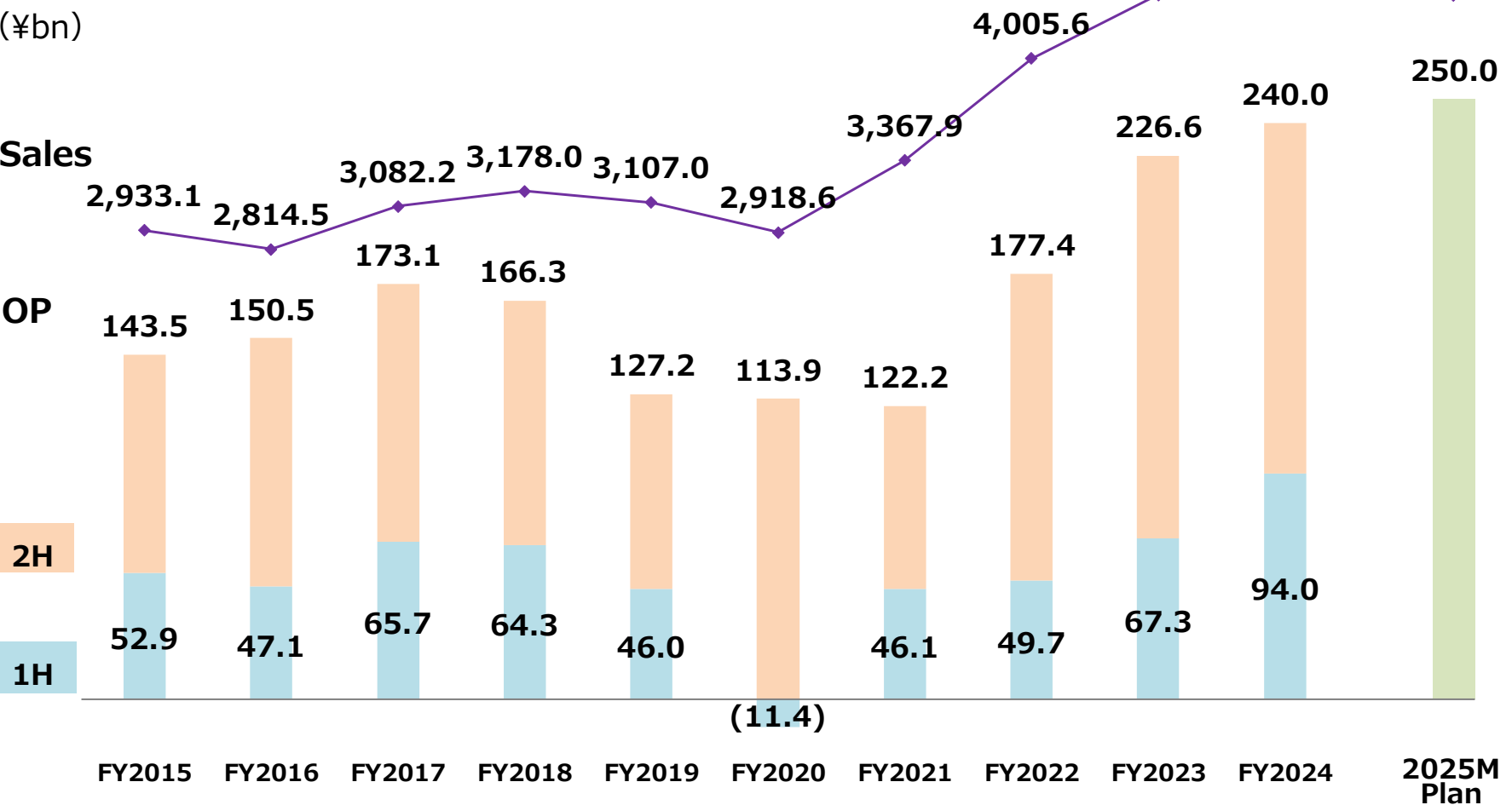
## 2-2. Consolidated PL forecast

Announced in  
May 2023

¥bn	FY2023		FY2024		Growth		FY2025
	1H Actual	Annual Actual	1H Plan	Annual Plan	1H	Annual	25M Plan
Net Sales	2,072.1	4,402.8	2,180.0	<b>4,500.0</b>	+107.9	+97.2	<b>4,400.0</b>
Operating Profit	67.3	226.6	94.0	<b>240.0</b>	+26.7	+13.4	<b>250.0</b>
Ordinary Income	60.8	215.3	92.0	<b>232.0</b>	+31.2	+16.7	
Profit Attributable to Owners of the Parent	26.7	149.7	50.0	<b>140.0</b>	+23.3	(9.7)	
USD		¥145		¥145			¥130
EUR		¥157		¥155			¥140
Copper		1262¥k/t		¥1250k/t			¥1200k/t

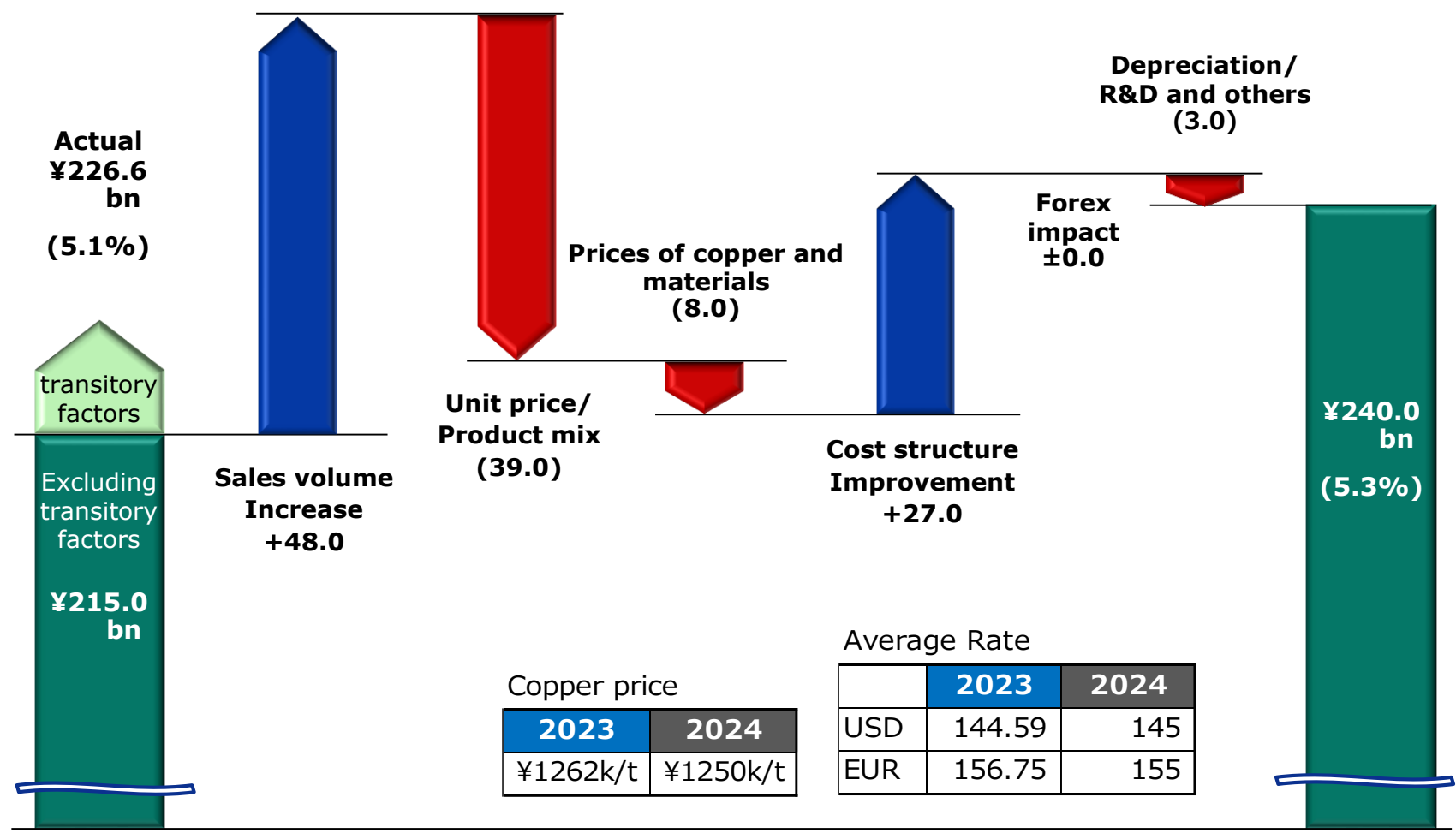
# 2-3. Performance trends

Aiming for record-high operating profit in FY2024 for both the first half and the full year.



# 2-4. OP variation factors from FY2023 to FY2024

(%):OP Rate



## 2-5. Sales and OP by segment

Regarding Environment and energy, we aim to secure some of the vigorous demand and achieve our mid-term targets ahead of schedule.

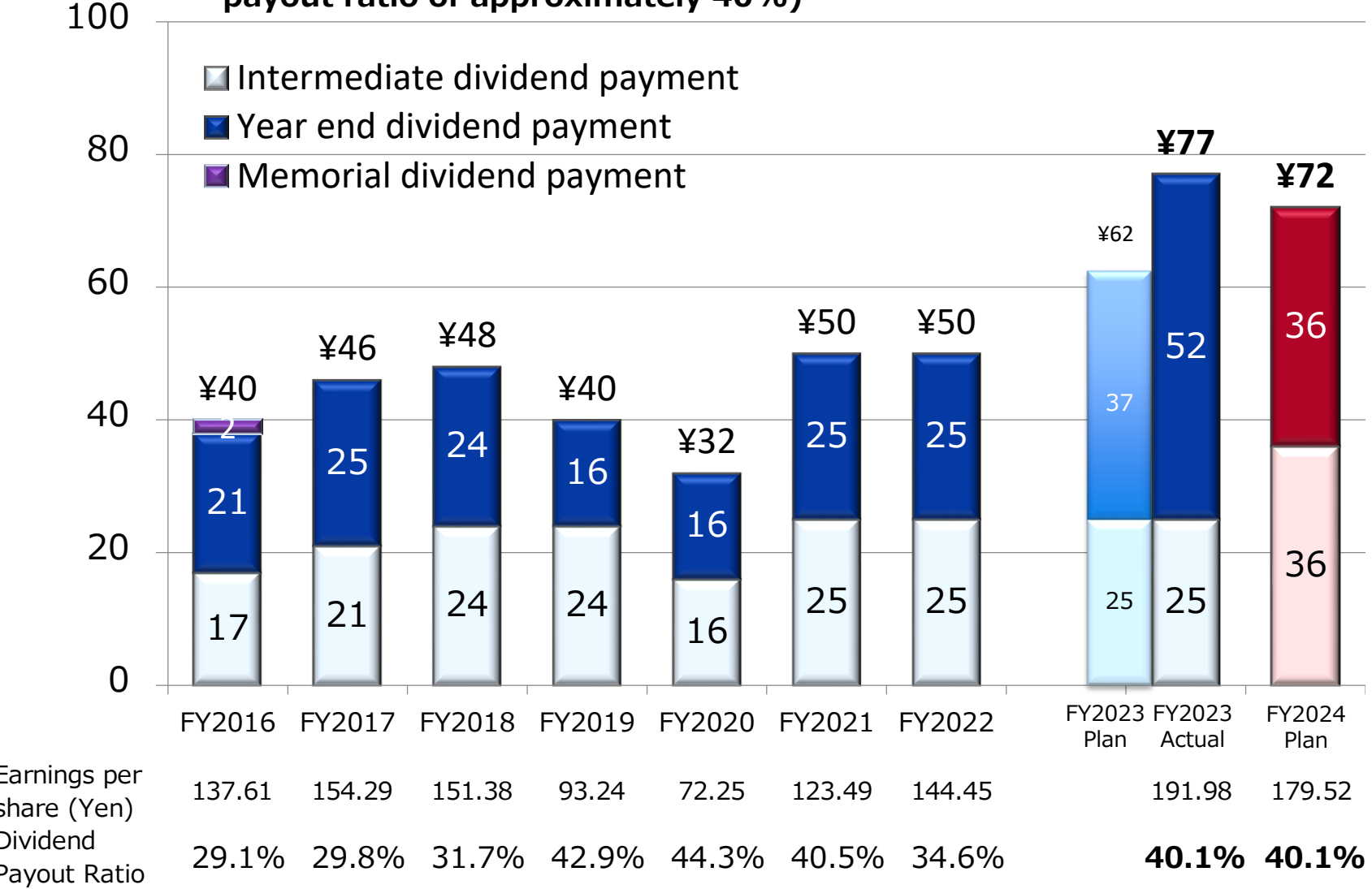
OP in the Automotive segment decrease from the previous year, but increase excluding transitory factors.

¥bn	FY2023		FY2024				Difference		25M	
	Actual①		1HPlan		Annual Plan②		②－①		FY2025 Plan	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Environment and Energy	980.0	42.9	480.0	18.0	<b>1,030.0</b>	<b>51.0</b>	+50.0	+8.1	<b>1,020.0</b>	<b>50.0</b>
Infocommunications	206.1	(11.6)	110.0	0.0	<b>240.0</b>	<b>6.0</b>	+33.9	+17.6	<b>280.0</b>	<b>25.0</b>
Automotive	2,596.4	144.7	1,280.0	52.0	<b>2,610.0</b>	<b>133.0</b>	+13.6	(11.7)	<b>2,500.0</b>	<b>110.0</b>
Electronics	356.5	29.3	180.0	12.0	<b>350.0</b>	<b>21.0</b>	(6.5)	(8.3)	<b>360.0</b>	<b>30.0</b>
Industrial Materials and Others	364.2	21.1	180.0	12.0	<b>370.0</b>	<b>29.0</b>	+5.8	+7.9	<b>390.0</b>	<b>35.0</b>
Total	4,402.8	226.6	2,180.0	94.0	<b>4,500.0</b>	<b>240.0</b>	+97.2	+13.4	<b>4,400.0</b>	<b>250.0</b>

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

# 2-6. Dividends

( ¥/share) Pay dividends in accordance with the mid-term business plan (dividend payout ratio of approximately 40%)





# 3. Status and initiatives by segment

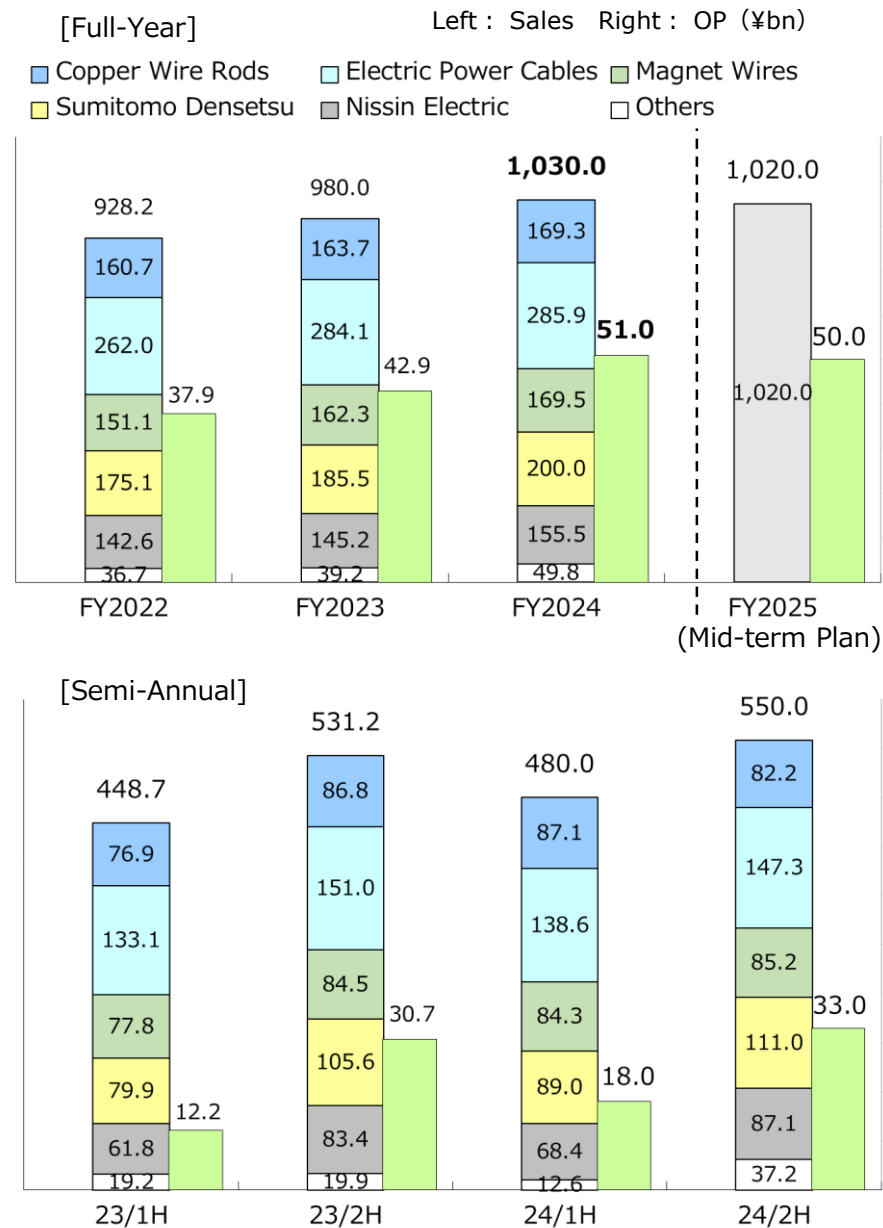
# 3-1. Environment and Energy

## Business environment

- The shift toward a decarbonized society continues. Investment in energy infrastructure and renewable energy is very active, and demand for high-voltage power cable and demand for transmission and distribution equipment will remain bullish.
- Recovery in automobile production has led to an increase in demand for rectangular magnet wires for electric vehicles.

## Initiatives

- ✓ Increase orders for electric power cable (interconnectors, wind power, etc.), augment production capacity, reduce costs, improve quality, develop new products, and strengthen project management
- ✓ Reduce costs and develop next-generation products for rectangular magnet wires used in electric vehicles
- ✓ Create further synergy with Nissin Electric



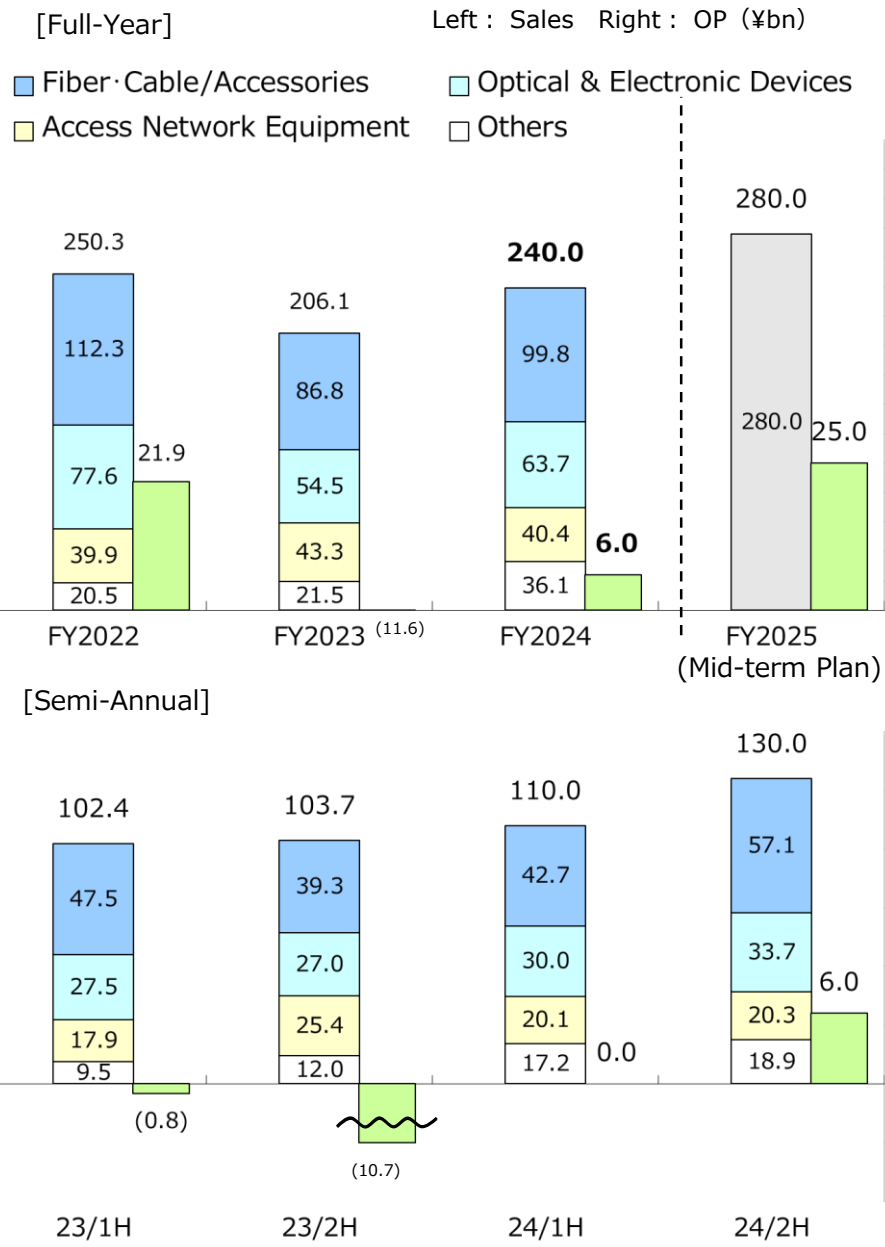
# 3-2. Info-Communications

## Business environment

- Investment in telecom carriers continues to be limited due to the impact of high interest rates and inflation.  
(this is expected to recover starting in the second half of the fiscal year)
- Investment in data centers will increase due to widespread for generative AI.
- As the volume of data transmission increases, demand for energy conservation will rise even further.

## Initiatives

- ✓ Develop and promote products for data centers (cables, connectors, optical devices, etc.)
- ✓ Develop and promote ultra-low loss, high-capacity optical fiber for use as submarine cables
- ✓ Develop and promote high-efficiency GaN devices

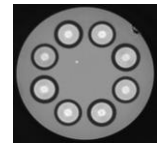


# 3-2. Info-Communications

—Optical fiber · cable / accessories—

## Growing market for DC

Growth Rate: Around 30% annually  
Fiber Quantity: 100M kmf/year



Multicore Fiber

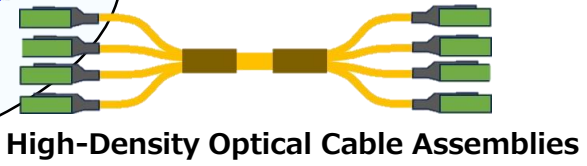


Submarine Optical Amplifier

Optical Trunk Network (Submarine)

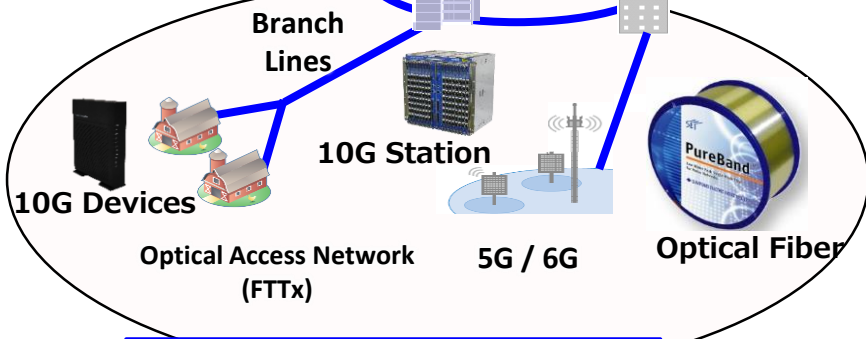
Optical Trunk & Metro Network (Land)

Data Center (DC)



High-Density Optical Cable Assemblies

Low-Loss Optical Cable For Long Distances



Growth Rate: Around 5% annually  
Fiber Quantity: 400M kmf/year

## Carrier Volume Market

FY 2023: Investment with some customers is in the off-season

**FY 2024: Investment in AI begins in earnest (increased demand for related new products)**

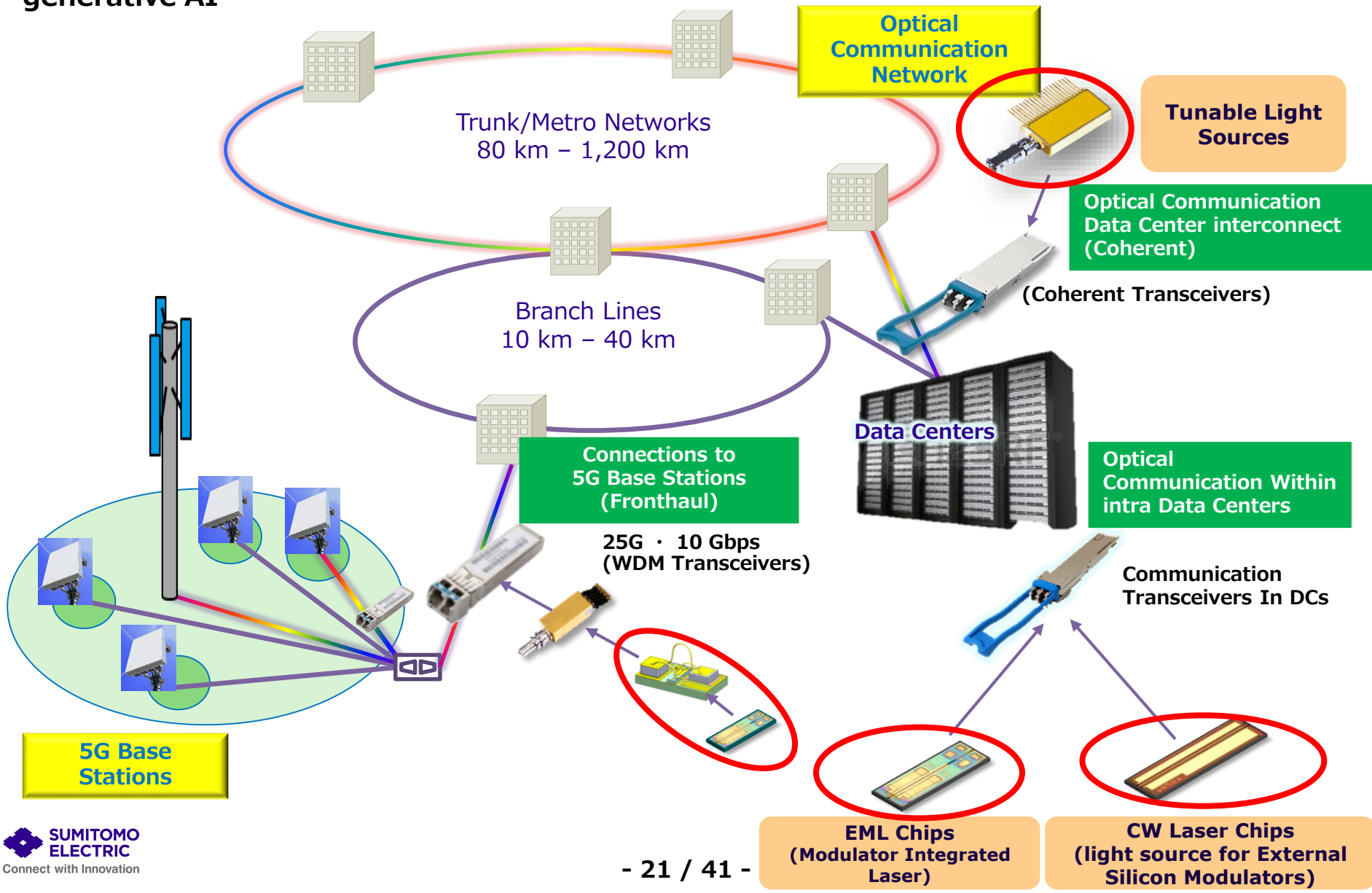
FY 2023: Adjusting inventory with customers  
**FY 2024: Inventory adjustment still continues in the first half and begins to recover in the second half**



Fusion Splicer

# 3-2. Info-Communications – Optical Devices –   : Products we are focusing on

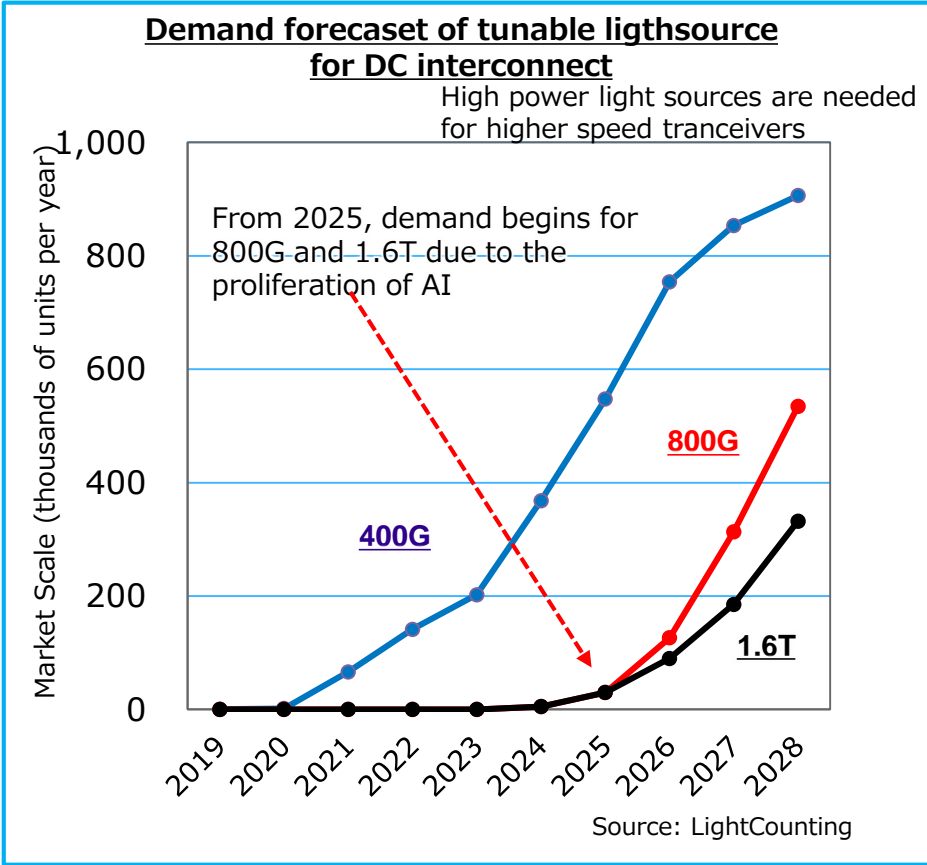
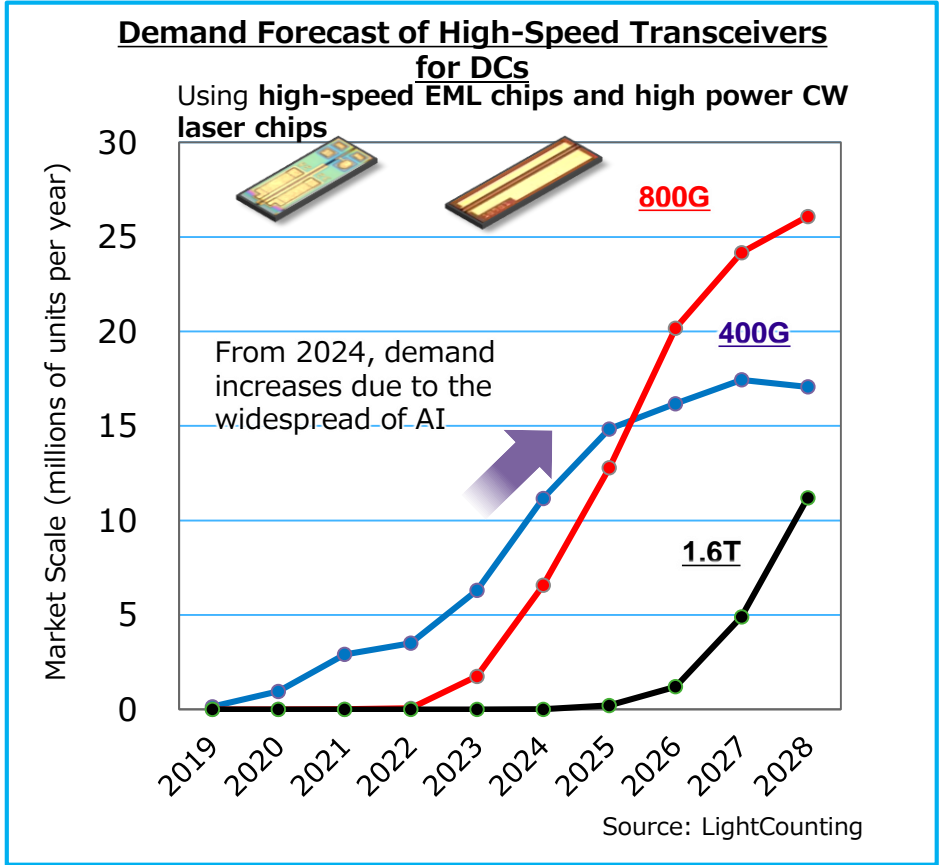
The optical devices used in DC and DC interconnect will increase due to the widespread of generative AI



# 3-2. Info-Communication – Optical Devices –

**DC:** Rapid transition from current 400G to 800G to ensure transmission capacity for generative AI.  
Starting in 2026, a rise in 1.6T is expected.

**DC interconnect:** Expanded communication between data centers will also increase 400G.  
From 2025, 800G and 1.6T are anticipated to increase.



# 3-3. Automotive

## Business environment

- Although there is a trend of reduced production in China by Japanese OEM, global automobile production is expected to increase.
- Most recently, the coordination toward the rapid shift to EVs is expected to increase HEVs.
- The direction of CASE development will remain unchanged.
- Progress in productivity improvement and cost reduction due to increased order volume

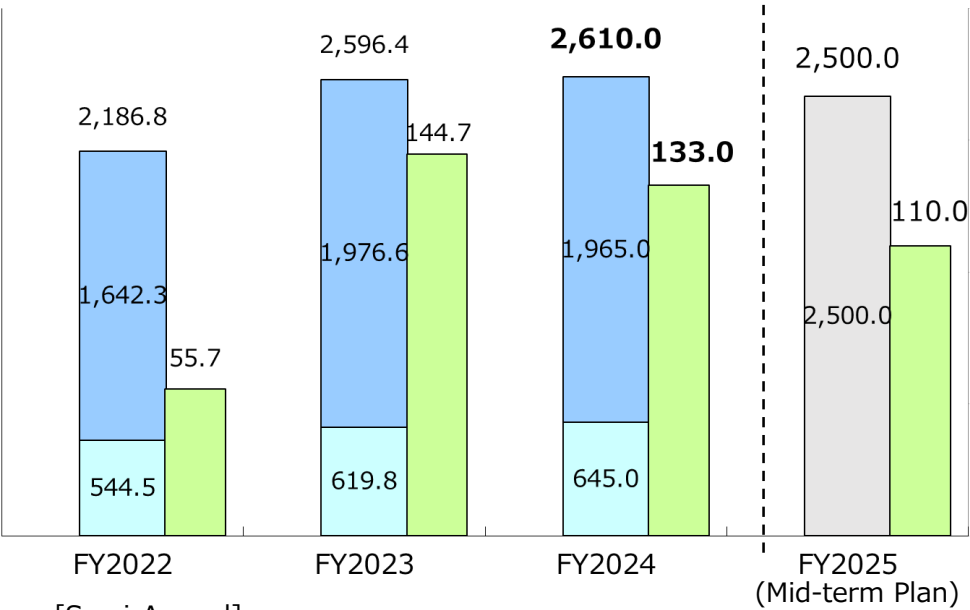
## Initiatives

- ✓ Strengthen business structure (reduce costs and improve the efficiency of assets)
- ✓ Evolve existing harnesses by developing new designs and production methods (split harnesses etc.)
- ✓ Create and promote new product lines for CASE

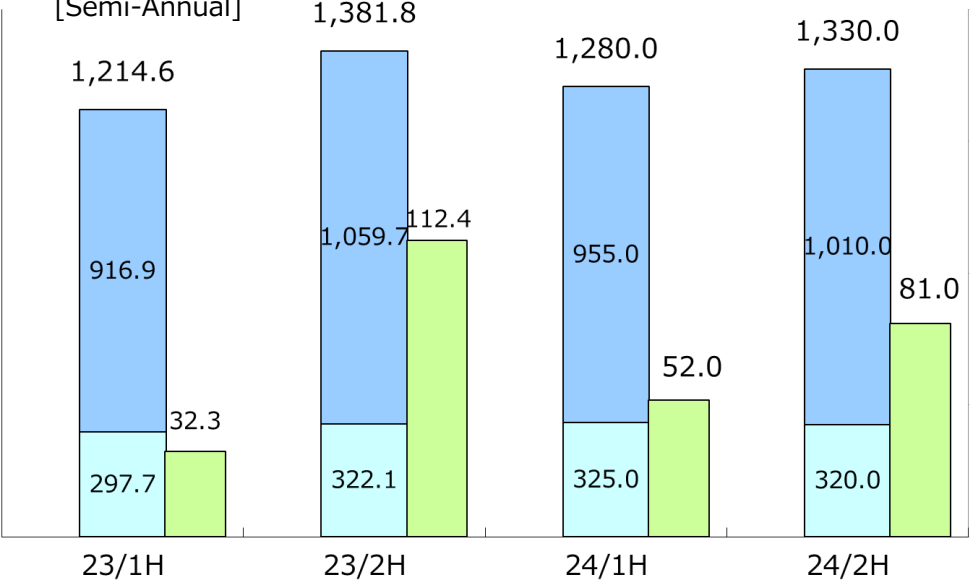
[Full-Year]

Left : Sales Right : OP (¥bn)

■ Wiring Harnesses ■ Sumitomo Riko & Others

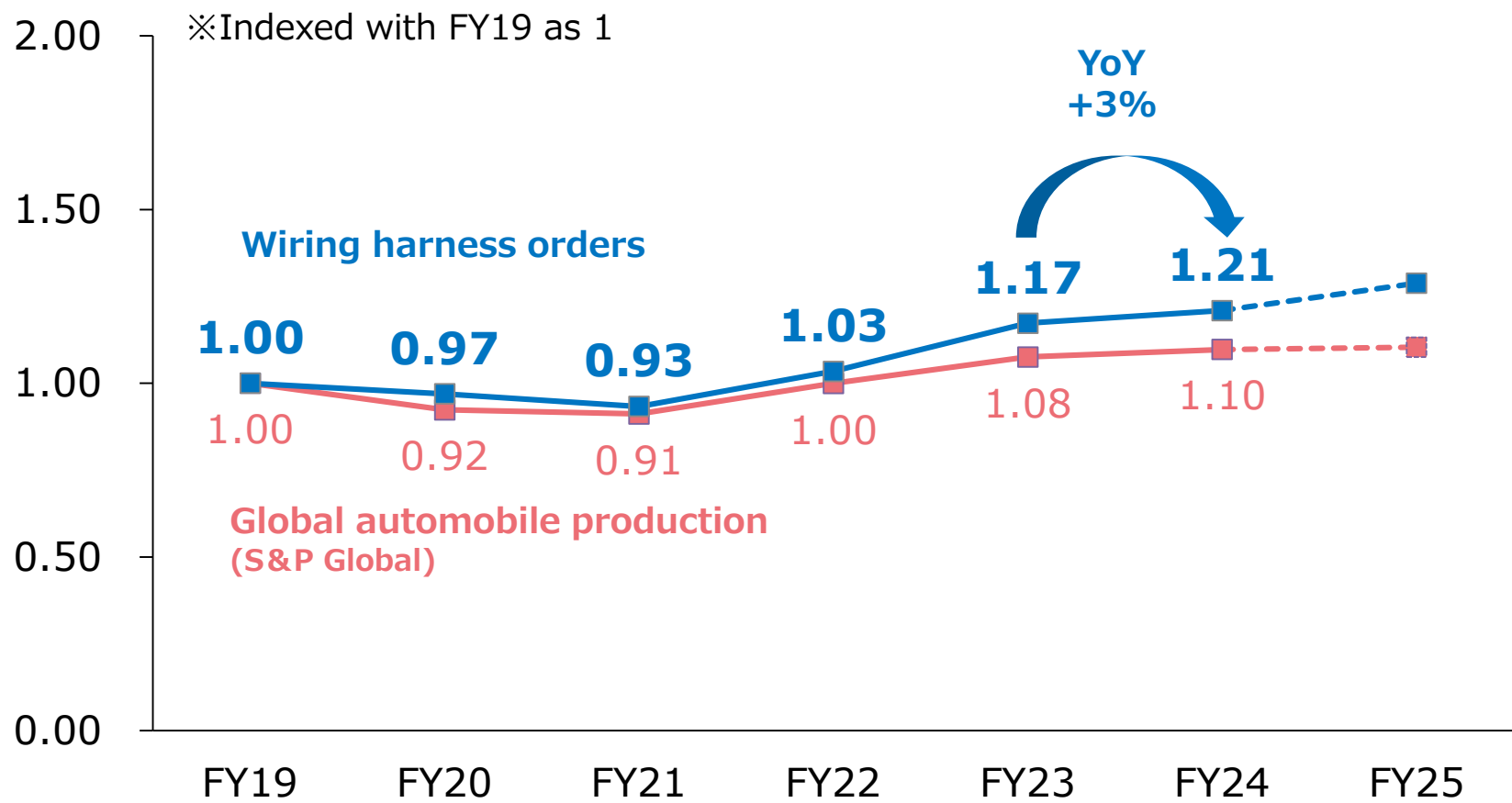


[Semi-Annual]



# 3-3. Automotive

## Volume of orders for wiring harnesses



The wiring harness order volume is expected to increase at a faster than market growth.



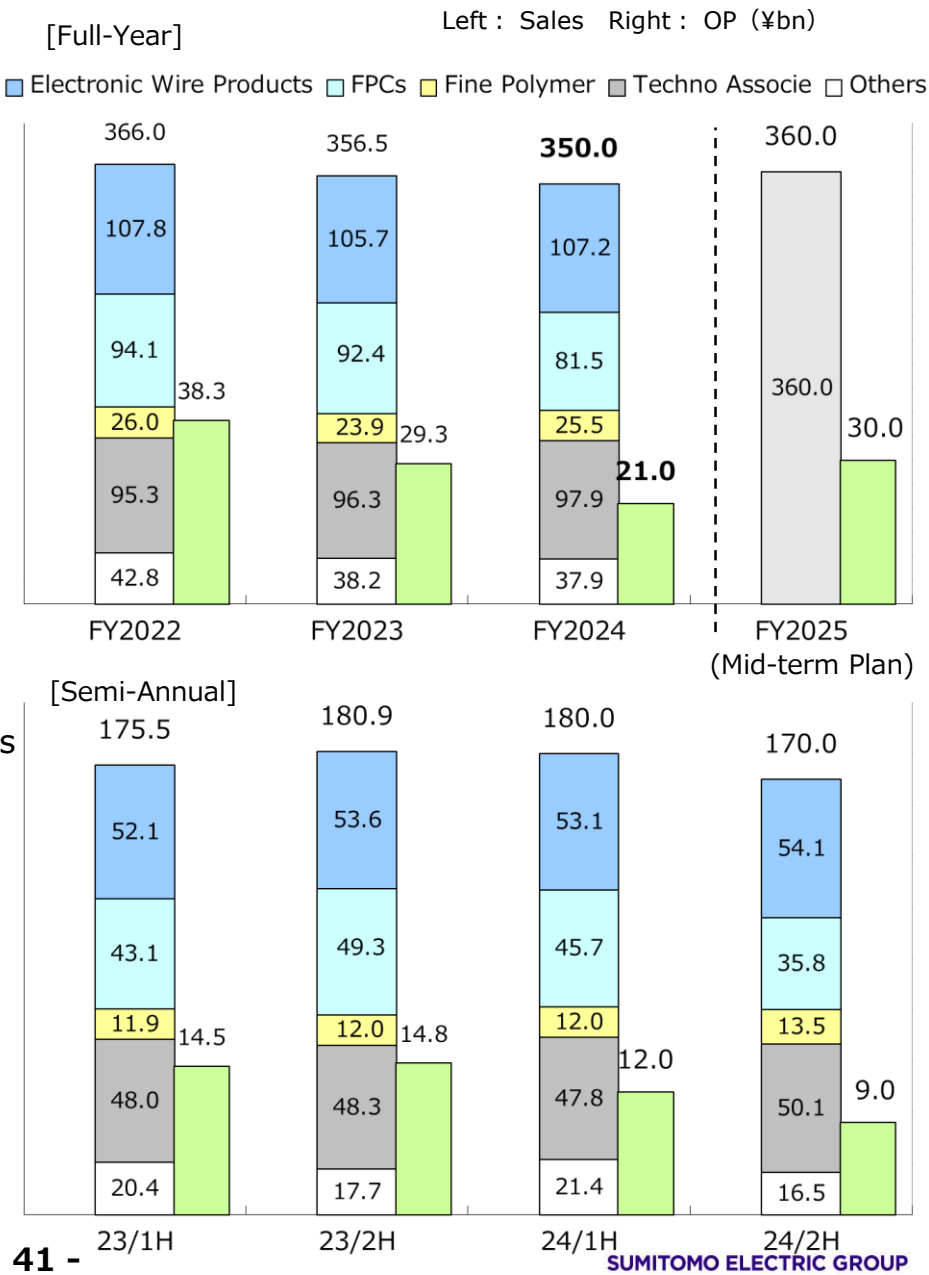
# 3-4. Electronics

## Business environment

- Demand for electronic wire products for automotive applications has been strong due to the recovery of automobile production. Expand business in new fields such as aerospace and medical.
- In FPCs, price competition is expected to intensify and demand from major customers is expected to decline in the second half of the year.

## Initiatives

- ✓ Expand sales of FPCs with high functionality, reduce costs, and further enhance functionality
- ✓ Expand sales of FPCs for automotive and medical applications, develop new products for high-frequencies
- ✓ Expand sales of EV battery terminal leads (tab leads) and wires for automotive applications
- ✓ Increase market share of heat shrink tubing in the automotive and aerospace sector as well as expand sales of it in new fields (medical and infrastructure)
- ✓ Create further synergy with Techno Associe



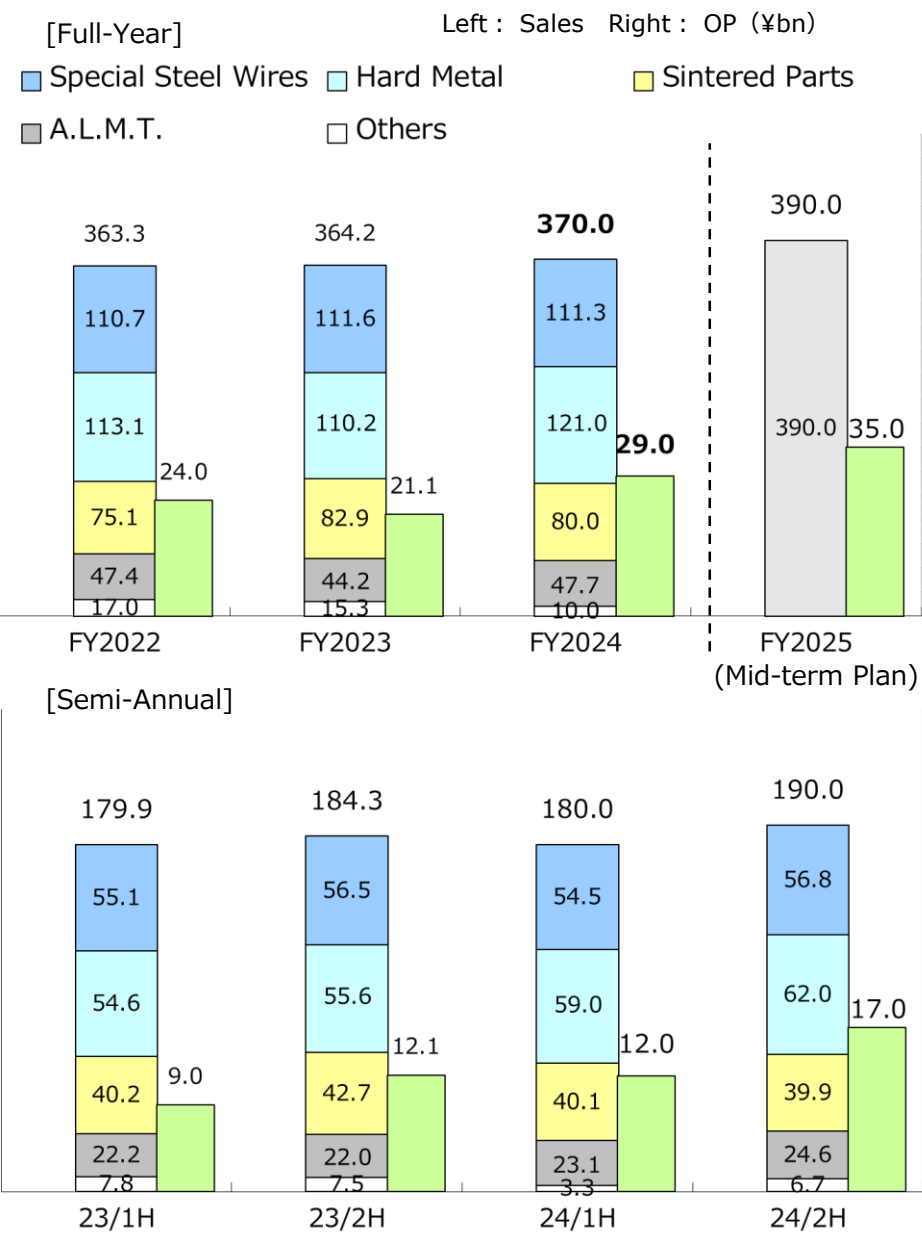
# 3-5. Industrial materials

## Business environment

- In 2023, demand for cemented-carbide tools decreased in places like China and Japan. Order volume is expected to recover in 2024 due to sales promotion and a rebound in demand.
- Expansion into new markets such as electric vehicles, aircraft, and renewable energy.

## Initiatives

- ✓ Global sales promotion of cemented-carbide tools; breaking into new markets (electric vehicles, aircraft, semiconductors, and renewable energy) and expanding market share
- ✓ Develop and promote new sintered products for EVs and non-vehicle use, review their production structure, and enhance cost-competitiveness
- ✓ Reinforce systems for manufacturing and selling PC steel wires and wire used in springs while improving profitability by developing new products



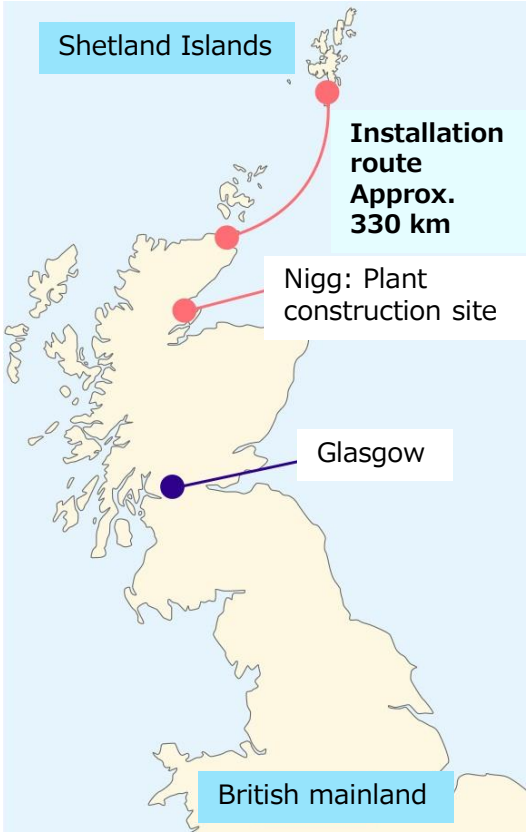
# 4. Topics

# 4-1. Topics (Power Cable Project in Europe)

## Preferred Bidder notice received from SSEN Transmission for the Shetland 2

[Shetland2 Project Overview]

Customer	: SSEN Transmission (SSEN) (a leading UK transmission system operator)
Route Length	: 330 km (Cable Length: 660 km)
Installation Site	: From Shetland Islands to the British mainland
Cable Spec.	: 525kV High Voltage Direct Current (HVDC) Subsea XLPE cable
Transmission Capacity	: 2 GW
Manufacturing Site	: Our new factory in Scotland



This will be our company’s largest subsea cable project to date.

Including this project, SSEN intends to invest a total of around £5 billion (¥1 trillion yen) into transmission systems in northern Scotland. We will plan to manufacture the subsea cable at our new Scotland factory.

The project will transmit renewable energy generated in the Shetland Islands at England’s northernmost point to the British mainland

Also in Europe, we are currently working on the Greenlink project between England and Ireland as well as the Corridor-A project connecting northern and southern Germany.

# 4-1. Topics (Power Cable Project in Europe)

We will build a new plant for submarine cables in Scotland, UK, where demand is expected to increase dramatically. This will allow us to capture demand for DC interconnectors and offshore wind power around Scotland and the rest of the UK.

## ■ Company Overview

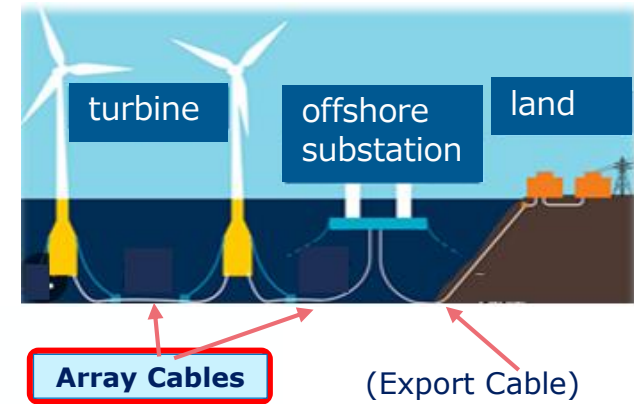


Name of New Company	Sumitomo Electric U.K. Power Cables Ltd.
Location	Ross-shire, Scotland, UK
Business Details	Manufacture and sale of electric power cable
Capital	£127 million
Shareholder Ratio	100% owned subsidiary
Establishment/ Operation	Established May 2023; Operation begins September 2026 (planned)

## ■ Manufactured Products

**Array cables for offshore wind power**

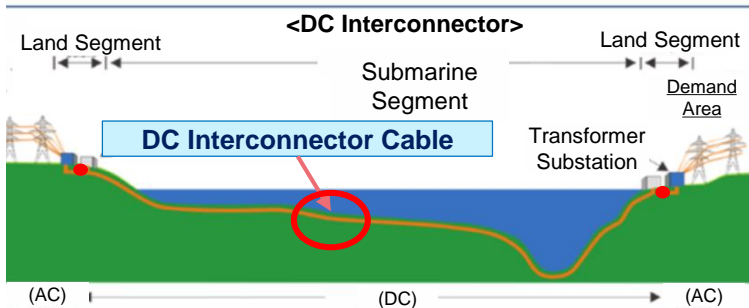
Cables that connect wind turbines to each other and turbines to offshore transformer substations



## Cables for DC interconnectors

The grid connections between nations and regions are quickly becoming longer and higher voltage. The use of DC cables, which have low transmission loss compared to AC cables, is increasing.

<Array Cables>



<DC Interconnector Cable>





# 4-1. Topics (Power Cable Project in Europe)

May 14, 2024 Groundbreaking ceremony held at the new plant construction site in Scotland



Groundbreaking Ceremony

# 4-2. Topics (Power Cable Project in Japan)

## Order for Hokuto-Imabetsu HVDC Link Enhancement Project from Hokkaido Electric Power Network

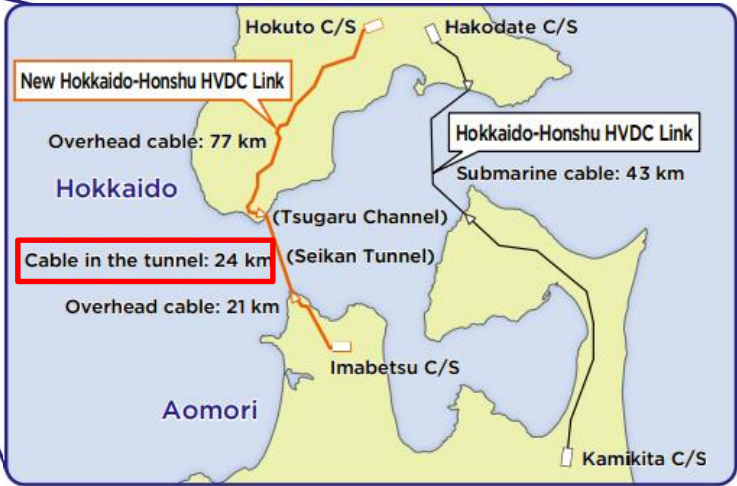
[Project Overview]

Additional cable will be installed in the Seikan Tunnel to augment the New Hokkaido-Honshu HDVC Link

Transmission Capacity	0.3 GW
Route Length	24 km
Installation Site	In the Seikan Tunnel (red box in map on right)
Cable Spec	250kV HVDC XLPE cable
Start of Construction	April 2024
Scheduled completion	December 2027



This project will increase the total transmission capacity between Hokkaido and Honshu from 0.9 GW to 1.2 GW.



This contract means that Sumitomo Electric will execute all three HVDC XLPE cable interconnection projects in Japan (the Hokkaido-Honshu HVDC Link as well as the existing and additional New Hokkaido-Honshu HVDC Links).

Our company’s proven track record and reliability with HVDC XLPE cable both domestically and abroad will contribute to the achievement of the Master Plan for Nationwide Interconnected Grids being advanced by the Japanese government.

# 5. Toward Enhancing Corporate Values



# 5. 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%

# 5. 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

# 5-1. Initiatives to Improve ROIC

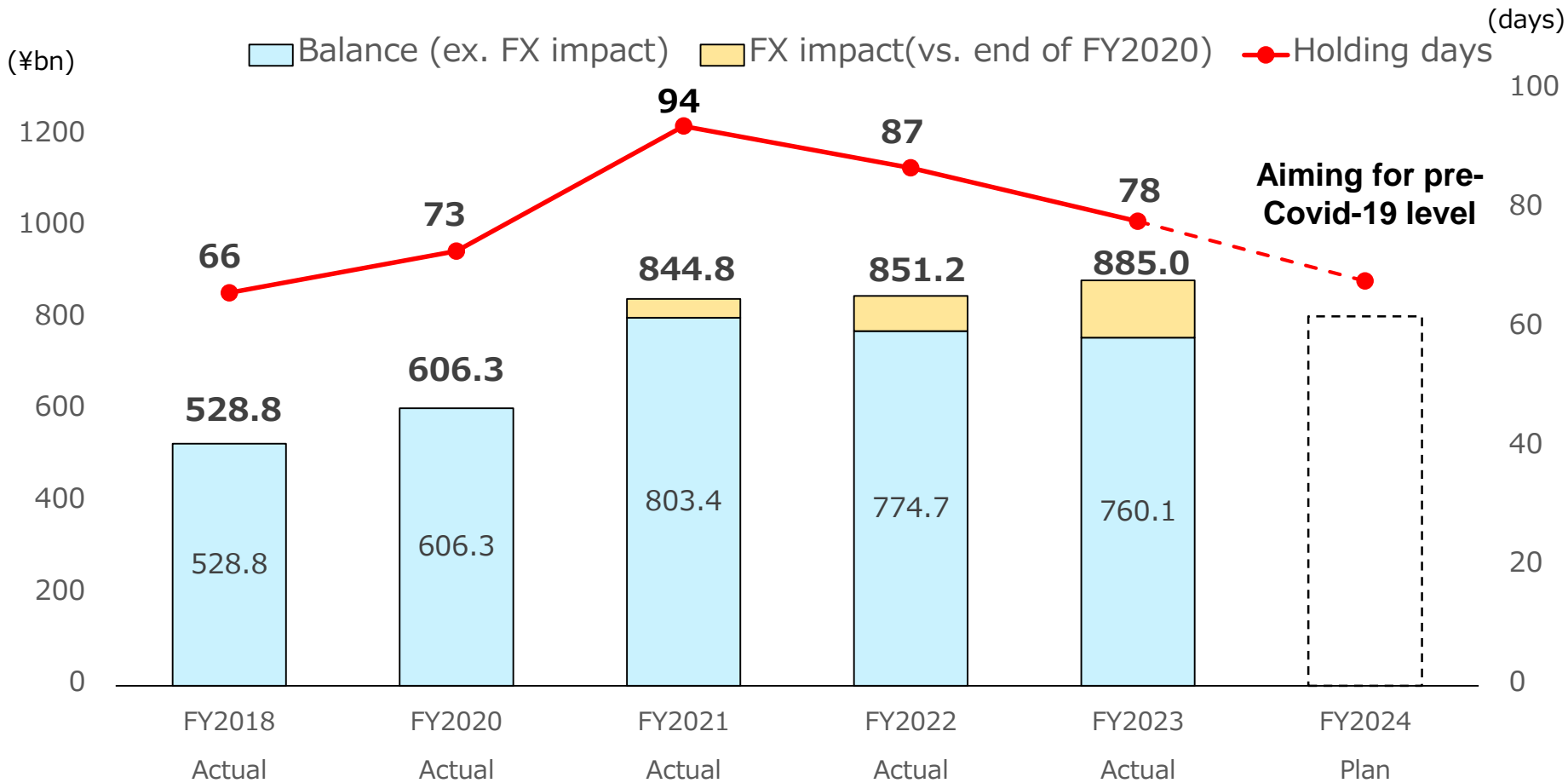
Set ROIC as the most important indicator for efficiency improvement and work on improvement.

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

# 5-1. Initiatives to Improve ROIC

## Inventory optimization

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

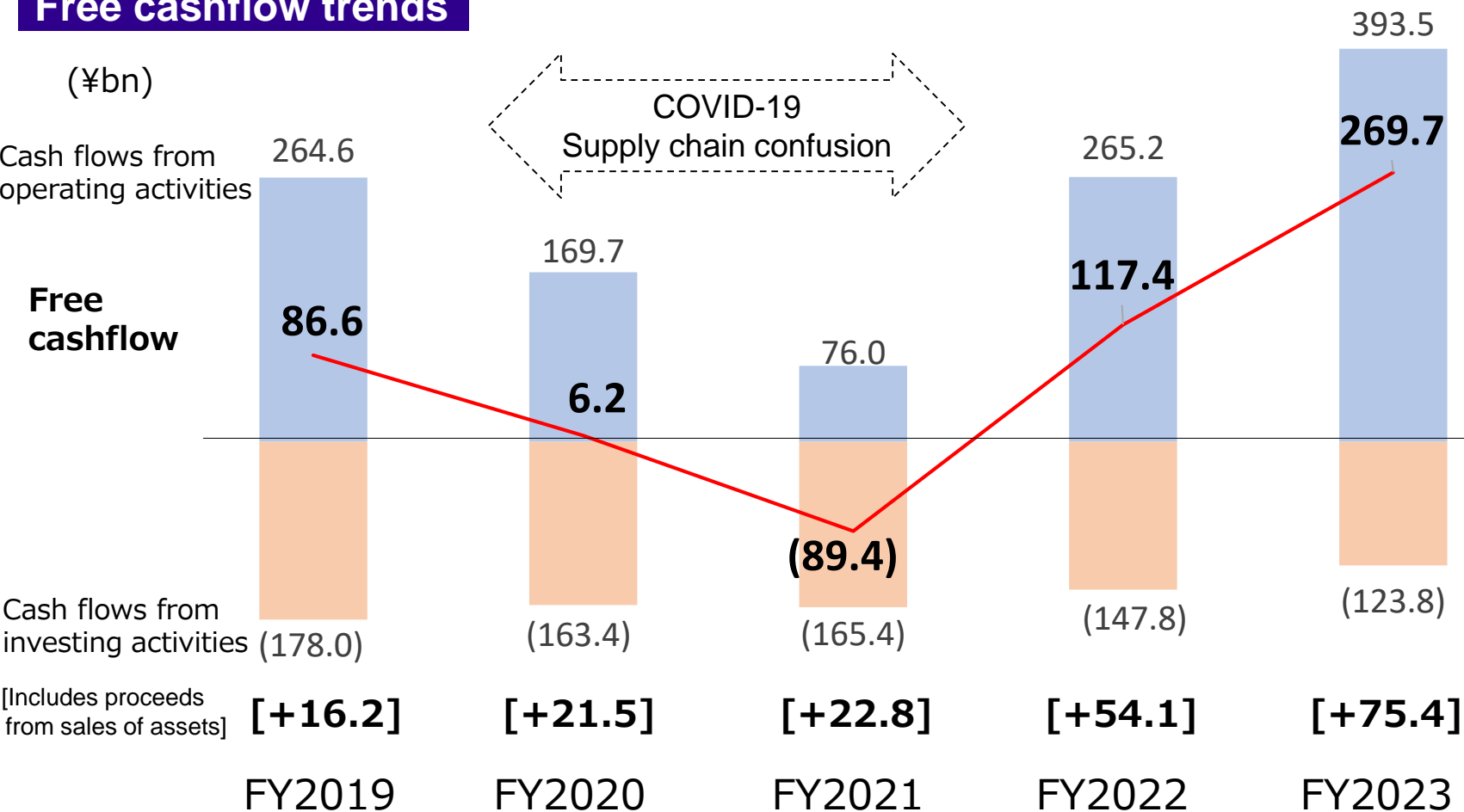


### Examples of initiatives

- Shortening manufacturing and procurement lead times
- Supply chain reforms
- Inventory visualization using DX

# 5-2. Increasing cash generation

## Free cashflow trends



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

# 5-2. Increasing cash generation

## Cash Generation

### EBITDD (operating profit + depreciation + R&D)

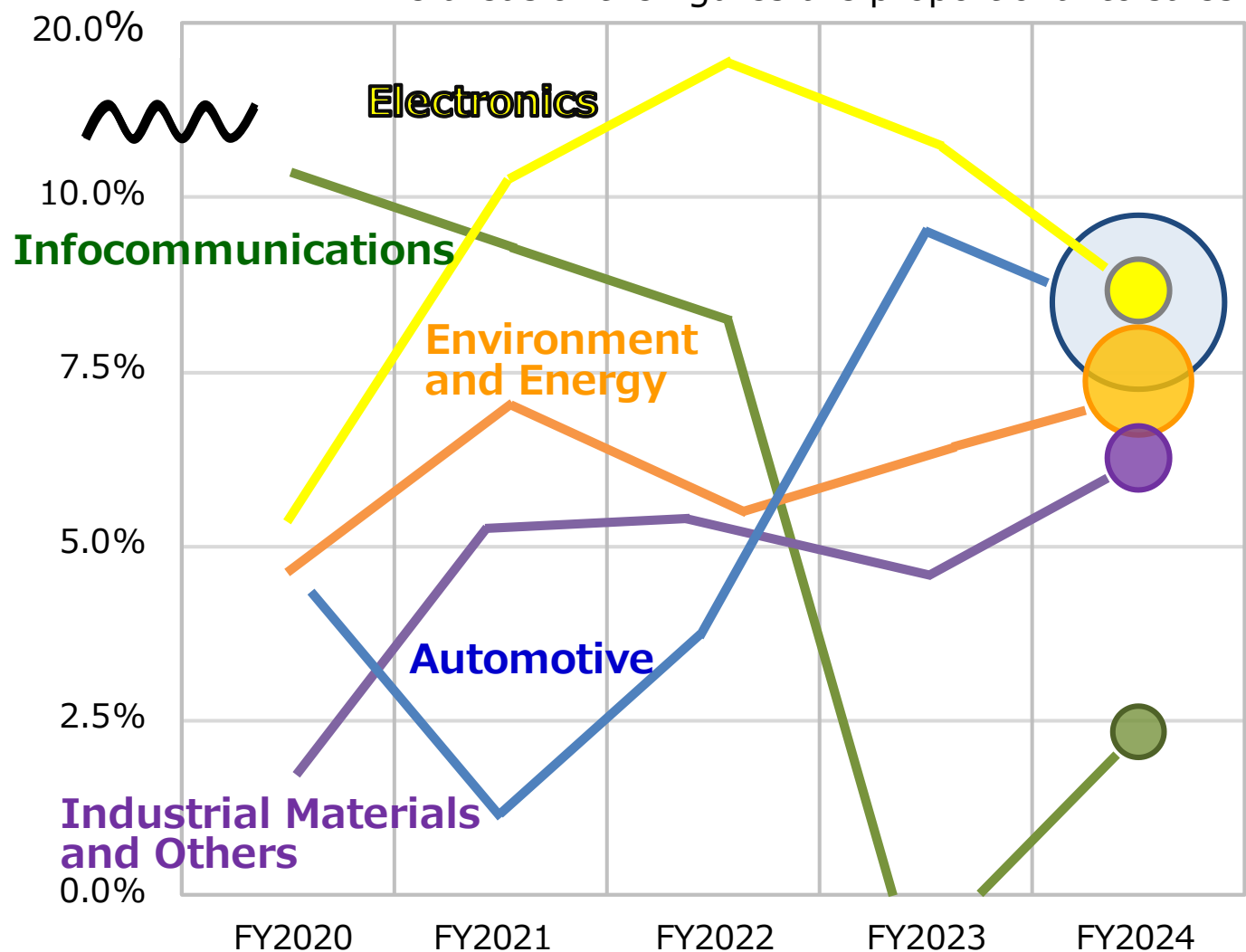
Earnings **B**efore **I**nterest **T**axes **D**epreciation and **D**evelopment

Mid-Term Plan Targets		[FY 2023 Results]	[FY 2024 Forecast]
Three-Year Cumulative Total	¥1.6 trillion		
Yearly Average	¥533.3 billion	¥574.9 billion	¥594.0 billion

Operating profit in FY 2023 was on the upswing, and we are making good progress toward exceeding the ¥1.6 trillion on the mid-term business plan.

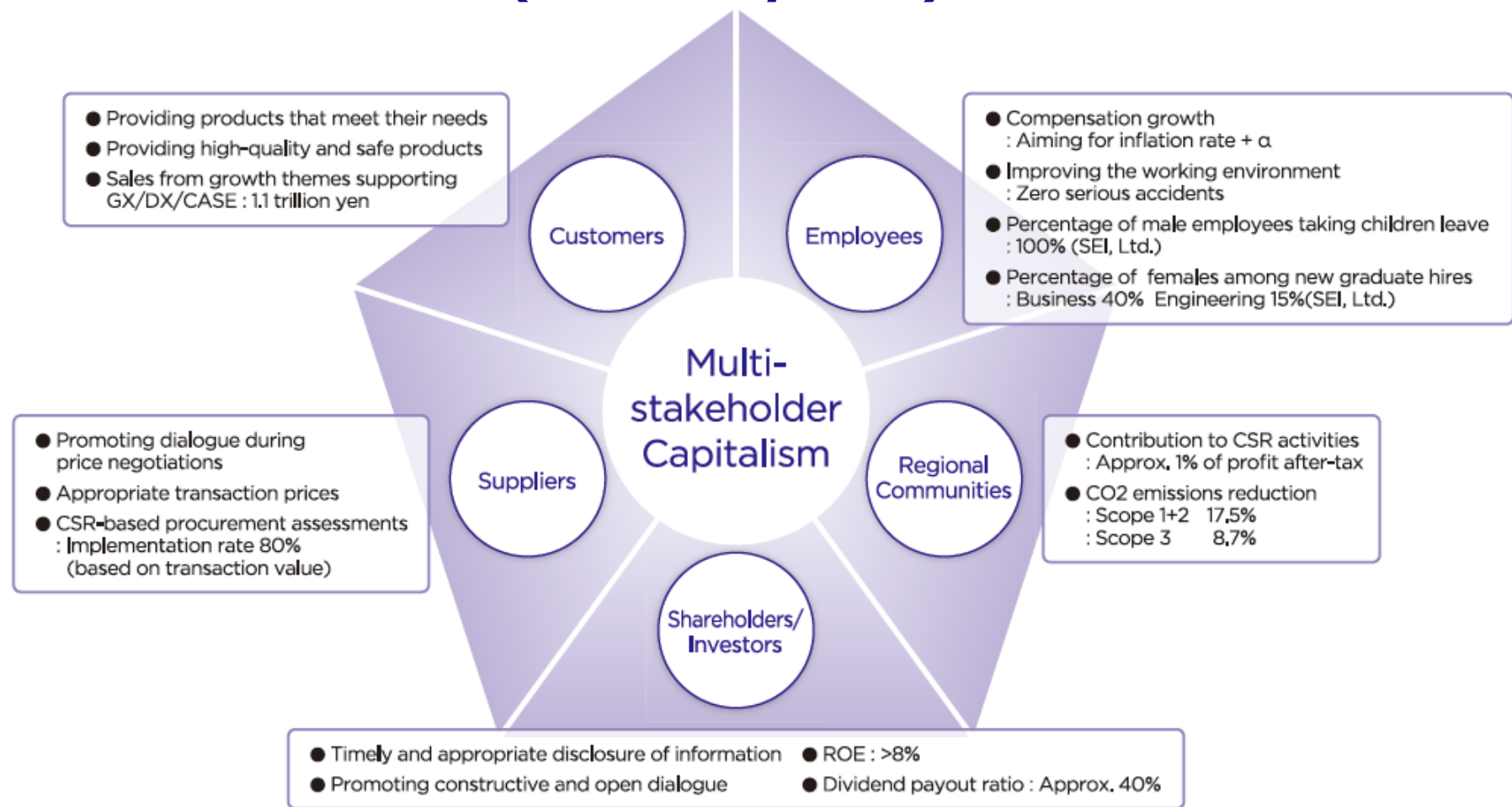
# 5-3. ROIC by Segment

\* The areas of the figures are proportional to sales



Operating profit ROIC	4.6%	4.5%	5.9%	7.2%	7.4%	25M Plan
Before tax ROIC	4.4%	5.8%	6.6%	7.6%	7.1%	8%以上

# 5-4. "Goho Yoshi" (Five-Way Win) Multi-Stakeholder Capitalism



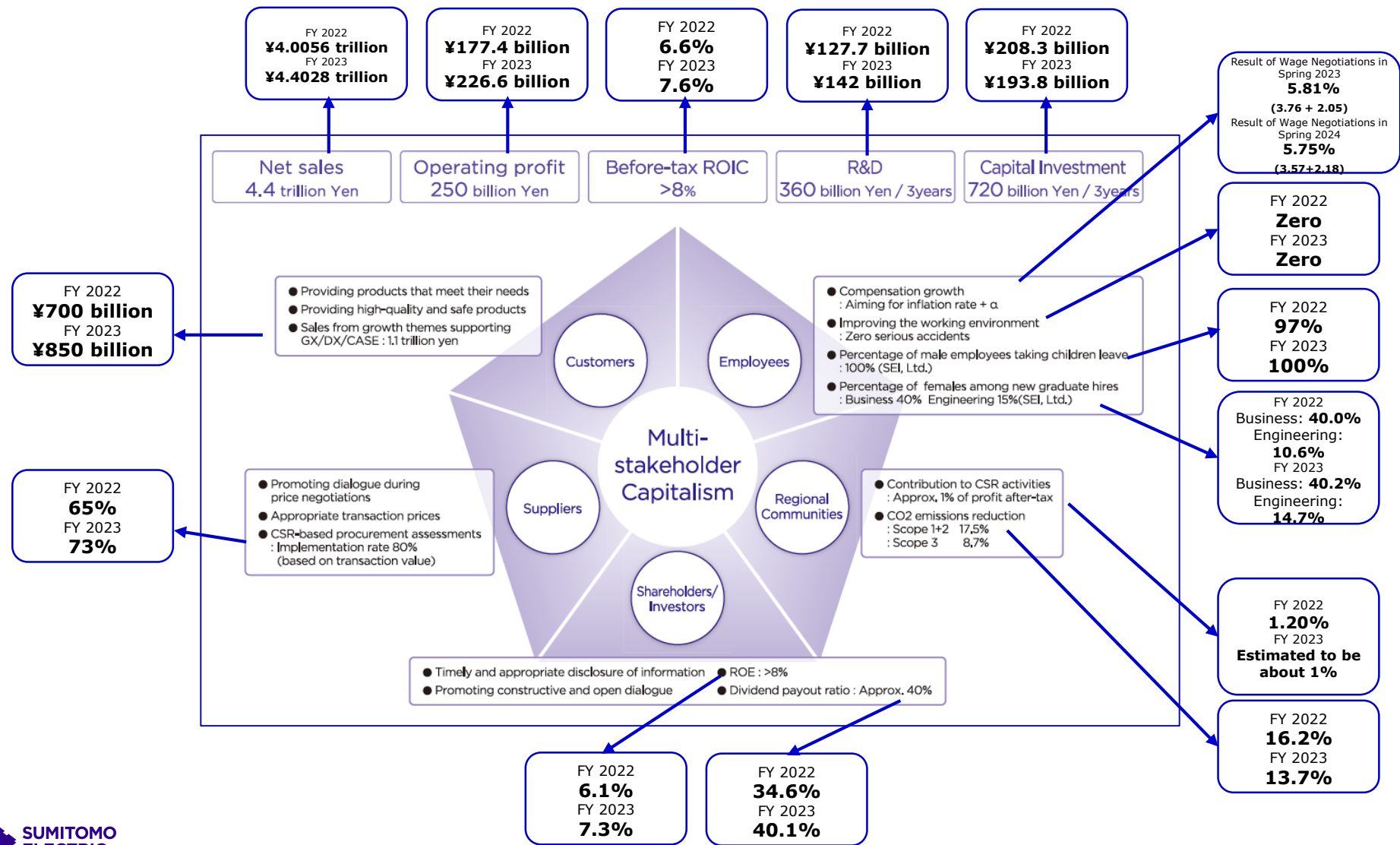
"Goho Yoshi" (Five-Way Win) is the approach by which our group has managed its operations thus far, based on the Sumitomo corporate philosophy.

We aim for mutual prosperity with our multi-stakeholders ,including our employees, customers, suppliers, communities, and shareholders/investors, as we work to achieve sustainable growth and improve our enterprise value over the medium and long terms.

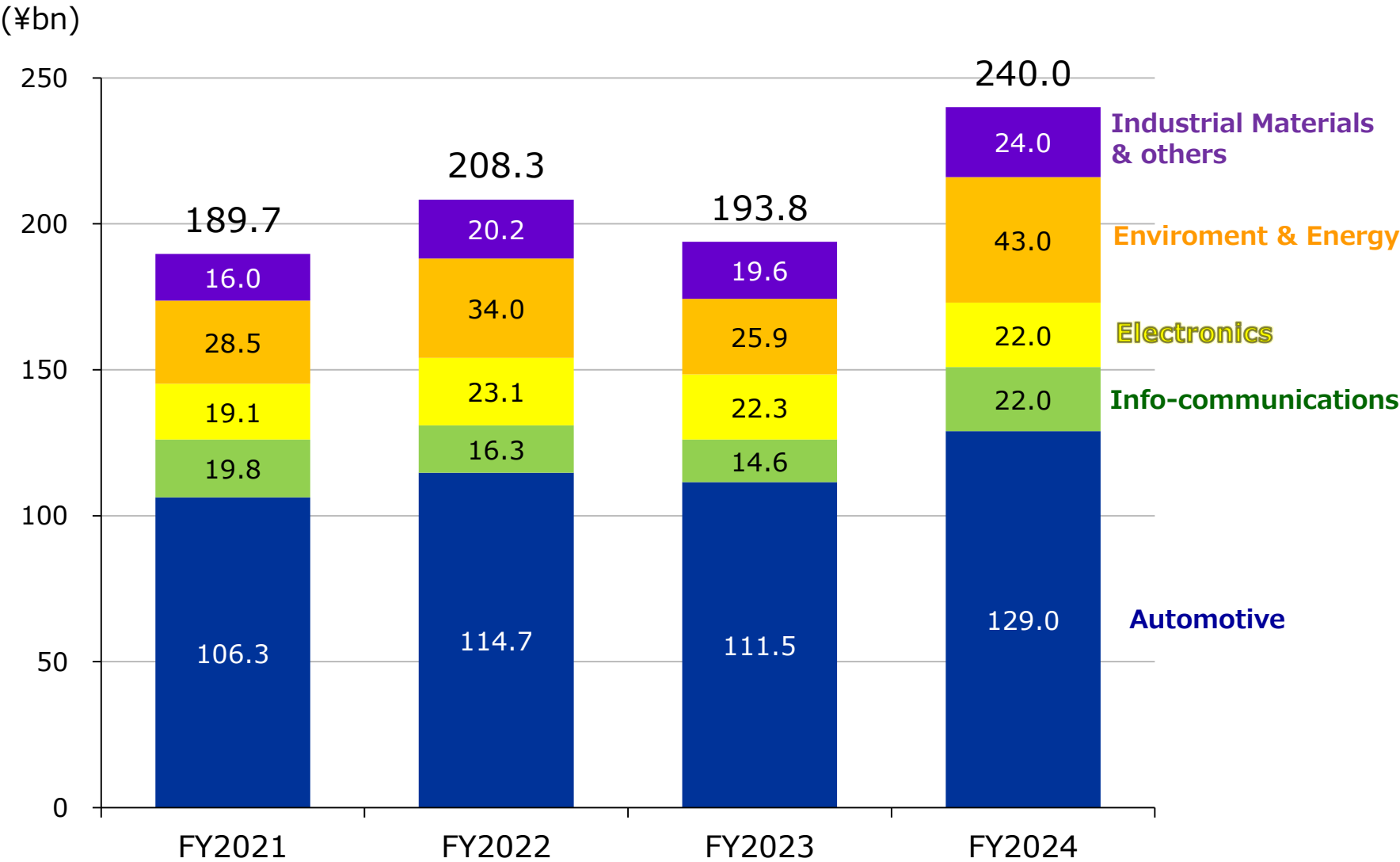


# 5-4. "Goho Yoshi" (Five-Way Win) Multi-Stakeholder Capitalism

Periodically measure the progress of each stakeholder metric to help achieve the Mid-term Management Plan 2025

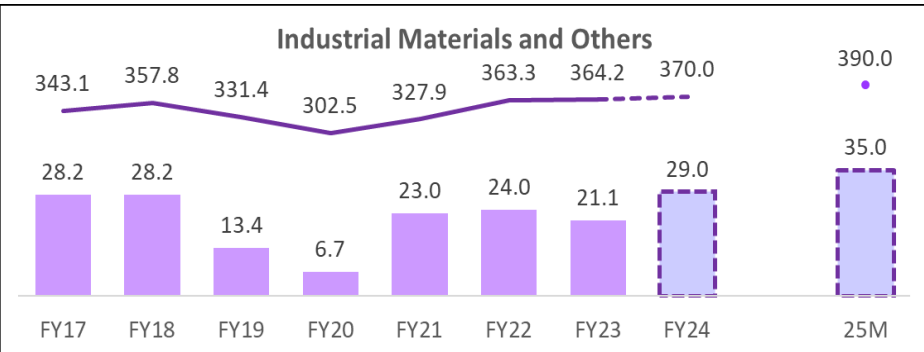
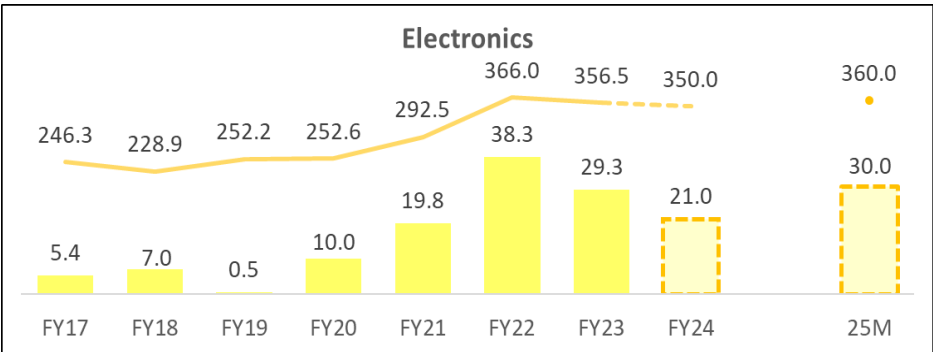
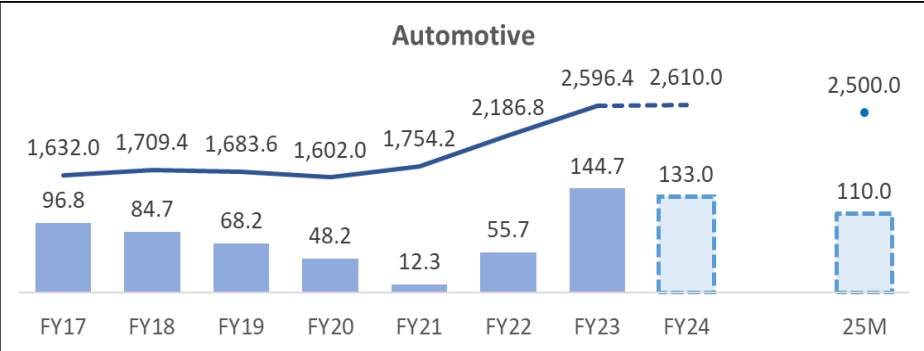
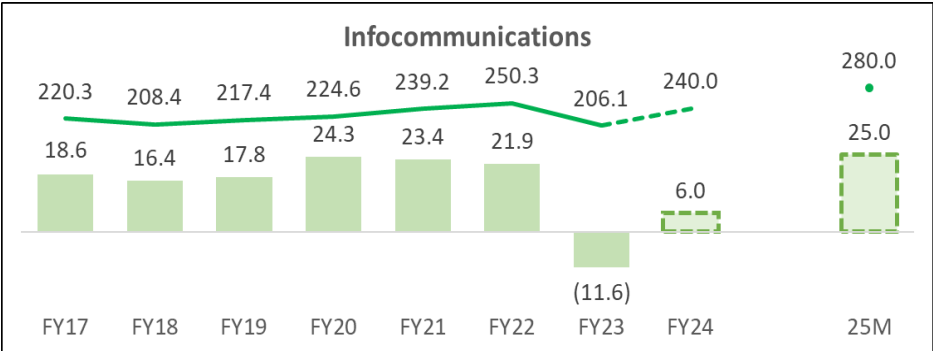
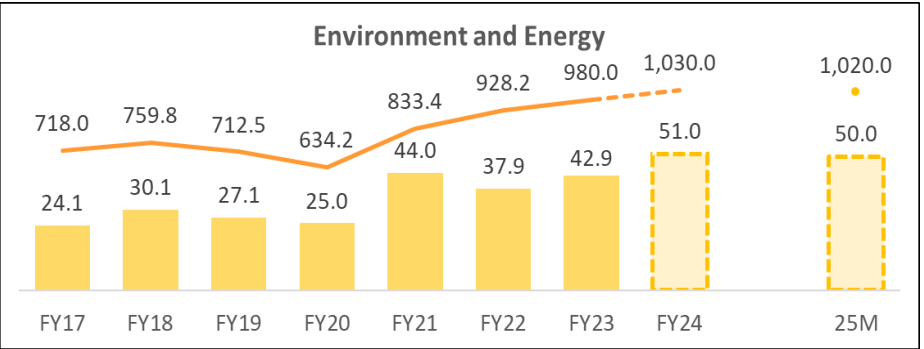
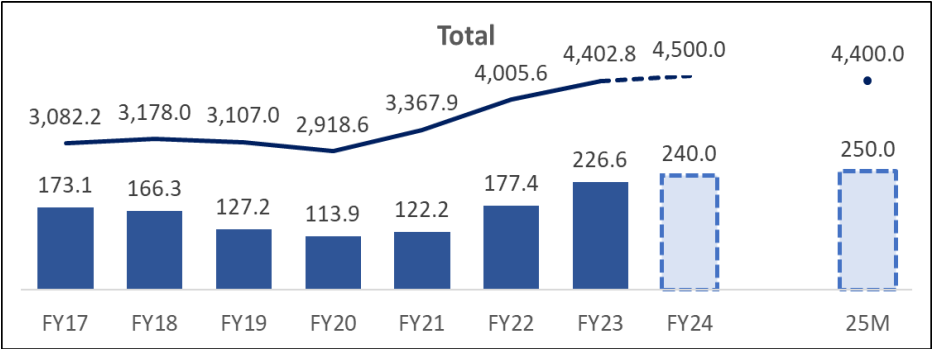


# (Reference) Capital Investment by segment



# (Reference) Performance trends (by segment)

line:Sales bar:OP (¥bn)



# (Reference) Changes in stock price

Change in our company's share price (over the most recent five-year period)

(yen/share)

2,500

End of March 2024  
¥2,348

2,000

End of March 2023  
¥1,697

1,500

1,000

19/4

20/4

21/4

22/4

23/4

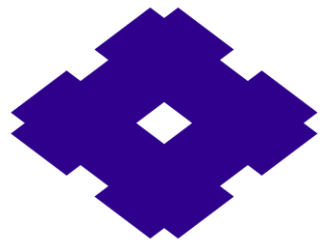
24/4

# 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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