

FY2024 1st half results and annual forecasts

Sumitomo Electric Industries, Ltd.
November 13, 2024

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1. FY2024 1st half Results

1-1. Performance Summary

¥bn	FY2022 1H Actual	FY2023 1H Actual	FY2024 1H Plan	FY2024 1H Actual	Growth
Net Sales	1,891.1	2,072.1	2,260.0	2,247.8	+8%
Operating Profit	49.7	67.3	106.0	119.3	+77%
Ordinary Income	60.9	60.8	107.0	121.7	+100%
Profit Attributable to Owners of the Parent	35.1	26.7	55.0	75.8	+184%
Dividend(¥/share)	25	25	36	36	

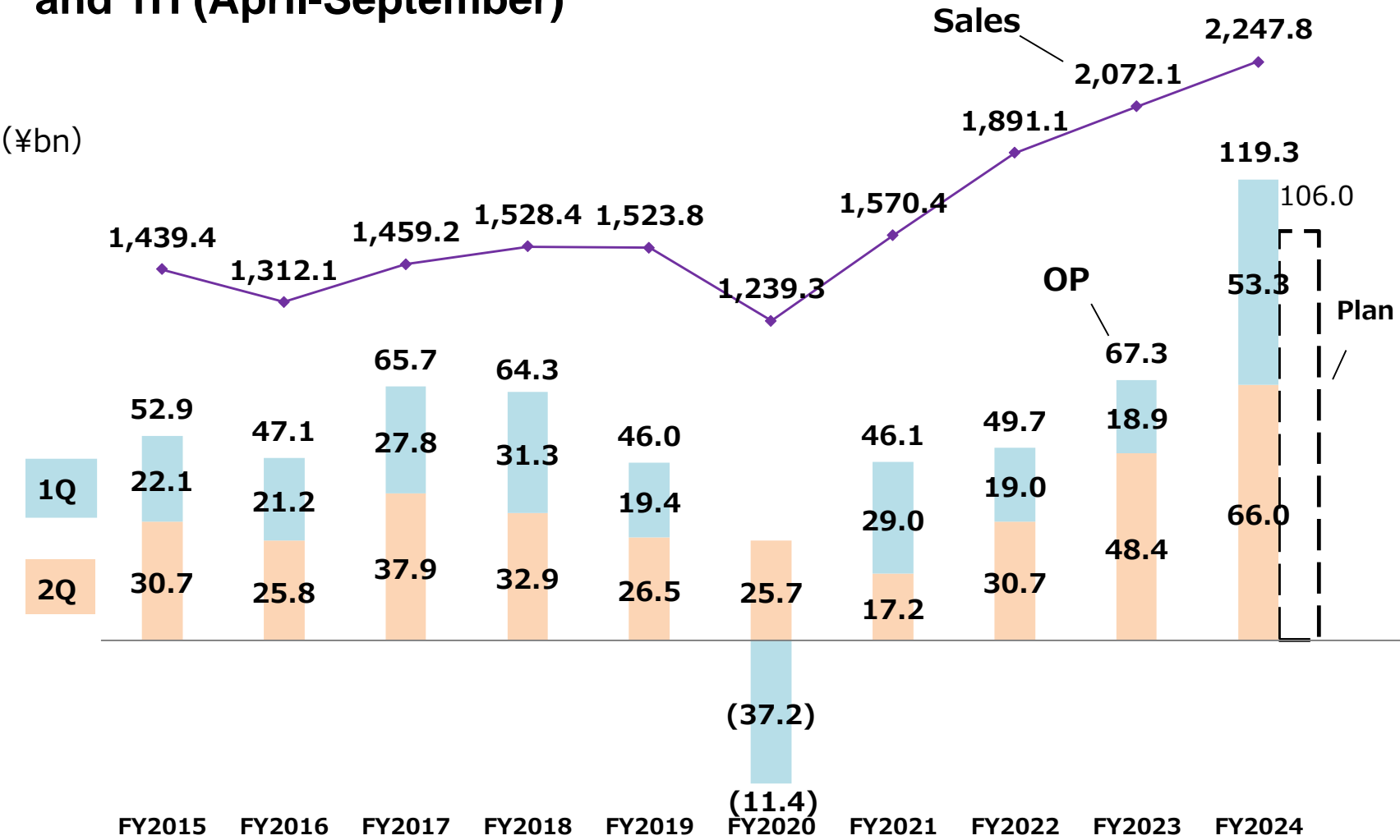
In addition to an increase in sales of products such as wire harnesses, power cables, and optical devices, the impact of the weak yen also contributed to an 8% year-on-year increase in sales, setting a new record for the first half of the year.

Operating income increased by 77% year-on-year as a result of increased revenue, as well as thorough cost reductions and efforts to improve sales prices, and the company achieved its highest ever first half profit.

Net income also increased significantly. This was the second highest level on record, behind the first half of FY2014 (which included a significant extraordinary gain).

1-2. First Half Performance Trends

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



1-3. Sales and OP by Segment

All business segments achieved higher sales and operating income year-on-year. Compared to the forecast announced in August, four segments excluding Industrial Materials achieved the announced profit.

¥ bn	FY2023		FY2024		FY2024		Growth		Difference	
	1H		1H		1H		③ - ①		③ - ②	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Environment and Energy	448.7	12.2	530.0	24.0	516.4	31.5	+67.6	+19.3	(13.6)	+7.5
Info-communications	102.4	△ 0.8	110.0	3.0	103.6	4.9	+1.2	+5.7	(6.4)	+1.9
Automotive	1,214.6	32.3	1,300.0	53.0	1,305.4	55.0	+90.8	+22.7	+5.4	+2.0
Electronics	175.5	14.5	190.0	15.0	191.5	18.2	+16.0	+3.8	+1.5	+3.2
Industrial Materials and Others	179.9	9.0	180.0	11.0	185.7	9.5	+5.8	+0.6	+5.7	(1.5)
Total	2,072.1	67.3	2,260.0	106.0	2,247.8	119.3	+175.7	+52.0	(12.2)	+13.3

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

2 . FY 2024 Annual Forecast

2-1. Summary of Business Environment

Although there are concerns about a further increase in political and geopolitical risks in the Middle East and a slowdown in the Chinese and European economies,

- ✓ Progress of decarbonized society continues, investment in energy infrastructure and renewable energy is brisk
- ✓ Data center operators are increasing their capital investment in line with the expansion of generative AI
- ✓ Although demand for automobiles is expected to decline in the short term, particularly in China and Europe, the medium- to long-term growth prospects remain unchanged due to the progress of CASE



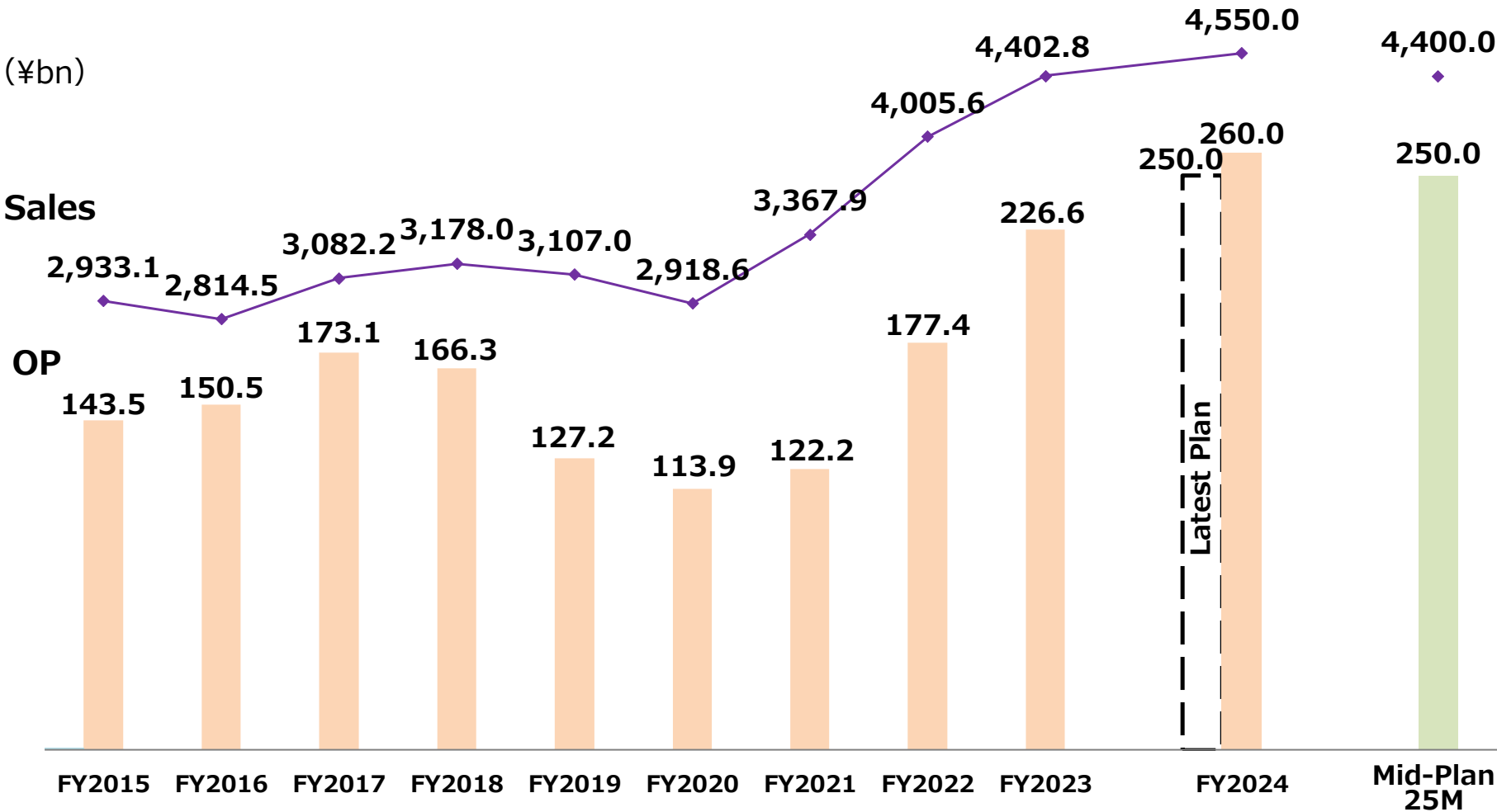
Based on the results of the first half of the year and future prospects, the profit forecast has been revised upwards.

2-2. Consolidated PL Forecast

¥bn	FY2023 Actual ^①	FY2024 Previous Plan ^②	FY2024 Revised Plan ^③	Growth ③ − ①	Difference ③ − ②
Net Sales	4,402.8	4,600.0	4,550.0	+147.2	(50.0)
Operating Profit	226.6	250.0	260.0	+33.4	+10.0
Ordinary Income	215.3	243.0	255.0	+39.7	+12.0
Profit Attributable to Owners of the Parent	149.7	145.0	150.0	+0.3	+5.0
Dividend(¥/share)	77	72	77		
		(From 2Q)	(2nd half)		
USD	¥145	¥145	¥145		
EUR	¥157	¥155	¥155		
Copper	¥1262k/t	¥1400k/t	¥1350k/t		

2-3. Performance Trends

Sales and OP both revised upward from the latest announcement
Aiming for record-high operating income of 260 billion yen



2-4. Sales and OP by Segment

The forecast by segment has been revised based on the results for the first half of the year and the current Business Environment.

Environment and Energy and Automotive are expected to exceed the target profits in the Mid-Term Management Plan 25M.

¥bn	FY2023 Actual ^①		FY2024 Previous Plan ^②		FY2024 Revised Plan ^③		Growth ③ – ①		Difference ③ – ②	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Environment and Energy	980.0	42.9	1,130.0	56.0	1,090.0	61.0	+110.0	+18.1	(40.0)	+5.0
Info-communications	206.1	(11.6)	240.0	11.0	230.0	15.0	+23.9	+26.6	(10.0)	+4.0
Automotive	2,596.4	144.7	2,610.0	131.0	2,600.0	137.0	+3.6	(7.7)	(10.0)	+6.0
Electronics	356.5	29.3	360.0	23.0	360.0	23.0	+3.5	(6.3)	0.0	0.0
Industrial Materials and Others	364.2	21.1	370.0	29.0	370.0	24.0	+5.8	+2.9	0.0	(5.0)
Total	4,402.8	226.6	4,600.0	250.0	4,550.0	260.0	+147.2	+33.4	(50.0)	+10.0

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

3. Status and Initiatives by Segment

3-1. Environment and Energy

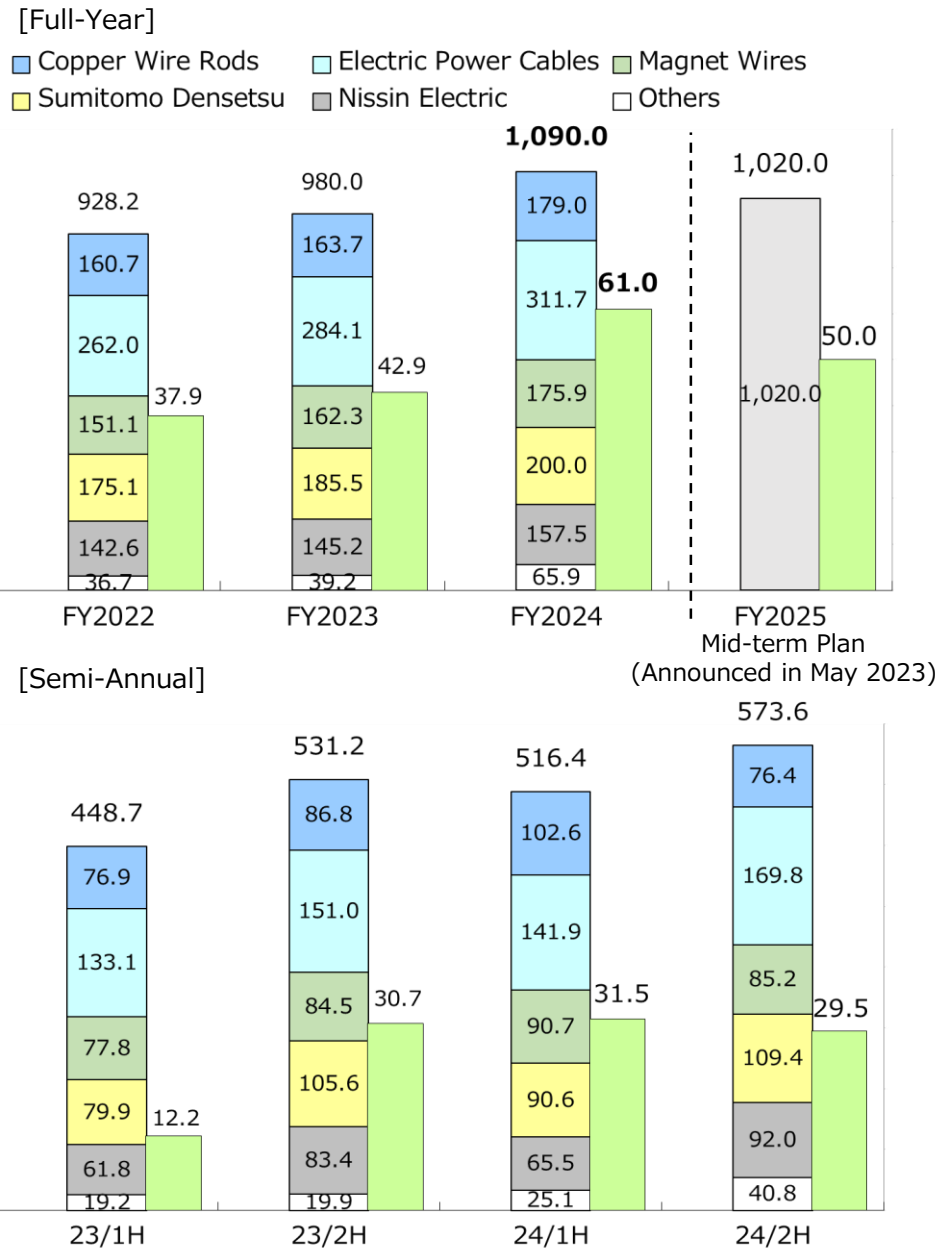
Left:Sales Right:OP (¥bn)

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.
- 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

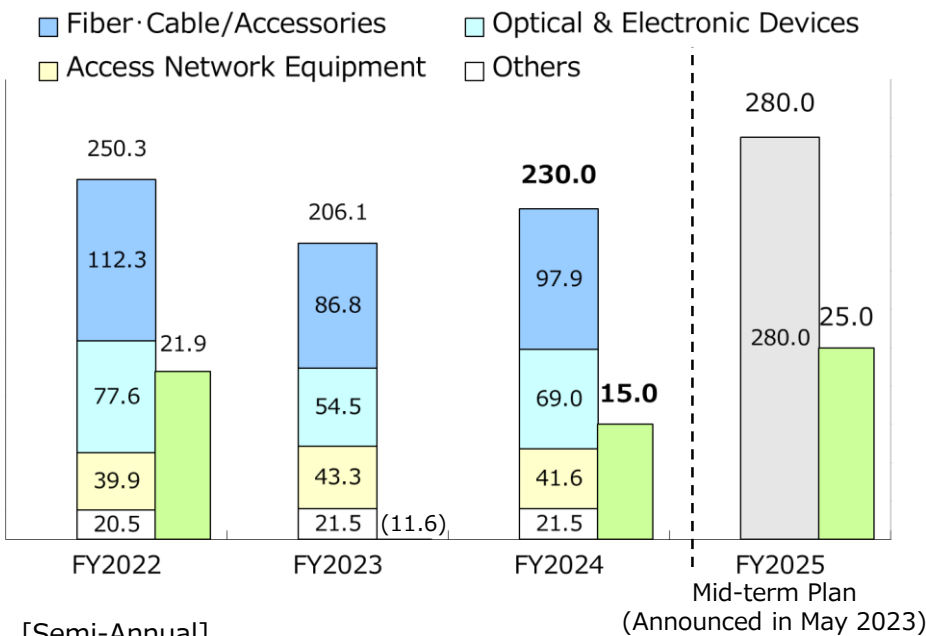
- Increase in investment for data centers due to expansion of Generative AI. Demand for optical devices and connectors increases.
- The recovery in investment by telecom carriers is lagging behind the expectations, and demand of optical fiber and GaN devices for base stations are lower than previous forecasts.

Initiatives

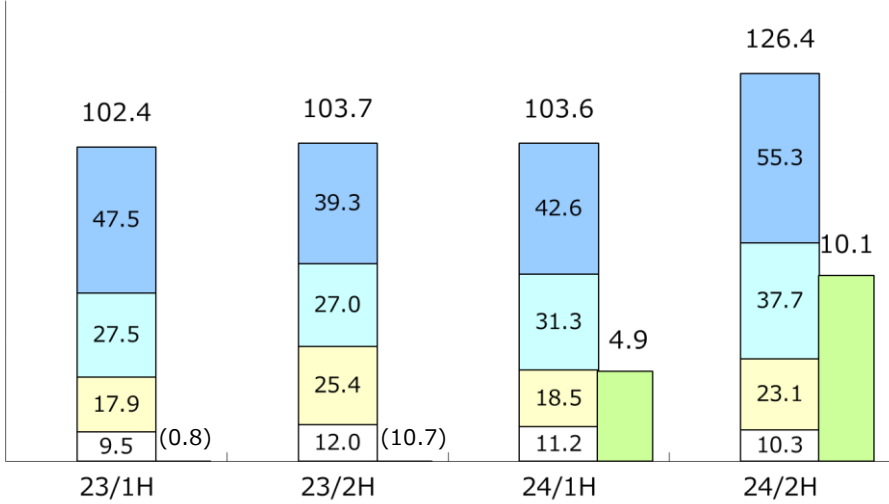
- ✓ Develop, promote and expand production capacity for data centers-related products (optical devices, connectors, cables, etc.)
- ✓ Develop and promote ultra-low loss, high-capacity optical fiber for use as submarine cables
- ✓ Develop and promote high-efficiency GaN devices

Left:Sales Right:OP (¥bn)

[Full-Year]



[Semi-Annual]



3-3. Automotive

Business environment

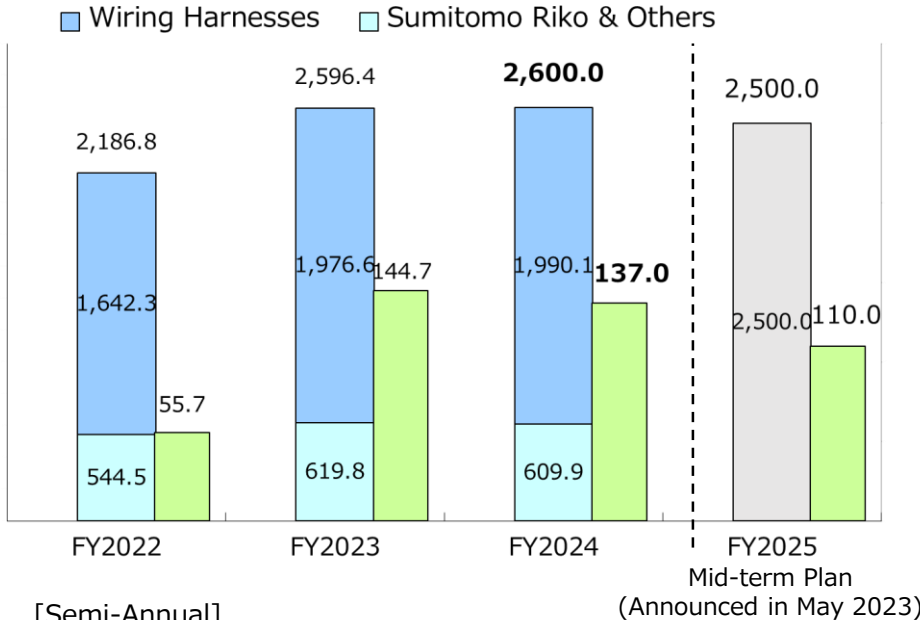
- As there are trends of reduced production in China by Japanese OEM and economic downturn in Europe, the volume for wiring harnesses is expected to be lower than initial forecast.
- There is a trend of electric vehicle deceleration in the short term, but the direction of medium-term CASE development remains unchanged.

Initiatives

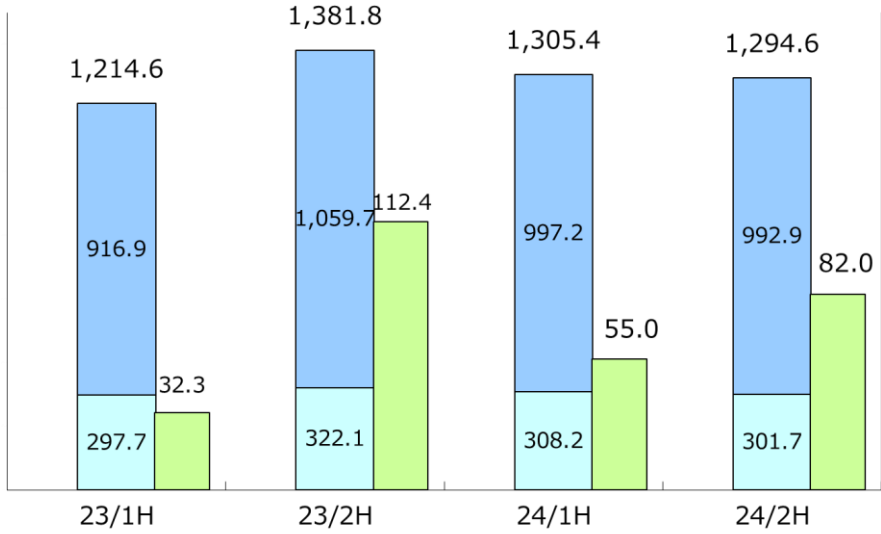
- ✓ Strengthen business structure (reduce costs and improve the efficiency of assets)
- ✓ Optimize the production structure
- ✓ Evolve existing harnesses by developing new designs and production methods
- ✓ Create and promote new product lines for CASE

Left:Sales Right:OP (¥bn)

[Full-Year]



[Semi-Annual]



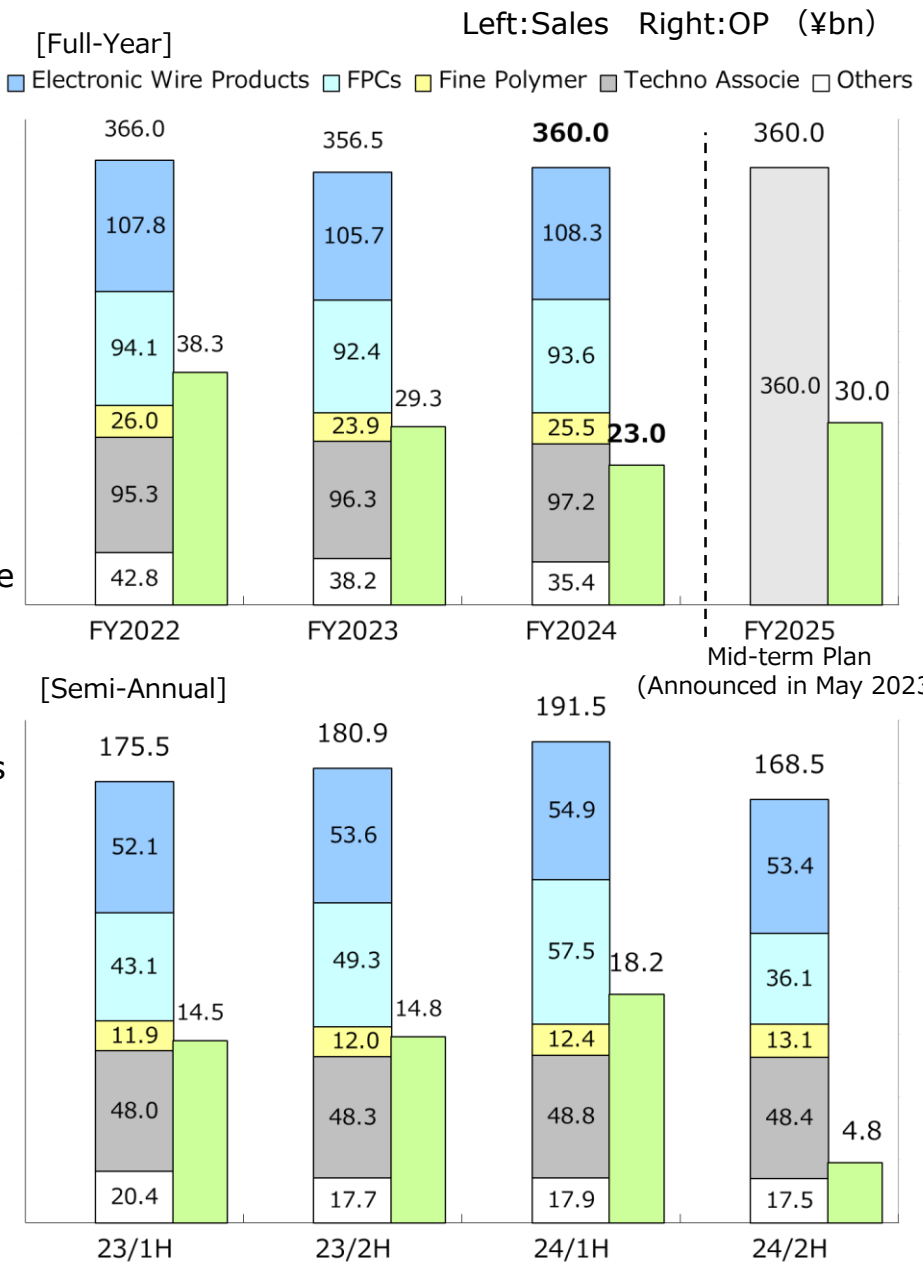
3-4. Electronics

Business environment

- Demand for FPCs from major customers is strong, and orders were particularly concentrated in the first half of the year.
- Although sales of electronic wires are expected to be slightly lower than initially forecast due to the deceleration of EV sales, we will expand sales in new fields such as medical and aerospace.

Initiatives

- ✓ Expand sales of FPCs with high functionality, and reduce costs
- ✓ 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



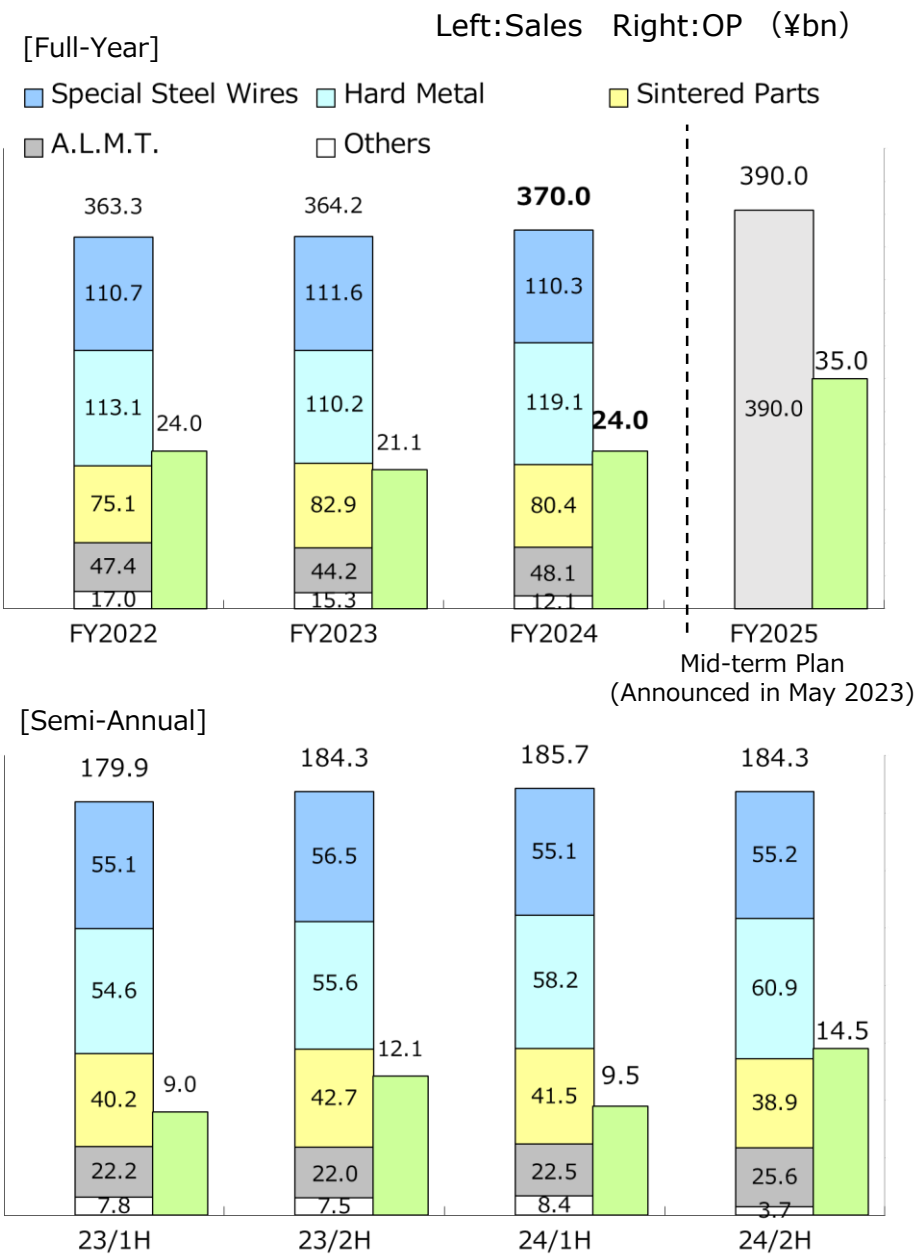
3-5. Industrial Materials

Business environment

- Although sales of cemented carbide tools for automobiles are expected to be lower than initial forecast, sales for semiconductors are expected to recover gradually.
- Expansion into new markets such as electric vehicles, aircraft, and renewable energy.

Initiatives

- ✓ Promote global sales of cemented-carbide tools; breaking into new markets (electric vehicles, aircraft, semiconductors, and renewable energy) and expand 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)

Received order for large-scale HVDC XLPE cable project for German power transmission company

(June 2024 Press Release)

Sumitomo Electric has received an order for a power cable project, Korridor B V49 from German transmission system operator Amprion.

In addition, we have concluded a preferential negotiation agreement for the supply of some of the cables for the company's interconnection line project, Rhein-Main-Link.

Both projects will form part of Germany's critical power transmission infrastructure, especially to bring renewable power generated in the North Sea to the country's major consumer areas. They are expected to be completed by 2033.

In order to secure a manufacturing base in Germany in line with this order, we acquired the land cable manufacturer Südkabel, which became a subsidiary in October of this year, and the HVDC cable to be delivered will be manufactured at Südkabel.



A-Nord: High-voltage direct current cable project ordered by Amprion in 2020 and currently under production

4-2. Topics (Industrial Materials)

Our wholly owned subsidiary A.L.M.T Corp. acquired Esteves Group, leading manufacturer of precision diamond tools

(September 2024 Press Release)

Esteves Group is a leading manufacturer of precision diamond tools for the wire and cable industry worldwide, with a product portfolio that includes wire drawing dies, extrusion tools, and specialty tools. The company has a history of more than 100 years and has a total of seven strategically located facilities in six countries in Europe, North America, and Asia.

Through this acquisition, A.L.M.T. will utilize both companies' diamond die product lineups, technological capabilities, sales networks, and service bases to further strengthen its global business development, including the expansion of sales channels in Europe and the United States.



Diamond Dies

Tools for drawing wire, etc., using diamonds. Diamonds are extremely hard and resistant to wear, so they have a long life and are of high quality, making them ideal for processing metals and materials that require precision processing.

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"> • 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)

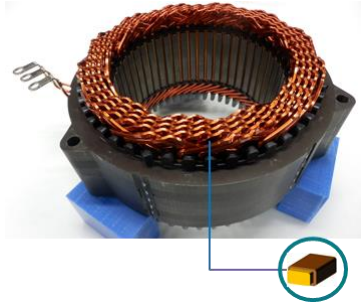
5-1-1. Initiatives to Improve Profitability

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



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

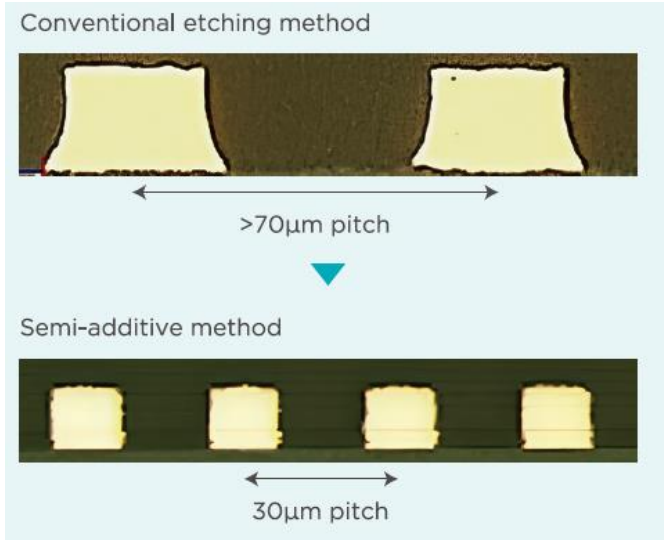
Ultra-low loss optical connectors

Ultra-high-speed optical device

Optical interconnection equipment

FPC

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



Wire harnesses

Expansion of new products contributing to electrification and connectivity

Cemented carbide tools

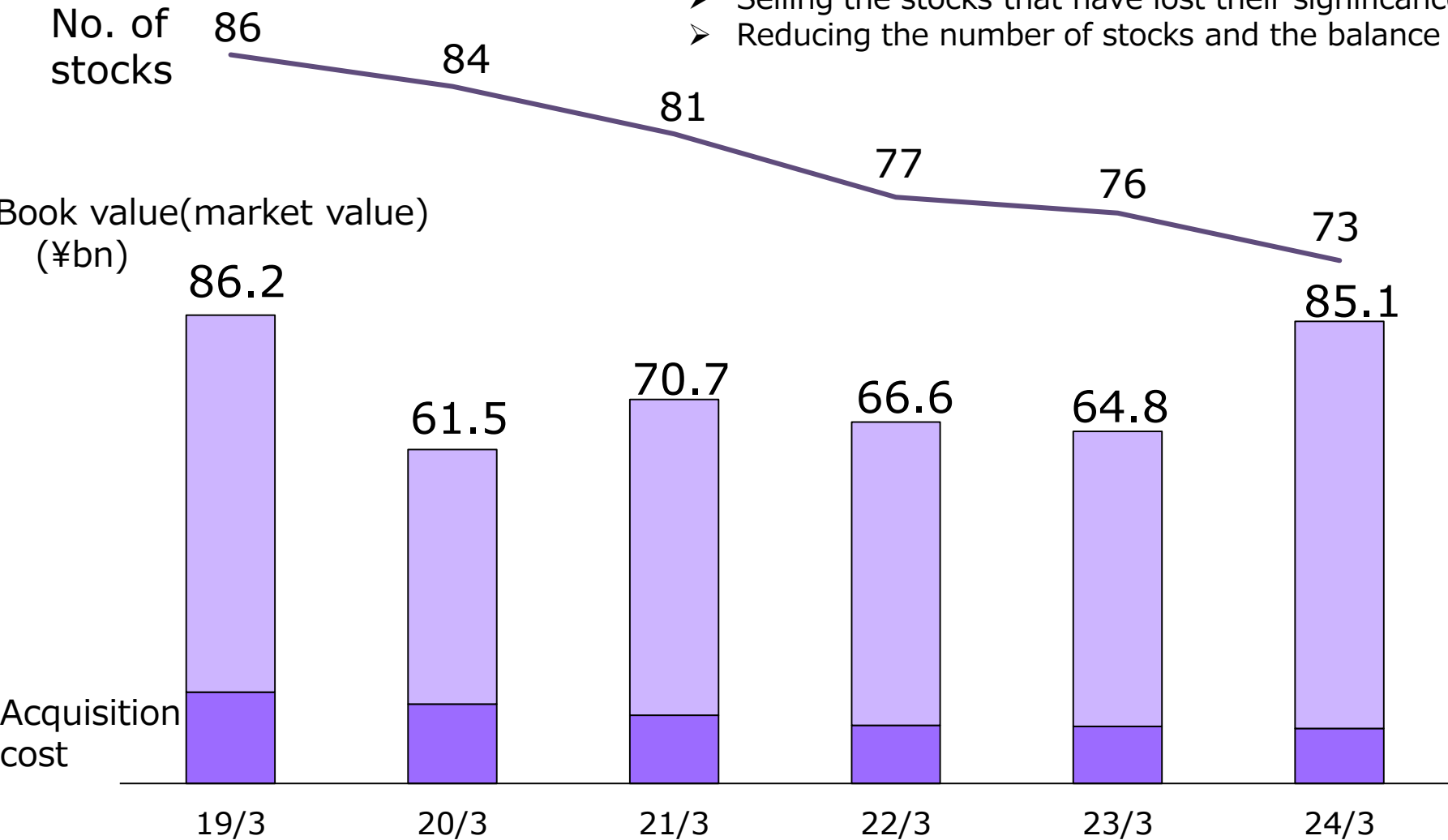
Introduction of new products such as tools for aircraft applications and wind power generation parts

5-1-2. Initiatives to Improve Asset Efficiency

Strategic shareholdings

【Former initiatives】

- Examining the significance of holding every year
- Selling the stocks that have lost their significance
- Reducing the number of stocks and the balance



(The portion held by our company as stated in the securities report)

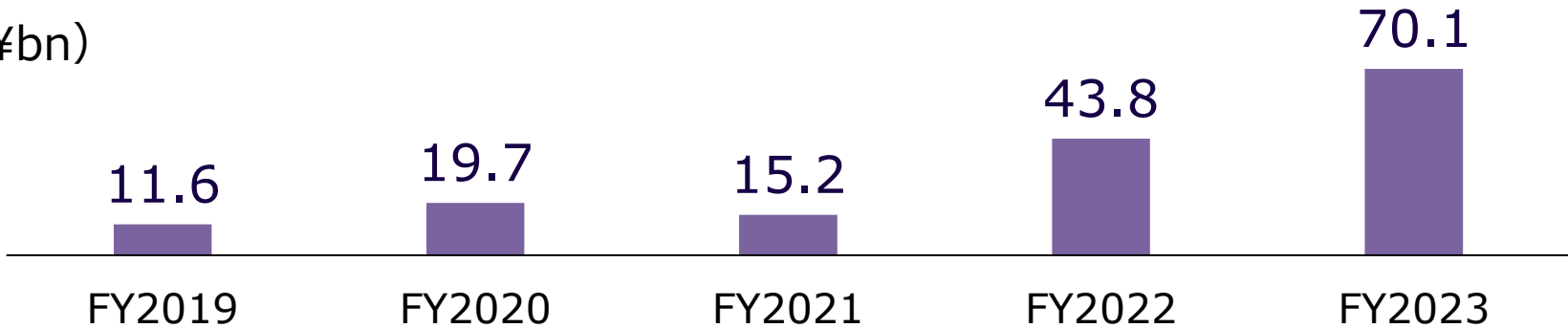
5-1-2. Initiatives to Improve Asset Efficiency

Proceeds from sales of investment securities

In FY 2022,2023 we carried out a large-scale sale.

(consolidated)

(¥bn)



Initiatives

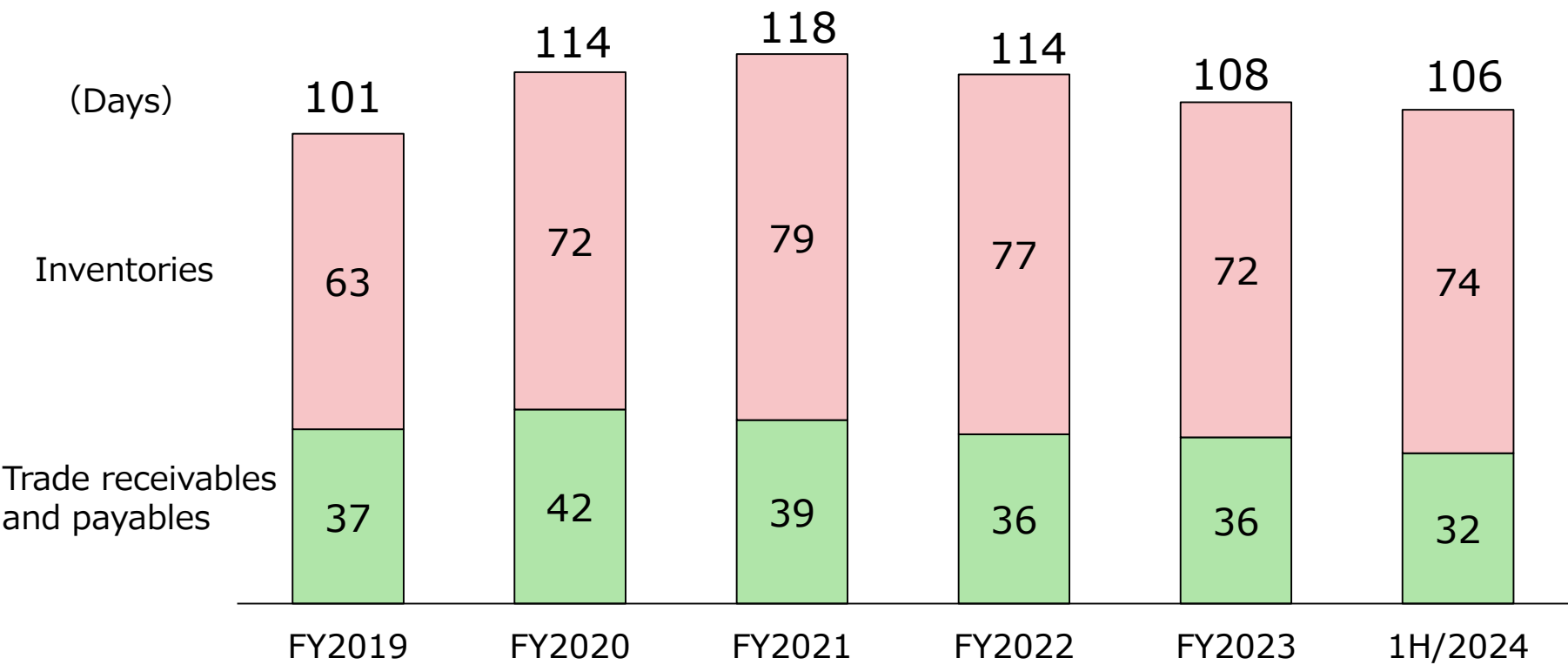
Examining the significance of holding more strictly than before.

The balance is over 300 billion yen (as of the end of September 2024), including the pure investment purpose portion held by subsidiaries, but we will actively reduce it to at least half within the next few years.

The cash acquired will be used for future growth investments and shareholder returns.

5-1-2. Initiatives to Improve Asset Efficiency

Cash Conversion Cycle (CCC)

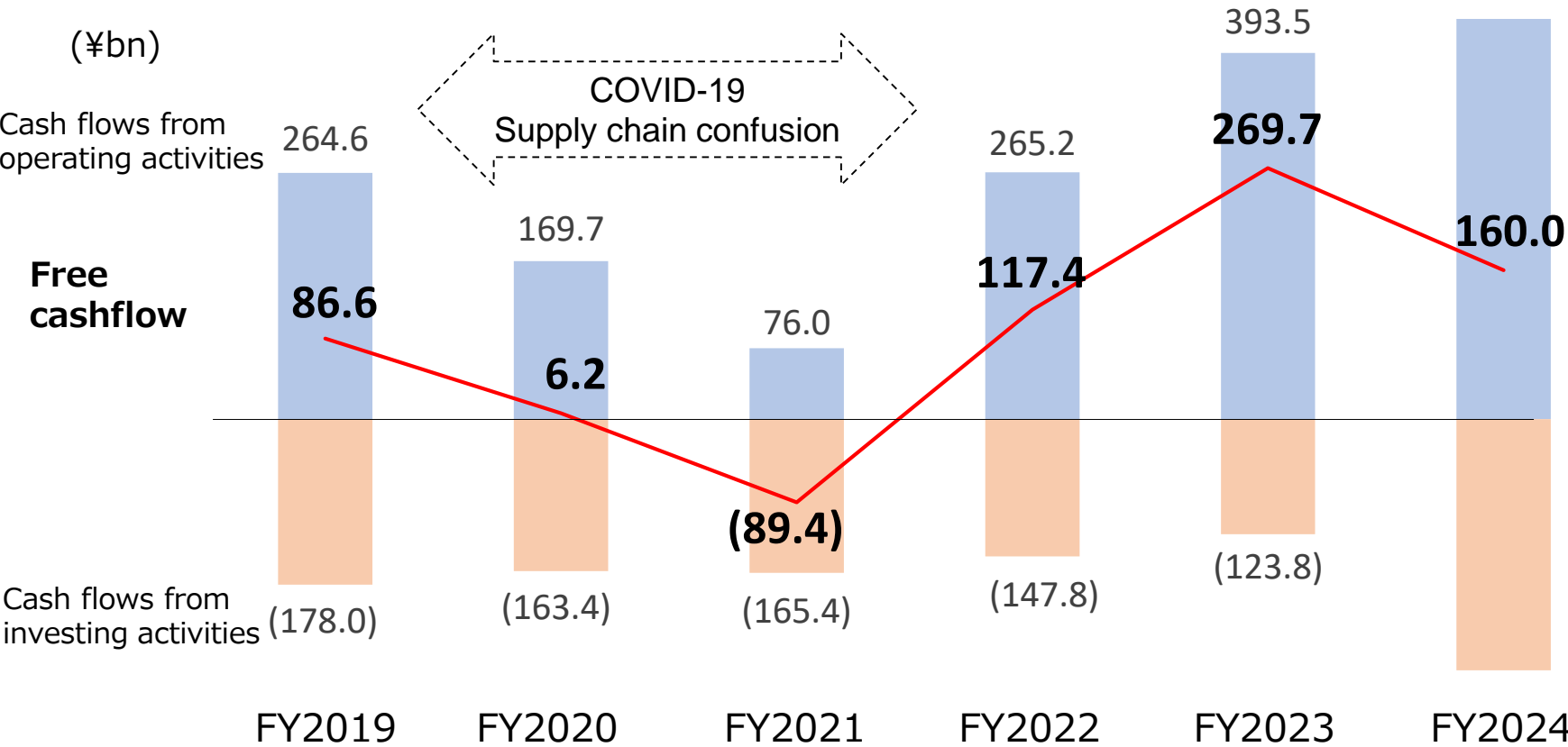


Initiatives

- Shortening manufacturing and procurement lead times
- Visualizing inventory using DX
- Trade receivables and payables site negotiations
- ROIC analysis by customers

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

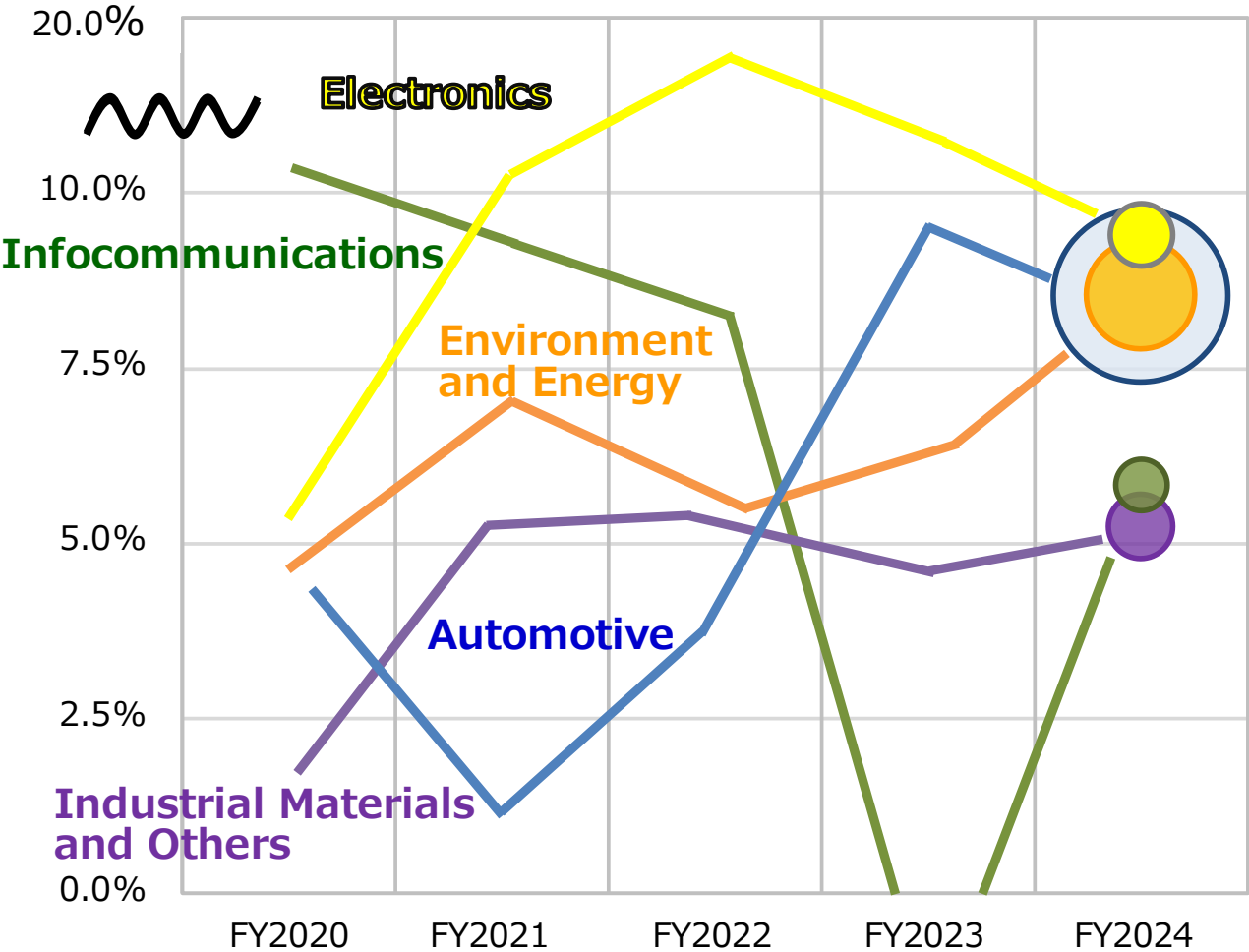
Mid-Term Plan Targets		[FY 2023 Results]	[FY 2024 Forecast]
Three-Year Cumulative Total	¥1.6 trillion		
Yearly Average	¥533.3 billion	¥574.9 billion	¥620.0 billion

We are making good progress toward exceeding the ¥1.6 trillion on the mid-term business plan.

5-3. ROIC by Segment

* The figure below is OP ROIC trends

* The areas of the figures are proportional to sales



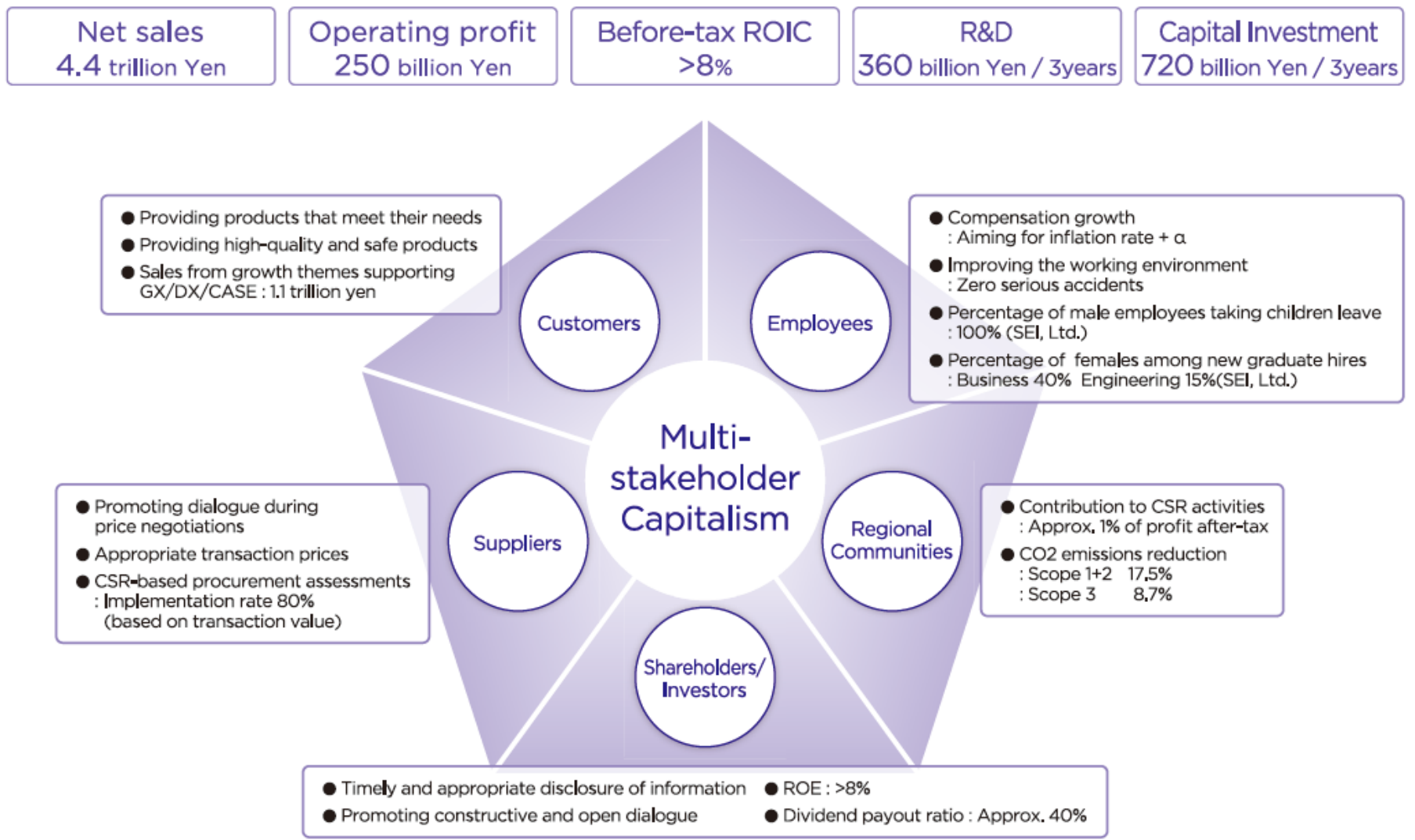
Operating profit ROIC
Before-tax ROIC
ROE

FY2020	FY2021	FY2022	FY2023	FY2024
4.6%	4.5%	5.9%	7.2%	7.9%
4.4%	5.8%	6.6%	7.6%	7.6%
3.6%	5.7%	6.1%	7.3%	6.6%

8% or more
8% or more

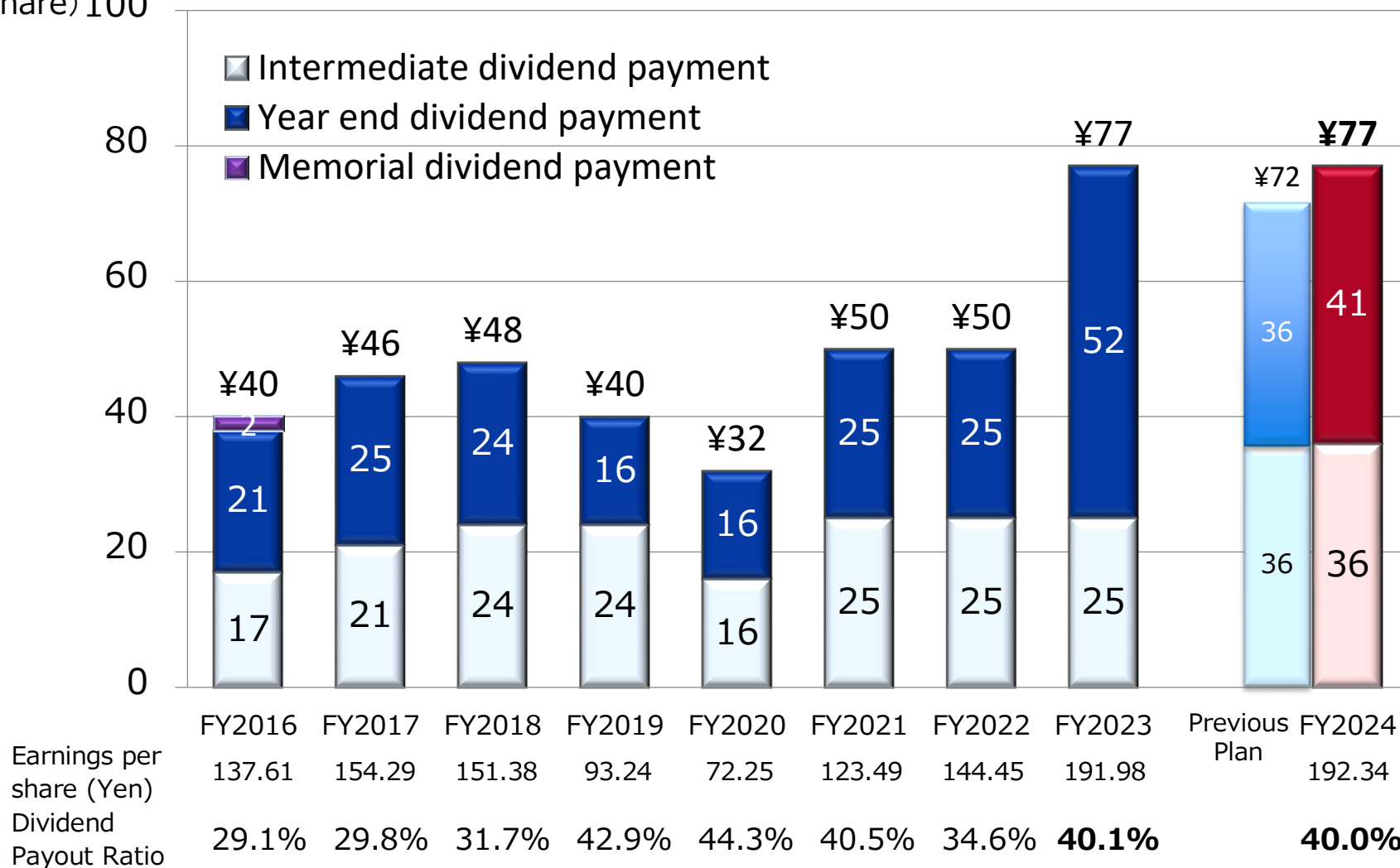
5-4. "Goho Yoshi" (Five-Way Win) Multi-Stakeholder Capitalism

Achieving increased corporate values and sharing the results with stakeholders



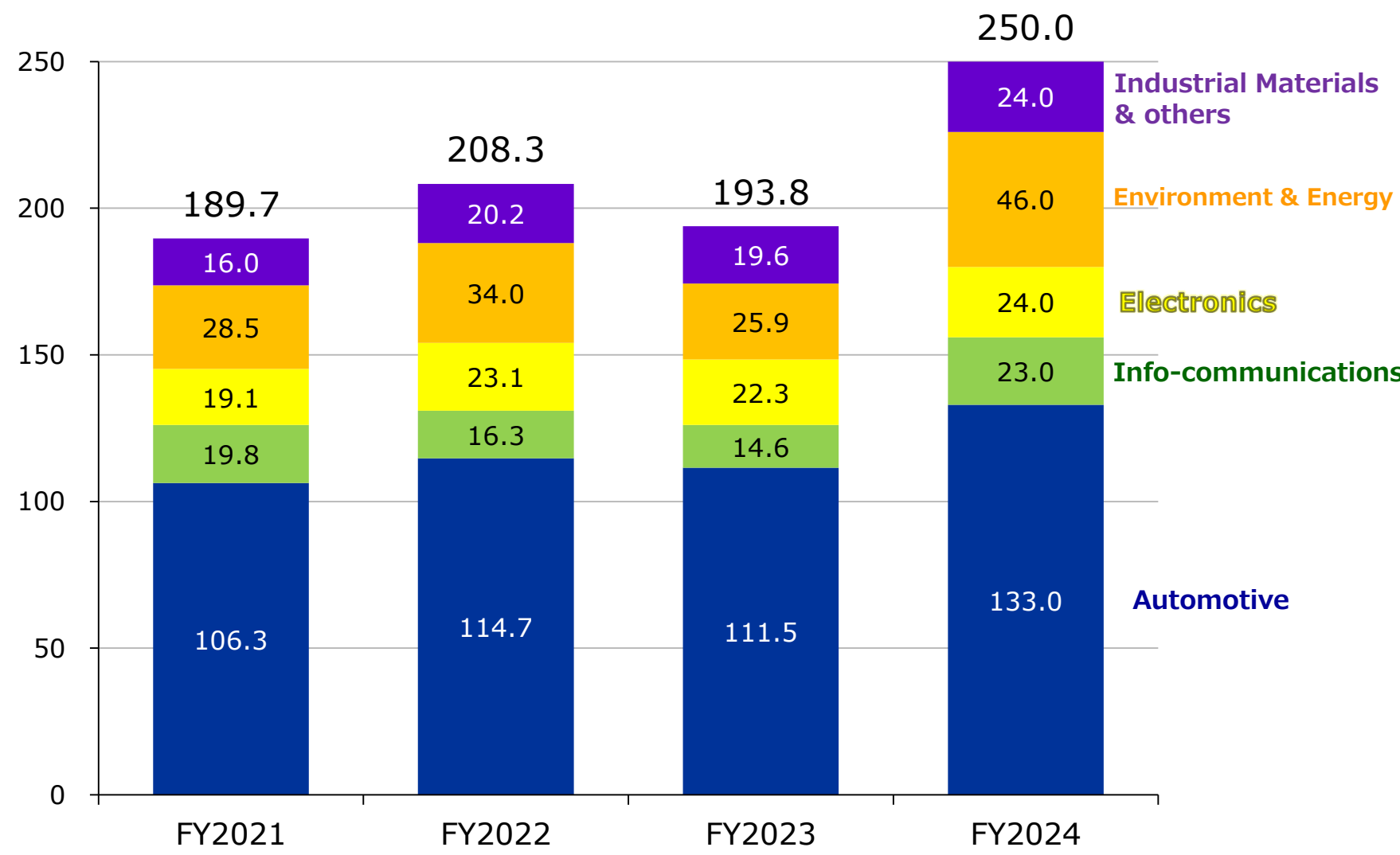
5-5. Dividends

(¥/share) 100



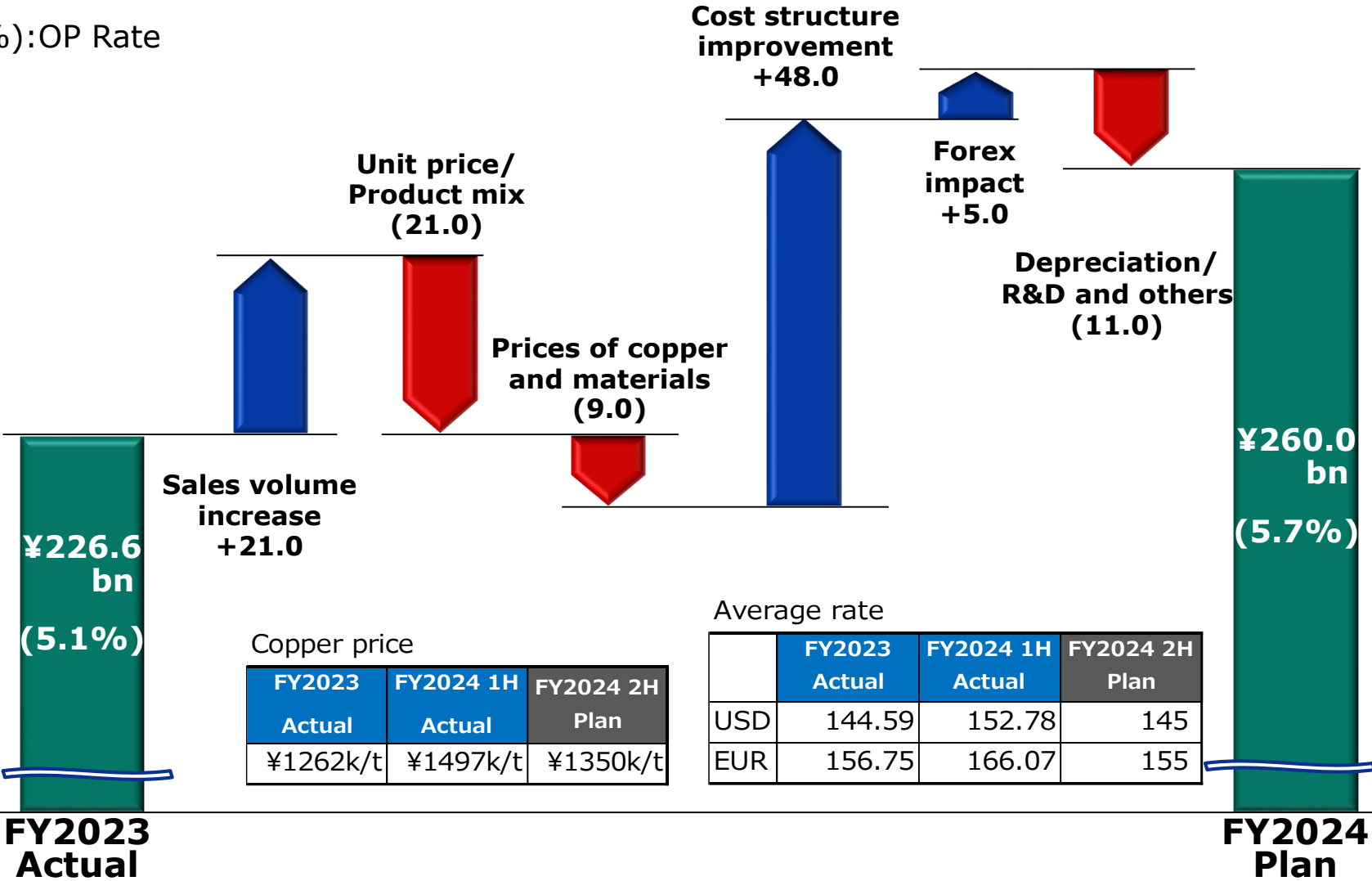
The previous forecast of 72 yen per share has been revised upwards to 77 yen per share.

(Reference) Capital Investment by Segment



(Reference) OP variation factors from FY2023 to FY2024

(%):OP Rate



(Reference) Stock Price Trends

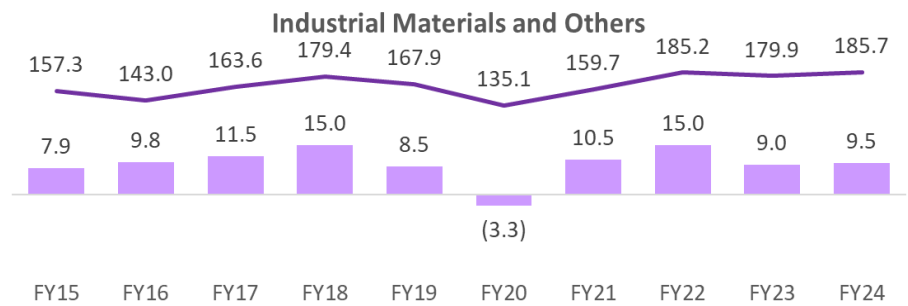
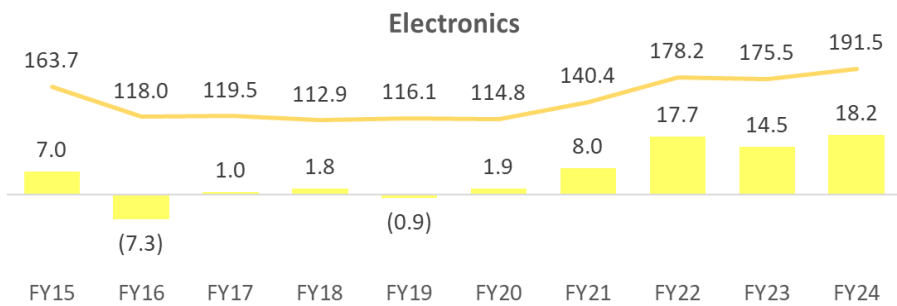
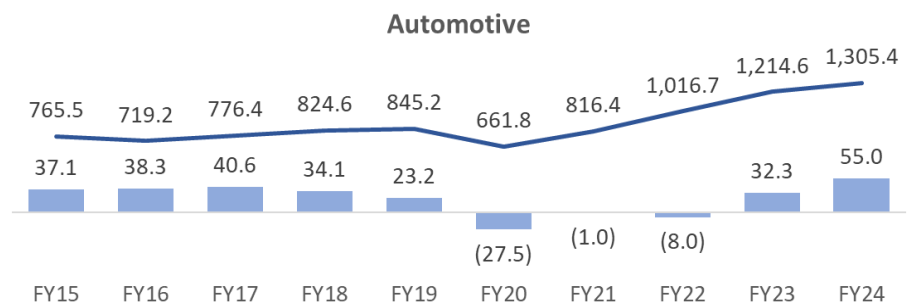
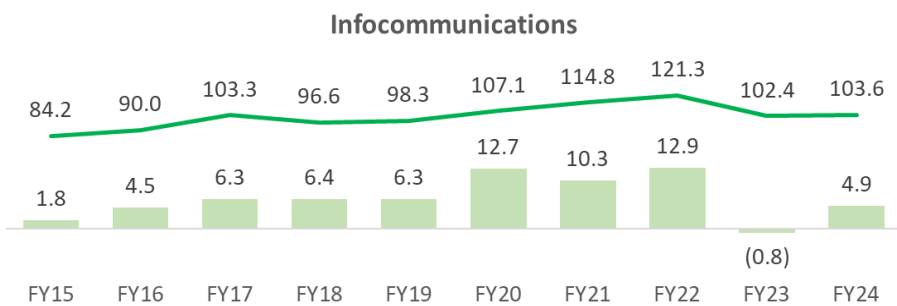
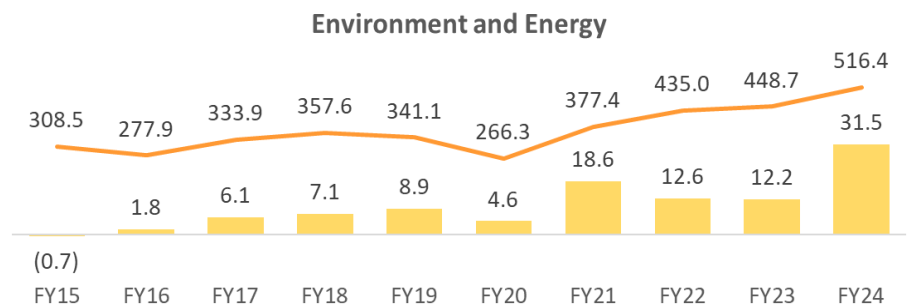
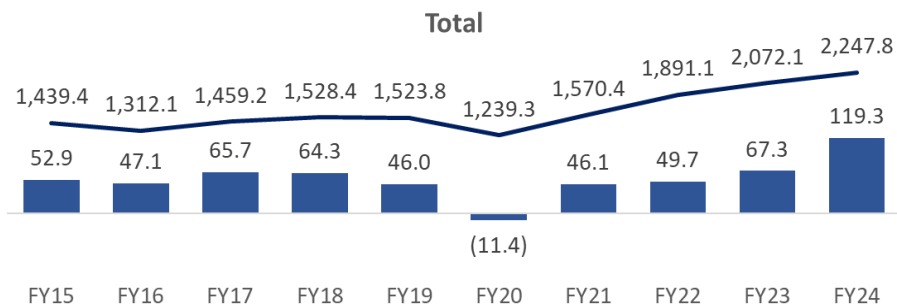
Stock Price Trends(over the most recent five-year period)

(yen/share)



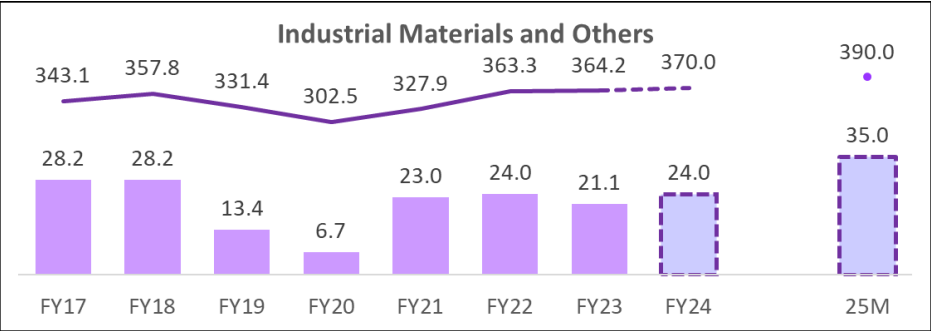
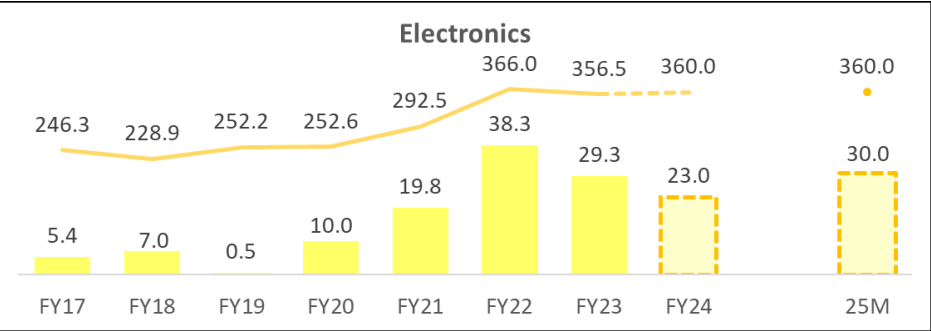
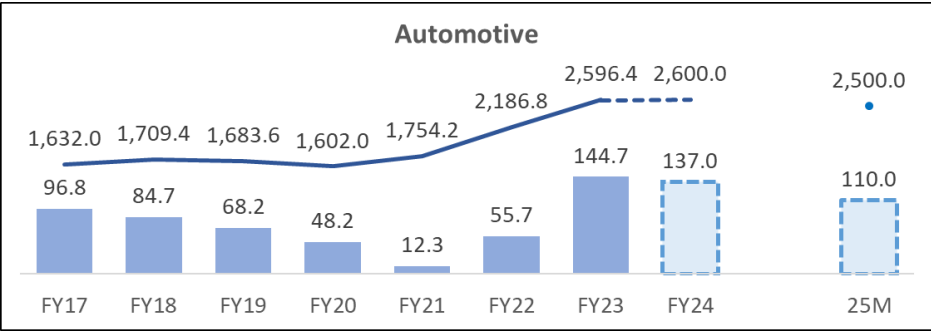
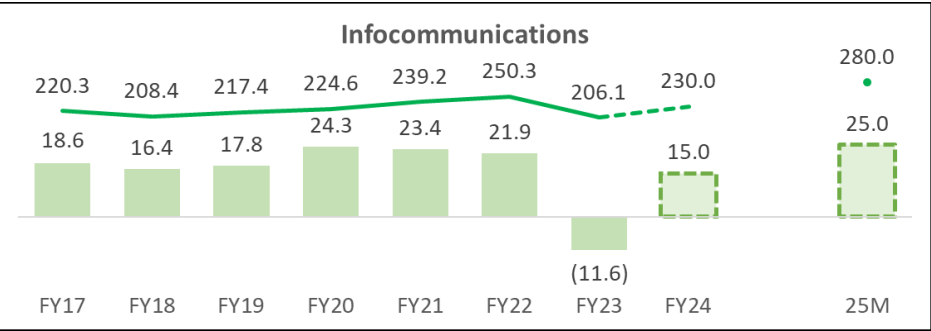
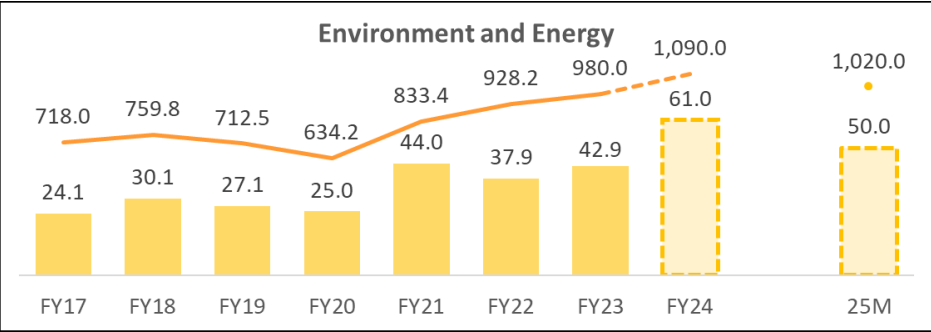
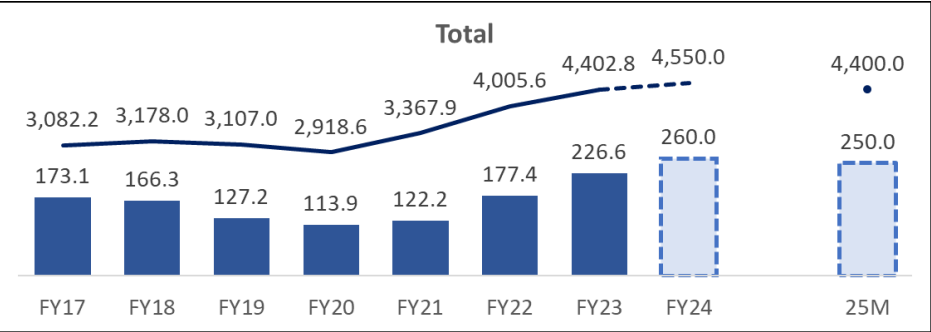
(Reference) First Half Performance (by Segment)

line:Sales bar:OP (¥bn)



(Reference) Full Year Performance (by Segment)

line:Sales bar:OP (¥bn)

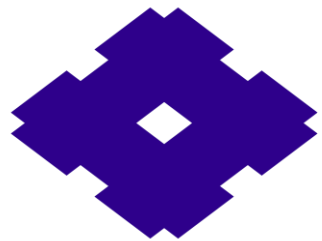


Notes on Perspective Information

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:

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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