

【Investor Briefing】
FY2019 1st Half Results
and Annual Forecasts

November 25, 2019

 **SUMITOMO DENSETSU CO.,LTD.**

1. FY2019 1st Half Results and Annual Forecasts
2. Main Initiatives for FY2019 by Works Type
3. Policy on the Distribution of Profits to Shareholders

1. FY2019 1st Half Results and Annual Forecasts

1-1. Summary of FY2019 1st Half Results



◇Explanation of Business Results

[Orders received and Sales amount] Achieved the forecasts, with an increase year on year (YoY)

- Sales amount in Japan increased as we progressed with abundant works on hand
- Overseas, some hope emerged in the harsh environment, with increasing orders for maintenance work from Japanese companies, and orders from non-Japanese companies

[Operating profit and Ordinary income] Achieved the forecasts, with a significant increase YoY

- Achieved record profit (and profit margin) in gross profit and all other profit categories, due to increases in profit from finally completed projects and profitability improvements for works on hand

◇FY2019 1st Half Results

(¥bn)

	FY2018 1H	FY2019 1H			Growth ③-①	
	Actual ①	Plan ②	Actual ③	Difference ③-②		Percentage
Orders Received	74.8	78.0	84.2	6.2	9.4	12.6%
Sales Amount	72.4	73.0	76.6	3.6	4.2	5.8%
Operating Profit	5.44	4.60	6.40	1.80	0.96	17.6%
Margin	7.5%	6.3%	8.4%	2.1%	0.9%	-
Ordinary Income	5.72	5.00	6.73	1.73	1.01	17.6%
Margin	7.9%	6.8%	8.8%	2.0%	0.9%	-
Net Income	3.73	3.20	4.43	1.23	0.70	18.8%
Margin	5.2%	4.4%	5.8%	1.4%	0.6%	-

◇Interim Dividends for FY2019

- **¥30 per share** (up ¥5 YoY), as forecast at the start of the fiscal year

1-2. Sales Amount for FY2019 1st Half Results by Works Type

Power Transmission Works: Increased YoY due to progress with projects for electricity companies.

General Electrical Works: In Japan, increased YoY due to progress and completion of works on hand. Overseas, decreased slightly YoY due to completion of large works from the previous fiscal year.

Information & Communications Works: Increased YoY due to solid performances from mobile works and network renewal works.

Facility & HVAC Works: Strong performance, especially in the Tokyo metropolitan area.

Others*: Sales at the same level as in the same period of the previous fiscal year.

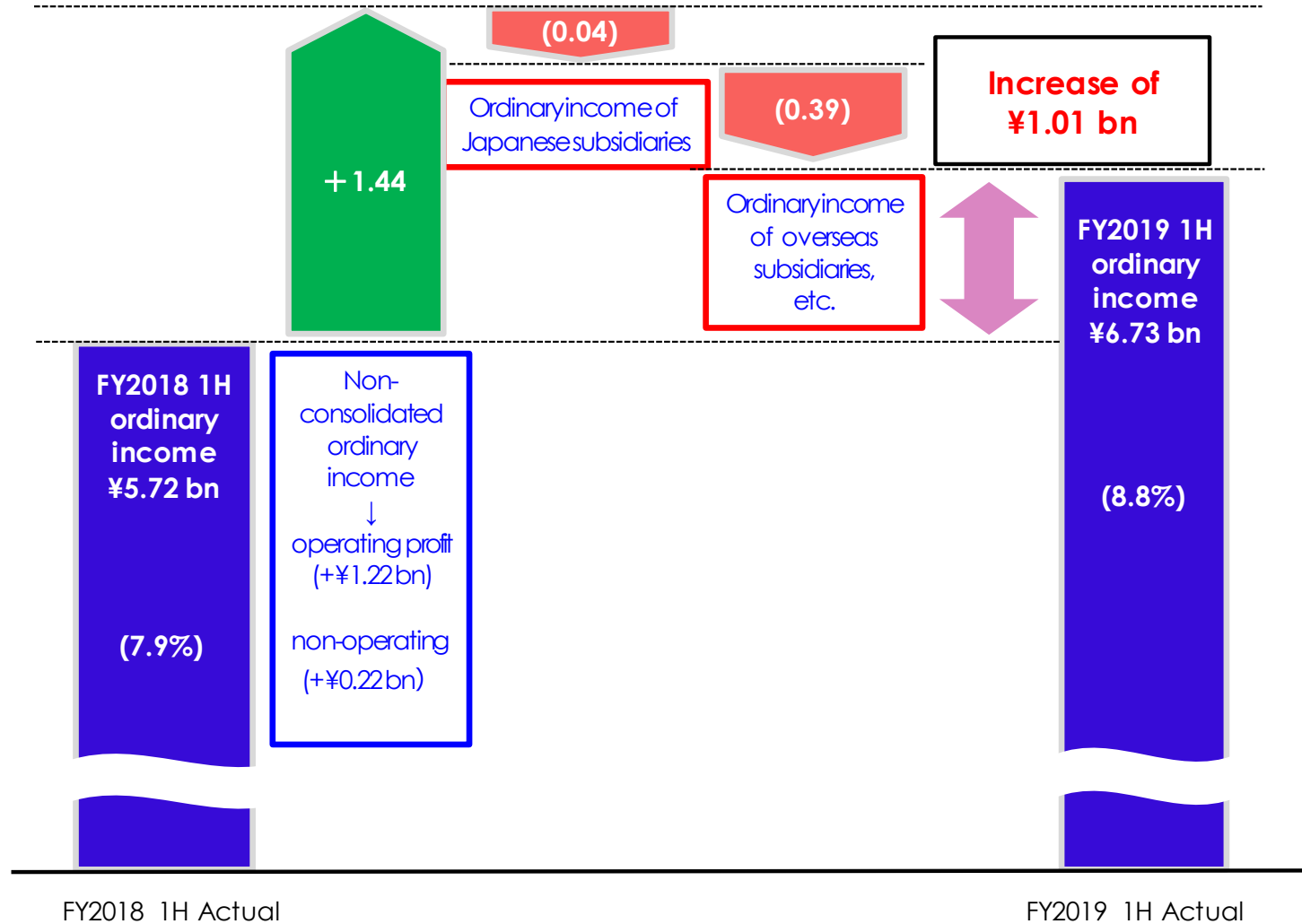
*Others
Insurance agency business, HVAC equipment, solar power systems sales, equipment manufacturing and repairs, and manufacture and sales of hot water supply systems.

Sales

(¥bn)

Works Type	FY2017 1H	FY2018 1H	FY2019 1H	FY18→19 Growth (%)	FY2019 Composition
Power Transmission Works	7.8	9.4	9.8	4%	13%
Non-consolidated + Japanese Subsidiaries	33.8	33.2	35.0	5%	45%
Overseas Subsidiaries	9.2	11.0	10.6	(3)%	14%
General Electrical Works	43.0	44.2	45.6	3%	59%
Information & Communications Works	8.3	9.2	11.0	18%	14%
Facility & HVAC Works	5.0	5.3	5.9	11%	8%
Others*	4.2	4.3	4.4	2%	6%
TOTAL	68.3	72.4	76.6	6%	100%

1-3. Ordinary Income Variation Factors from FY2018 to FY2019 SEM



FY2018 1H Actual

FY2019 1H Actual

◇ Business Environment and Key Initiatives

The Japanese market is lively, with continuing redevelopment of the Tokyo metropolitan area and business related to the Tokyo Olympics, and conditions are expected to remain favorable overall, with steady business from the renewable energy sector and 5G network mobile base station works. This should compensate for the harsh environment for overseas works, and **ensure we achieve the numerical targets of the medium-term management plan “Vision 19.”**

◇ Consolidated Forecast for FY2019

Vision 19 Target

Sales amount:	¥165.0 bn	¥165.0 bn
Operating profit:	¥11.9 bn	
Ordinary income (%):	¥12.5 bn (7.6%)	¥12.5 bn (≥7.5%)
Net income:	¥8.4 bn	

◇ Dividend Forecast for FY2019

• An annual dividend of **¥60 per share** (interim ¥30) is forecast, unchanged from FY2018.

1-5. FY2019 Forecast



Momentum from FY2019 1H, supported by our solid performance in Japan, will continue for the rest of FY2019, ensuring we achieve the forecast results (=V19 numerical targets).

(¥bn)

	FY2017 Actual	FY2018 Actual	FY2019 Forecast	Growth (%)	FY2019 V19
Orders Received	156.9	160.2	165.0	3.0%	
Sales Amount	146.8	157.0	165.0	5.1%	165.0
Operating Profit	9.87	10.95	11.90	8.6%	
Margin	6.7%	7.0%	7.2%	-	
Ordinary Income	10.40	11.56	12.50	8.1%	12.50
Margin	7.1%	7.4%	7.6%	-	≥7.5%
Net Income	6.84	5.29	8.40	58.7%	
Margin	4.7%	3.4%	5.1%	-	

1-6. Sales Amount for FY2019 by Works Type



Sales

(¥bn)

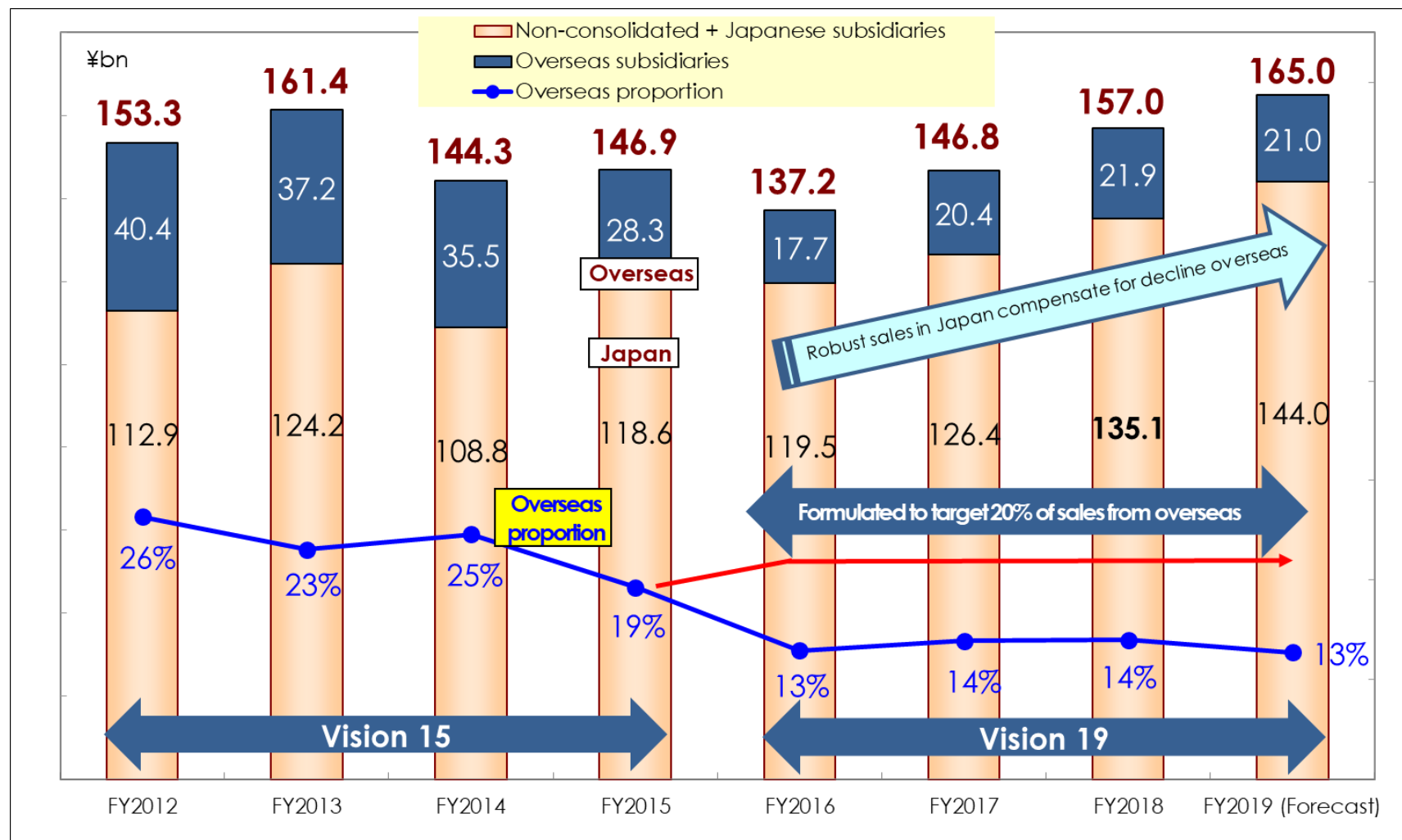
Works Type	FY2017	FY2018	FY2019 Forecast	Growth
Power Transmission Works	19.2	19.8	21.5	1.7
Non-consolidated + Japanese Subsidiaries	68.7	75.1	79.0	3.9
Overseas Subsidiaries	20.4	21.9	21.0	(0.9)
General Electrical Works	89.1	97.0	100.0	3.0
Information & Communications Works	19.9	20.7	24.5	3.8
Facility & HVAC Works	9.8	11.0	11.0	0.0
Others*	8.7	8.5	8.0	(0.5)
TOTAL	146.8	157.0	165.0	8.0

*Others

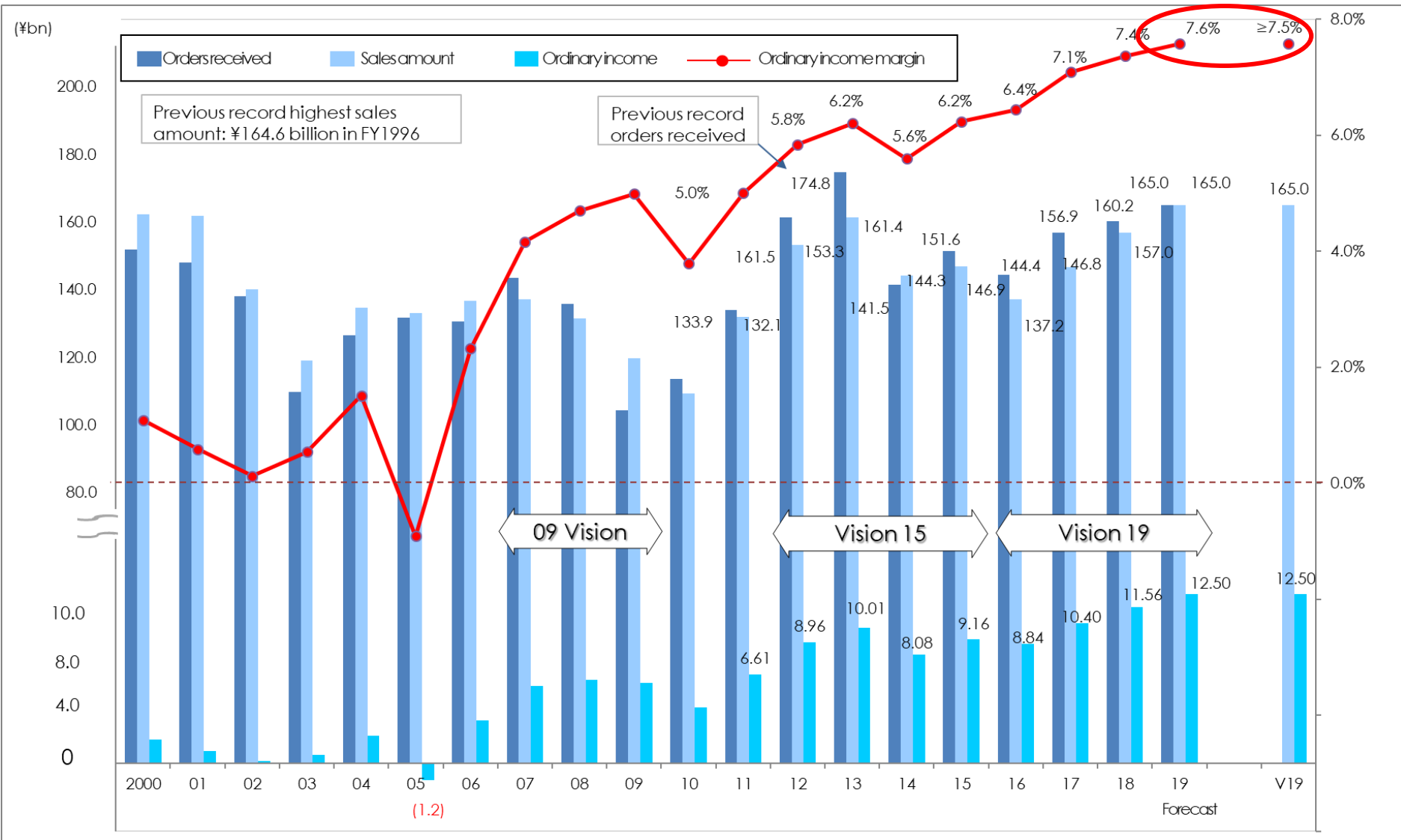
Insurance agency business, HVAC equipment, solar power systems sales, equipment manufacturing and repairs, and manufacture and sales of hot water supply systems.

1-7. Proportion of Sales Amount from Overseas

V19 was formulated to target 20% of sales from overseas. However, the current proportion is only around 15%, due to greatly reduced Japanese investment overseas. Robust sales in Japan have compensated for this drop in overseas sales.



1-8. Historical Data Since FY2000

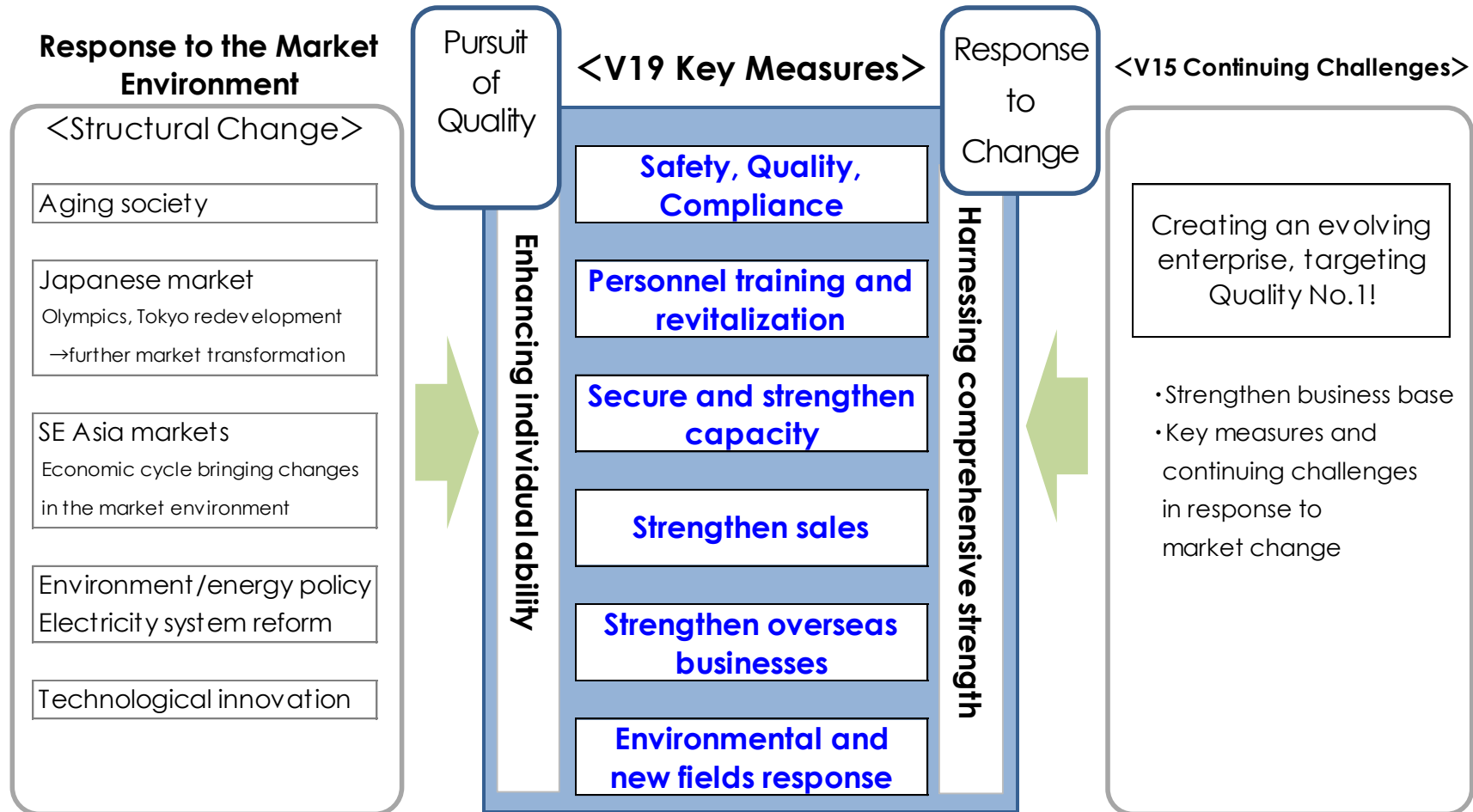


Made a **loss** in FY05



Shift in focus from **quantity** to **quality**

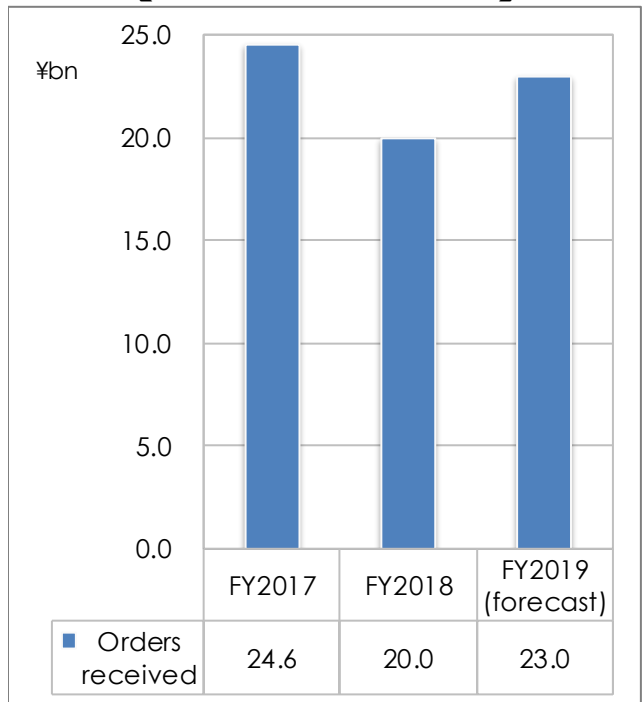
Evolving into a High-Quality Engineering Enterprise! ~ Enhancing individual ability and harnessing comprehensive strength ~



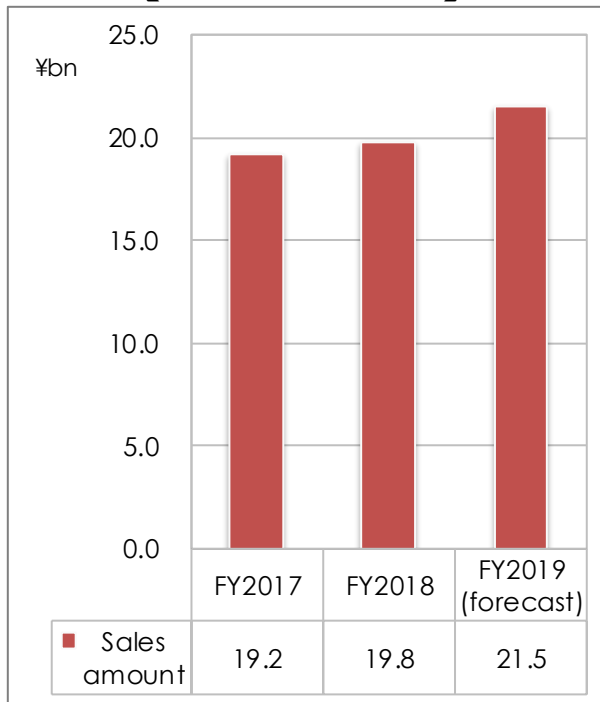
2. Main Initiatives for FY2019 by Works Type

2-1. Power Transmission Works

【Orders Received】

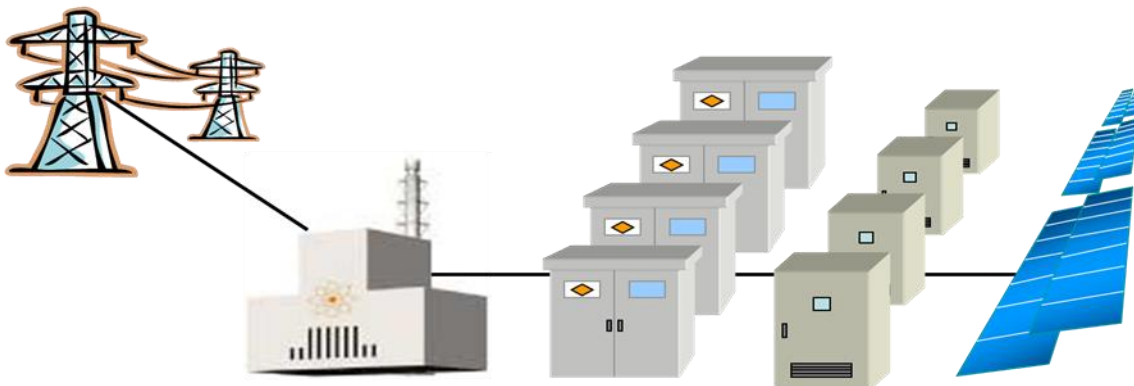


【Sales Amount】



【Outlook for FY2019】

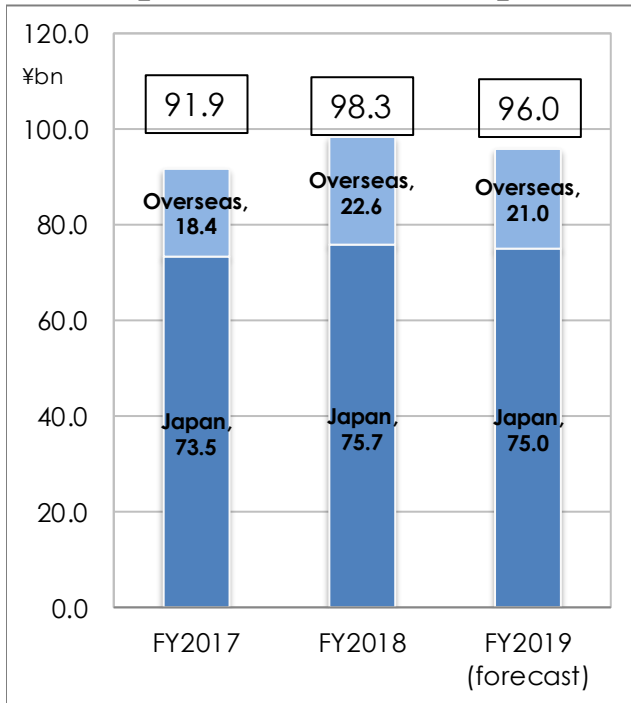
- Sales of ¥21.5 bn are forecast, an increase year-on-year due to private and FIT-related demand, and increased progress with large-scale projects for electricity companies.



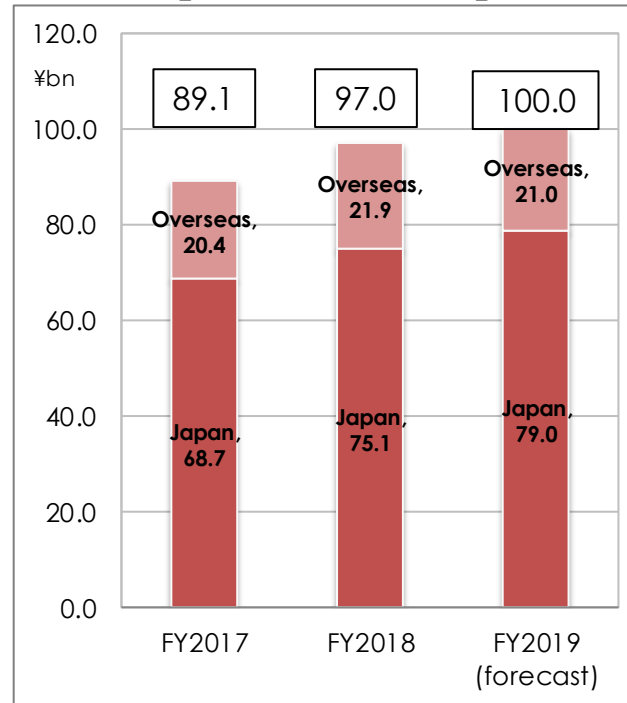
Interconnected transmission lines	Special high-voltage transformers	Interconnected ~ intermediary	Intermediary substation	PCS	Solar panels
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2-2. General Electrical Works

【Orders Received】



【Sales Amount】



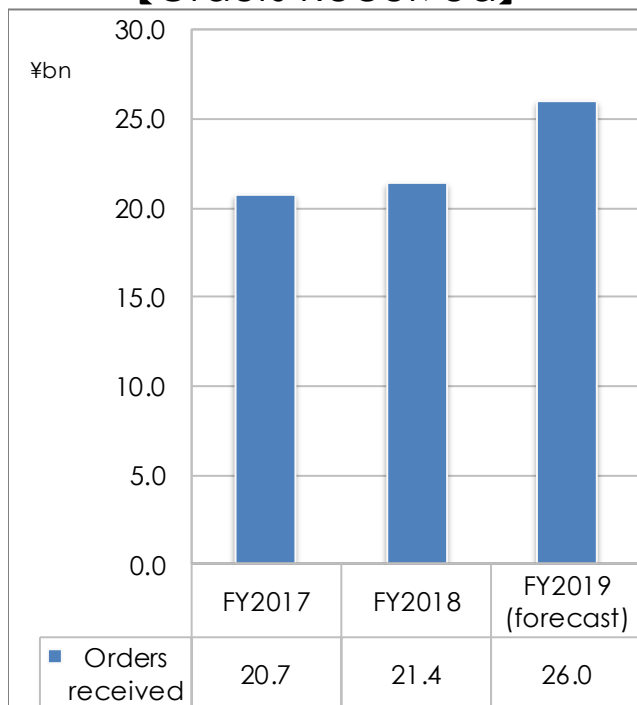
【Outlook for FY2019】

- Japan: Focus on orders related to redevelopment of the Tokyo metropolitan area, large-scale logistics warehouses, and renovation of aging offices and factories. Sales from large-scale projects nearing final completion will be concentrated in the second half. Temporary works related to the Olympics will take place at the same time, making it vital to secure sufficient capacity.
- Overseas: A recovery in capital investment by Japanese companies is expected. Also focus on orders from non-Japanese companies.

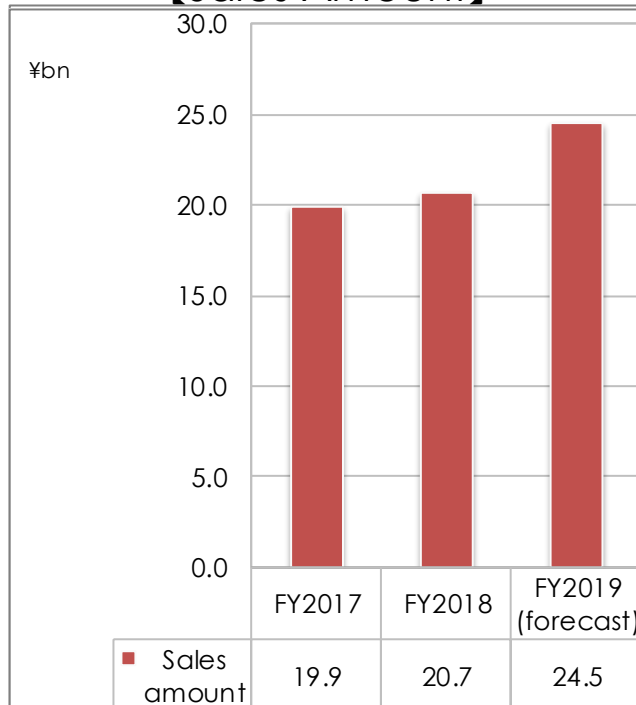


2-3. Information & Communications Works

【Orders Received】



【Sales Amount】



【Outlook for FY2019】

- Sales of ¥24.5 bn are forecast, with the construction of indoor networks for office buildings, educational facilities, hotels etc., as well as IoT for health-care and manufacturing, LTE and pre-5G mobile communications.

3. Policy on the Distribution of Profits to Shareholders

3-1. Policy on the Distribution of Profits to Shareholders



Policy on the Distribution of Profits to Shareholders

- Distribute stable dividends well balanced with internal reserves taking into consideration business results and future business development.

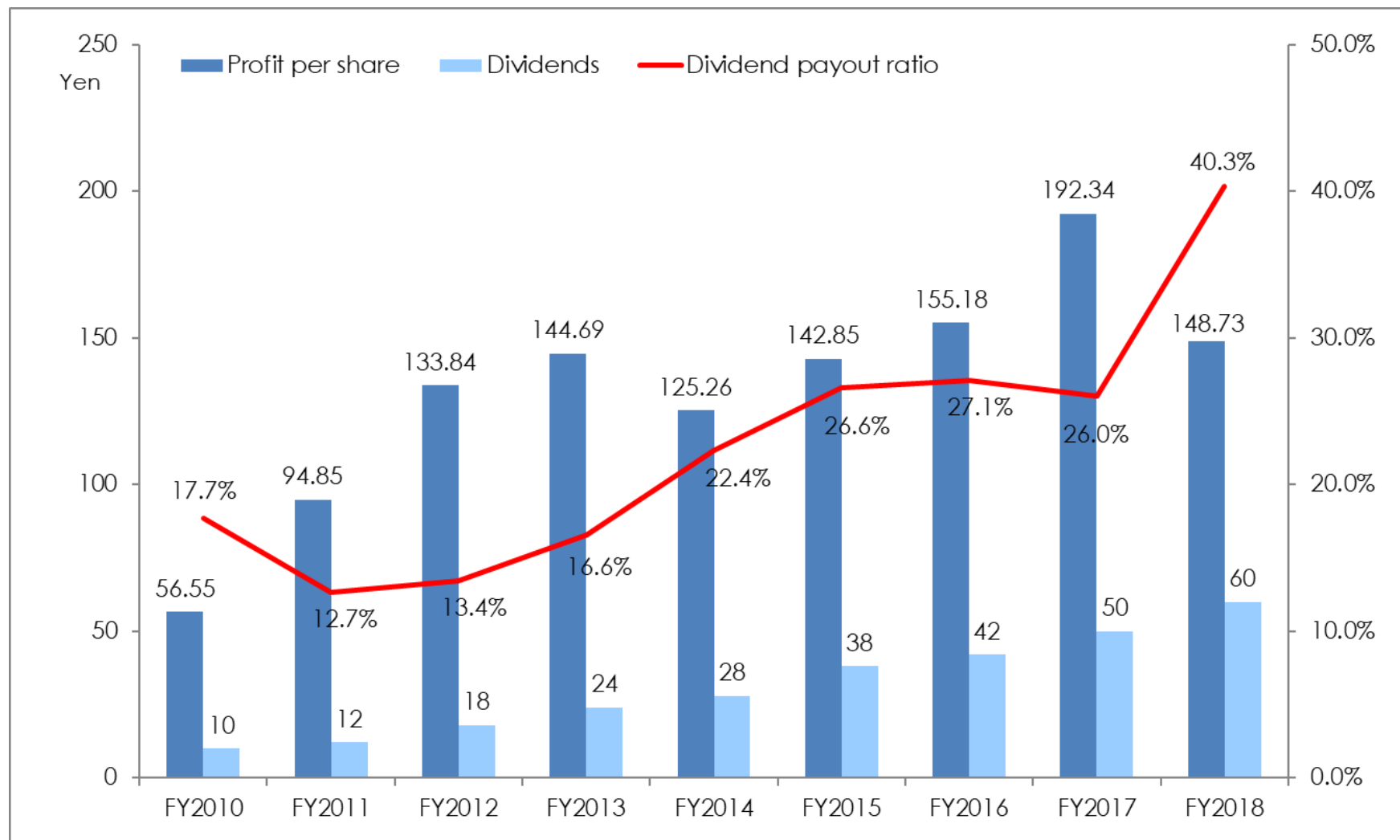
Trend in Net Income and Dividends

(¥bn)

	FY14	FY15	FY16	FY17	FY18	FY19 Forecast
Net income	4.46	5.08	5.52	6.84	5.29	8.40
Income margin	3.1%	3.5%	4.0%	4.7%	3.4%	5.1%
Dividends per share (yen)	28	38	42	50	60	60
Interim dividend	12	14	20	22	25	30
Year-end dividend	16	24	22	28	35	30
Profit per share (yen)	125.26	142.85	155.18	192.34	148.73	236.09
Dividend payout ratio	22.4%	26.6%	27.1%	26.0%	40.3%	25.4%

3-2. Profit and Dividends per Share, and Dividend Payout Ratio

• Dividends have increased for 8 consecutive fiscal years since FY2011.



Notes on Perspective Information

This presentation material is based on currently available information. Actual results may differ from forecasts due to a variety of factors.

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