

【Materials for Investor Briefing】
FY2020 Results
and Annual Forecasts FY2021

may 24, 2021

 SUMITOMO DENSETSU CO.,LTD.

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1. FY2020 Results

1-1. Summary of FY2020 Results



◇Explanation of Business Results

[Orders received and Sales amount] Orders received achieved the forecasts, but sales fell slightly short.

- While orders received in Japan decreased Year on Year (YoY) amid the challenging environment, a certain level of order volume was secured thanks to robust digital-related investments and continuing investments into large data centers and logistics warehouses, etc.

Sales decreased YoY due to the decrease in the number of short-term projects and delays in the progress of certain works, as a result of the impact of COVID-19 disaster, in addition to the fact that this year was an off-peak year for sales caused by the timing of completion of large-scale works.

- Orders received and sales overseas declined YoY due to the immense impact of COVID-19 disaster.

[Operating profit and Ordinary income] Achieved the forecasts

- Profit and income (and their margins) secured the second-highest levels as a result of group-wide efforts to improve profitability in works and reduce expenses, although they did not reach the levels of the previous year.

◇FY2020 Results

(¥bn)

	FY2019	FY2020		Difference ③ – ②	Growth ③ – ①	
	Actual①	Plan ②	Actual ③		③ – ①	Percentage
Orders Received	167.3	160.0	162.1	2.1	△5.2	△3.1%
Sales Amount	172.9	155.0	154.1	△0.9	△18.8	△10.9%
Operating Profit	13.58	9.40	11.32	1.92	△2.26	△16.7%
Margin	7.9%	6.1%	7.3%	1.2%	-0.6%	-
Ordinary Income	14.20	10.00	11.94	1.94	△2.26	△15.9%
Margin	8.2%	6.5%	7.7%	1.2%	-0.5%	-
Net Income	9.77	6.20	8.05	1.85	△1.72	△17.6%
Margin	5.7%	4.0%	5.2%	1.2%	-0.5%	-

◇Dividends for FY2020

- **¥74 per share** (up ¥4YoY), up ¥4 from the forecast at the start of the fiscal year.

1-2. Sales Amount for FY2020 Results by Works Type



Power Transmission Works: Declined YoY due to a decrease in FIT- and private sector demand-related projects, despite an increase in the number of projects for electricity companies.

General Electrical Works: In Japan, declined significantly YoY, due to decreases in the completion of large-scale works and orders received for short-term projects. Overseas, declined YoY, due to the significant impacts of carried over projects resulting from the COVID-19 disaster, and a decrease in maintenance projects in Thailand and Indonesia.

Information & Communication Works: Increased YoY, as an increase in the number of mobile communications projects compensated for decreases resulting from the completion of large-scale projects such as universities and hospitals in the previous year.

Facility & HVAC Works: Declined significantly YoY, due to the decrease in plant maintenance works, in addition to a decrease resulting from the completion of large-scale projects in the previous year.

Sales amount

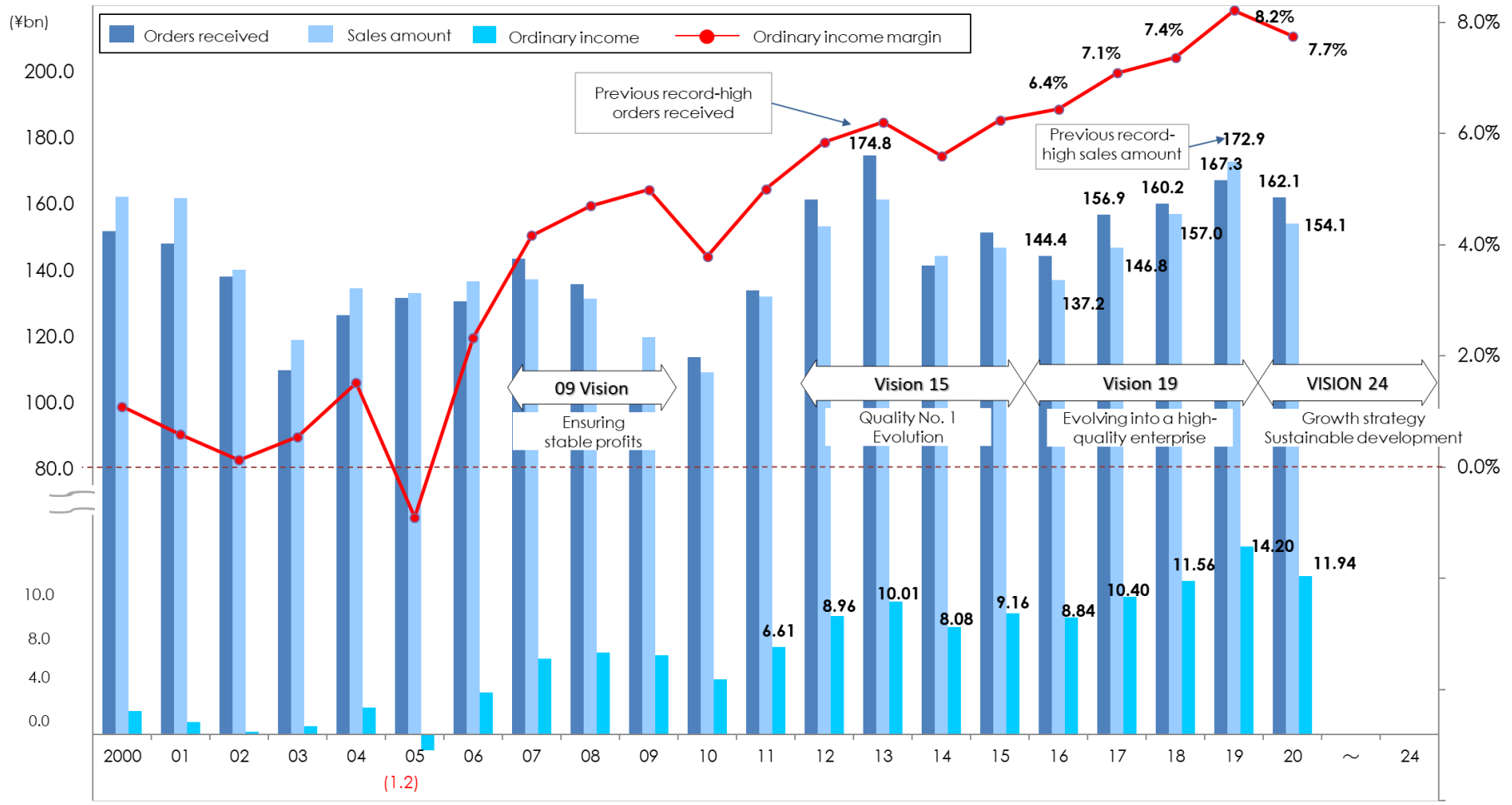
(¥bn)

Works Type	FY2018	FY2019	FY2020	FY19→20 Growth(%)	FY2020 Composition
Power Transmission Works	19.8	22.0	20.9	△4.9%	13.6%
Non-consolidated + Japanese Subsidiaries	75.1	80.5	68.1	△15.5%	44.2%
Overseas Subsidiaries	21.9	23.1	19.0	△17.5%	12.3%
General Electrical Works	97.0	103.6	87.1	△15.9%	56.5%
Information & Communications Works	20.7	26.4	27.7	4.8%	18.0%
Facility & HVAC Works	11.0	12.1	10.1	△16.4%	6.5%
Others*	8.5	8.9	8.3	△6.8%	5.4%
TOTAL	157.0	172.9	154.1	△10.9%	100.0%

*Others

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

1-3. Historical Data Since FY2000



Made a **loss** in FY05



Shift in focus from *quantity* to *quality*

2. FY2021 Forecast

◇ Business Environment and Key Initiatives

In addition to the continuation of redevelopment projects mainly in the large metropolitan areas and a certain level of renewable energy-related investments being maintained, further promotion of digital-related investments is also expected.

Meanwhile, despite the uncertainty of when the COVID-19 disaster will be contained and concerns for postponements and scaling back of capital investment plans mainly in the manufacturing industry, we will strive as one to achieve the forecast results.

We will resolutely work on various key measures with the goal of “Sustainable development through a new growth strategy and comprehensive strength!,” which is the theme of VISION 24, the new Medium-term Management Plan.

◇ Consolidated Forecast for FY2021

Sales amount:	¥160.0 bn
Operating profit:	¥11.5 bn
Ordinary income (%):	¥12.0 bn (7.5%)
Net income:	¥7.7 bn

◇ Dividend Forecast for FY2020

An annual dividend of **¥74 per share** (interim ¥37) is forecast, unchanged from FY2020.

2-2. FY2021 Forecast



We will focus on quality with the motto of Sumitomo Densetsu as one, and strive for further growth and expansion based on the business foundations that we have built so far.

(¥bn)

	FY2019 Actual	FY2020 Actual	FY2021 Forecast	Growth (%)	FY2024 V24
Orders Received	167.3	162.1	165.0	-	200.0
Sales Amount	172.9	154.1	160.0	3.9%	200.0
Operating Profit	13.58	11.32	11.50	1.6%	
Margin	7.9%	7.3%	7.2%	-	
Ordinary Income	14.20	11.94	12.00	0.5%	15.00
Margin	8.2%	7.7%	7.5%	-	7.5%
Net Income	9.77	8.05	7.70	△4.3%	
Margin	5.7%	5.2%	4.8%	-	

2-3. Sales Amount for FY2021 by Works Type



Sales amount

(¥bn)

Works Type	FY2019	FY2020	FY2021 Forecast	Growth
Power Transmission Works	22.0	20.9	22.0	1.1
Non-consolidated + Japanese Subsidiaries	80.5	68.1	73.0	4.9
Overseas Subsidiaries	23.1	19.0	18.0	(1.0)
General Electrical Works	103.6	87.1	91.0	3.9
Information & Communications Works	26.4	27.7	28.0	0.3
Facility & HVAC Works	12.1	10.1	10.0	(0.1)
Others*	8.9	8.3	9.0	0.7
Total	172.9	154.1	160	5.9

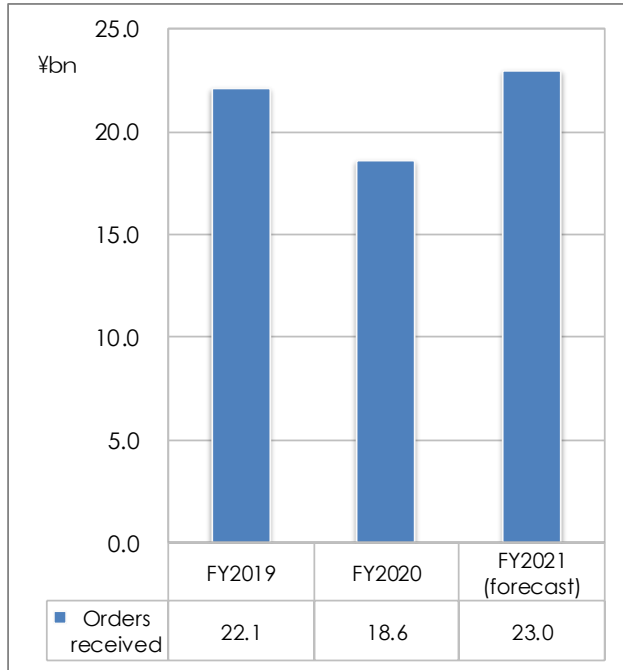
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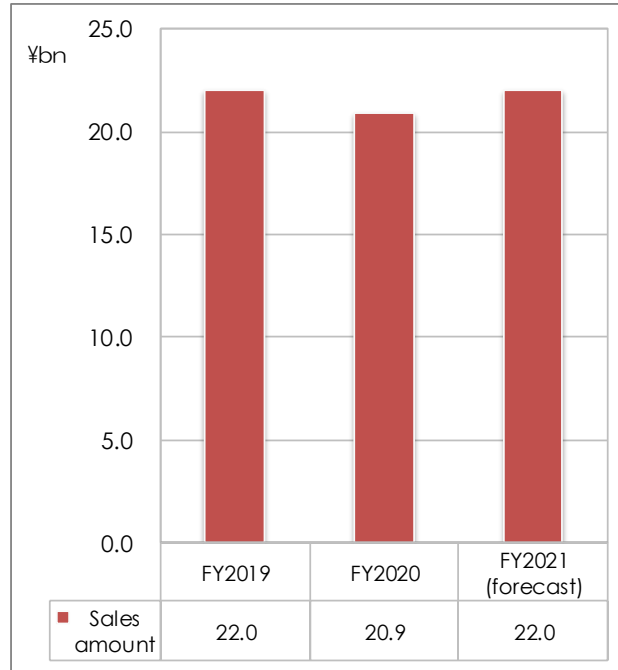
3. Main Initiatives for FY2021 by Works Type

3-1. Power Transmission Works

【Orders Received】

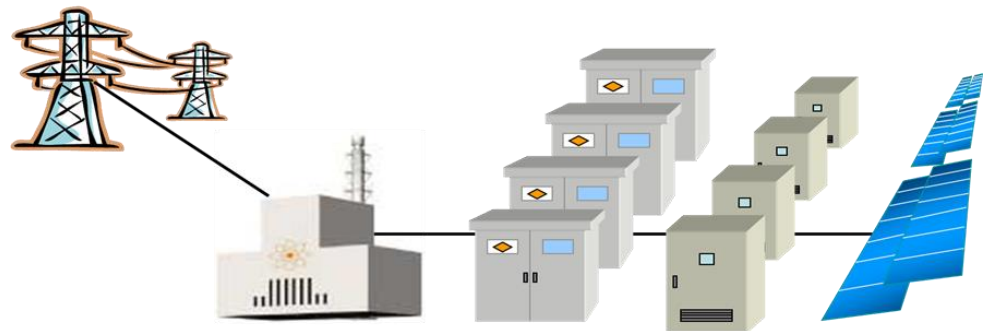


【Sales Amount】



【Outlook for FY2021】

- There are steady renewal works for electricity companies, and increased orders received related to renewable energy aiming for carbon neutrality are expected. YoY increases in both orders received and sales are expected.

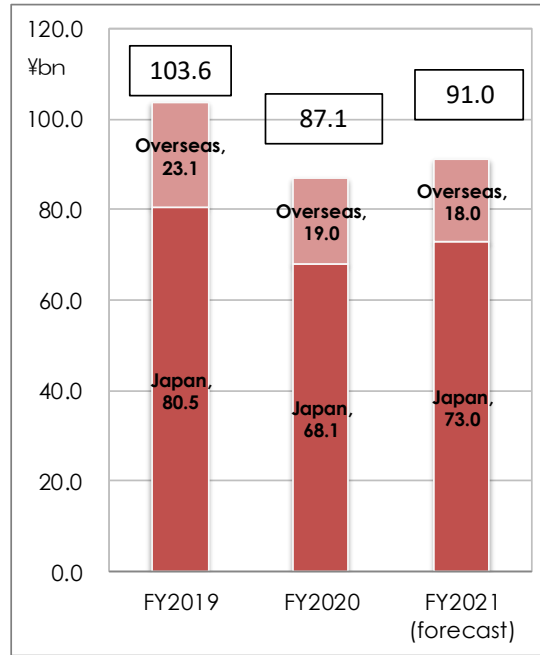
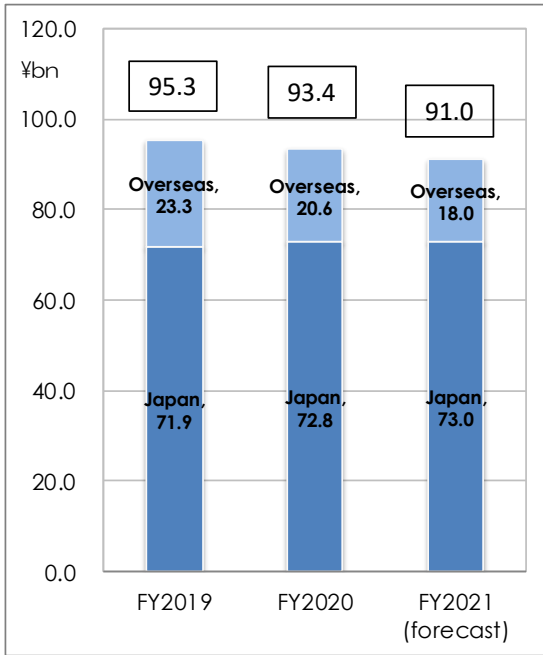


Interconnected transmission lines	Special high-voltage transformers	Interconnected ~ intermediary	Intermediary substation	PCS	Solar panels
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3-2. General Electrical Works

【Orders Received】

【Sales Amount】

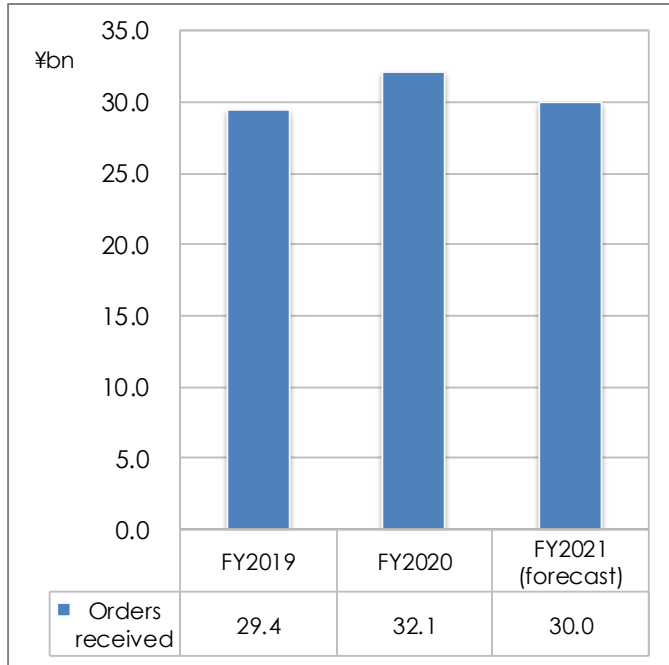


【Outlook for FY2021】

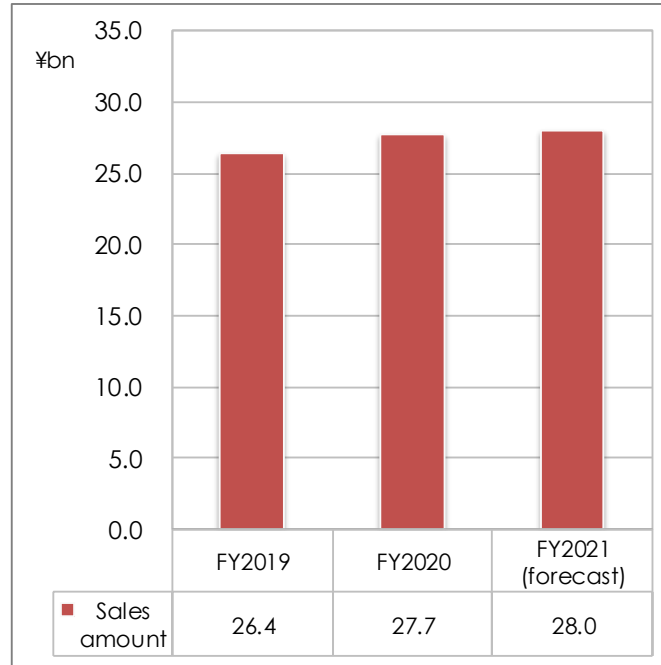
- Japan: We will focus on orders related to redevelopment in the Tokyo metropolitan area / Kansai area, logistics warehouses, data centers, etc. We expect the recovery of renewal / maintenance projects for the manufacturing sector that stagnated due to the COVID-19 disaster.
- Overseas: In light of the continuing impact of the COVID-19 disaster, we will focus on orders related to the renewal / maintenance of existing customers and orders from non-Japanese customers.

3-3. Information & Communications Works

【Orders Received】



【Sales Amount】

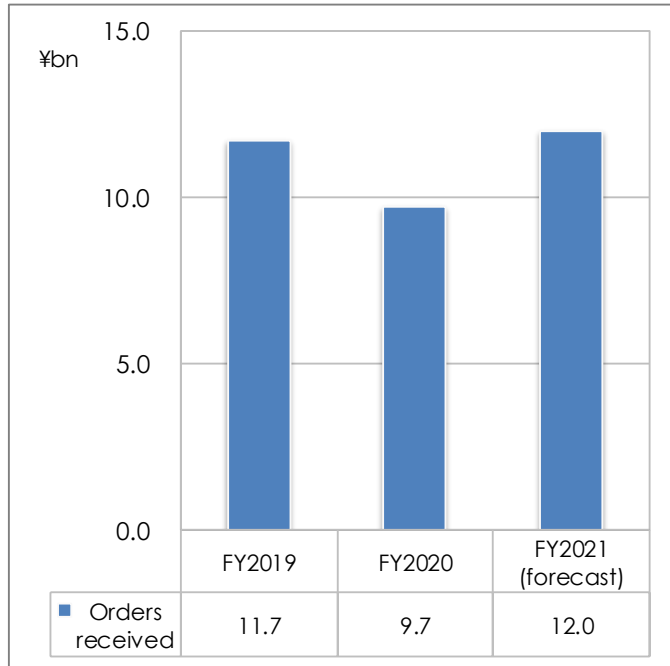


【Outlook for FY2021】

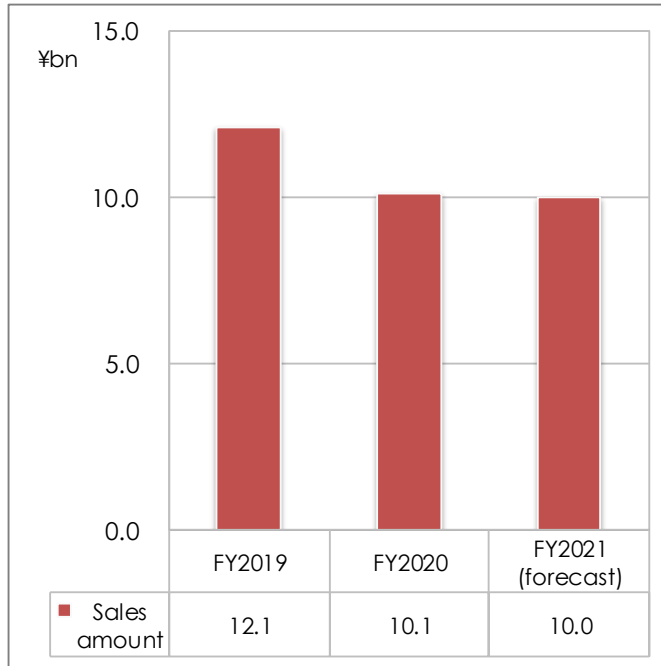
- For works for indoor networks, we will continue order-receiving activities in robust markets such as data centers, logistics warehouses and GIGA schools, and we expect full-scale corporate investments into DX.
For outdoor communications works, we will continue to proactively respond to the robust 5G infrastructure investment market.

3-4. Facility and HVAC Works

【Orders Received】



【Sales Amount】



【Outlook for FY2021】

- We will continue renewal works for the Sumitomo Electric Group while focusing on order-receiving activities related to other office buildings and large housing complexes.

4. Medium-term Management Plan VISION 24 (FY2020 – FY2024)

4-1. VISION 24 Initiatives

[Ideals of the Sumitomo Densetsu Group]

Aim to become a comprehensive engineering enterprise that truly meets the needs of society through the growth of people and technology

[Theme of V24]

Sustainable development through a new growth strategy and comprehensive strength!

Sumitomo Densetsu as one, enhancement of SEM brand power (safety and security, high quality, reliability, and enterprise value)

[Four key measures]

Safety, quality, and compliance

Securing and developing human resources and implementing work style reforms

Pursuing improved customer satisfaction (proposal-based sales capabilities, capacity, and technical capabilities)

Enhancing enterprise value in anticipation of the future

Corporate Philosophy of the Sumitomo Densetsu Group
The Sumitomo Spirit

4-2. Medium-term Management Plan VISION 24-Numerical Targets-SEM

[Consolidated orders received, sales amount, ordinary income, and ordinary income margin]

	VISION 24 FY2024 target
Orders received	¥200.0 bn
Sales amount	¥200.0 bn
Ordinary income	¥15.0 bn
Ordinary income margin	7.5%

- **Growth investment**
FY2020 to FY2024 (five years) total ¥20.0 bn
- **Capital efficiency benchmark**
ROE (return on equity): Target 10%
- **Financial soundness benchmark**
Equity ratio: Maintain 50% level
- **Shareholder returns policy**
Dividend payout ratio: Target 40% (FY2024)

5. Policy on the Distribution of Profits to Shareholders

5-1. 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.

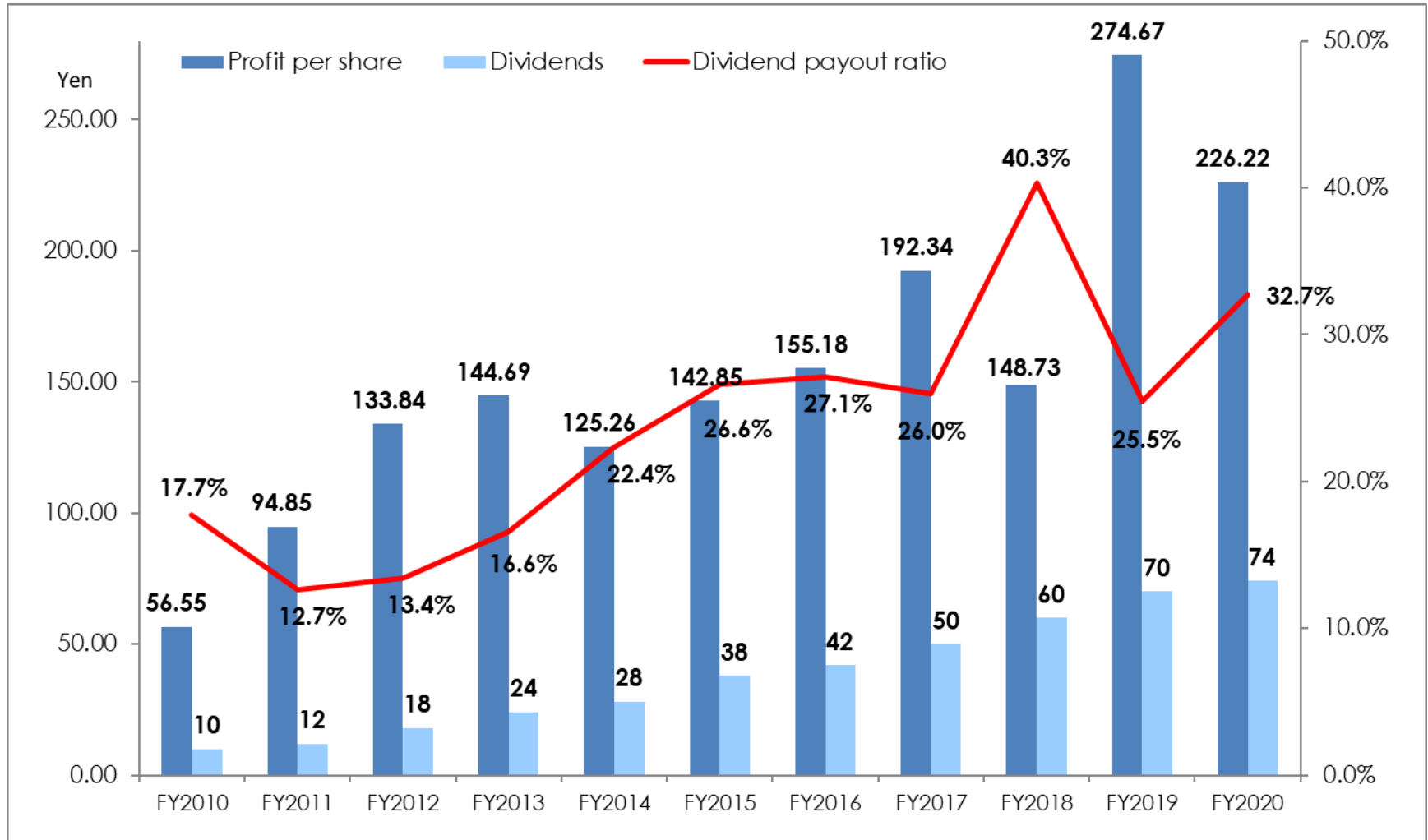
Trend in Net Income and Dividends

(¥bn)

	FY15	FY16	FY17	FY18	FY19	FY20
Net income	5.08	5.52	6.84	5.29	9.77	8.05
Income margin	3.5%	4.0%	4.7%	3.4%	5.7%	5.2%
Dividends per share (yen)	38	42	50	60	70	74
Interim dividend	14	20	22	25	30	35
Year-end dividend	24	22	28	35	40	39
(Increase)	(10)	(2)	(6)	(10)	(10)	(4)
Profit per share (yen)	142.85	155.18	192.34	148.73	274.67	226.22
Dividend payout ratio	26.6%	27.1%	26.0%	40.3%	25.5%	32.7%

5-2. Profit and Dividends per Share, and Dividend Payout Ratio

• Dividends have increased for 10 consecutive fiscal years since FY2011.



End

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.

Inquiries

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