

【Materials for Investor Briefing】

FY2020 1st Half Results and Annual Forecasts

November 24, 2020

 **SUMITOMO DENSETSU CO.,LTD.**

1. FY2020 1st Half Results and Annual Forecasts
2. Main Initiatives for FY2020 by Works Type
3. Policy on the Distribution of Profits to Shareholders

1. FY2020 1st Half Results and Annual Forecasts

1-1. Summary of FY2020 1st Half Results



◇ Explanation of Business Results

[Orders received and Sales amount] Orders received and sales amount both declined year on year (YoY).

- Sales activities were restricted due to the impact of COVID-19, the number of short-term projects decreased, and progress was delayed in some works, resulting in a YoY decline.
- Overseas, though we saw positive results of our strengthened efforts to receive orders from non-Japanese companies, postponed orders from Japanese companies due to the impact of the COVID-19 disaster, among other factors, caused a YoY decline.

[Operating profit and Ordinary income] Achieved the forecasts, with a YoY decline.

- Profit and income declined YoY primarily due to the decline in sales amount, but profit and income (and their margins) exceeded the forecasts owing to profitability improvement in works on hand, decreases in activity expenses attributable to the impact of the COVID-19 disaster, etc.

◇ FY2020 1st Half Results

(¥bn)

	FY2019 1H	FY2020 1H			Growth ③-①	
	Actual ①	Plan ②	Actual ③	Difference ③-②		Percentage
Orders Received	84.2	78.0	78.2	0.2	(6.0)	(7.0)%
Sales Amount	76.6	71.0	70.8	(0.2)	(5.8)	(7.6)%
Operating Profit	6.40	4.30	5.33	1.03	(1.07)	(16.6)%
Margin	8.4%	6.1%	7.5%	1.4%	(0.9)%	-
Ordinary Income	6.73	4.60	5.66	1.06	(1.07)	(15.8)%
Margin	8.8%	6.5%	8.0%	1.5%	(0.8)%	-
Net Income	4.43	2.80	3.72	0.92	(0.71)	(16.1)%
Margin	5.8%	3.9%	5.3%	1.4%	(0.5)%	-

◇ Interim Dividends for FY2020

- **¥35 per share** (up ¥5 YoY), as the forecast.

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

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

General Electrical Works: In Japan, declined YoY due to delay in progress of works on hand, a decrease in the number of short-term projects, etc.

Overseas, declined YoY attributable to delay in progress of works caused by the impact of the COVID-19 disaster, among other factors.

Information & Communications Works: Increased YoY due to solid performances primarily from mobile works.

Facility & HVAC Works: Declined YoY mainly due to a decrease in the number of short-term projects as a result of the impact of the COVID-19 disaster.

Others*: Declined YoY chiefly due to a decrease in product sales owing to the impact of the COVID-19 disaster.

*Others

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

Sales amount

(¥bn)

Works Type	FY2018 1H	FY2019 1H	FY2020 1H	FY19→20 Growth (%)	FY2020 Composition
Power Transmission Works	9.4	9.8	9.4	(3)%	13%
Non-consolidated + Japanese Subsidiaries	33.2	35.0	31.3	(10)%	44%
Overseas Subsidiaries	11.0	10.6	9.8	(8)%	14%
General Electrical Works	44.2	45.6	41.1	(10)%	58%
Information & Communications Works	9.2	11.0	11.4	4%	16%
Facility & HVAC Works	5.3	5.9	4.7	(20)%	7%
Others*	4.3	4.4	4.1	(7)%	6%
TOTAL	72.4	76.6	70.8	(8)%	100%

◇ Business Environment and Key Initiatives

Due to the impact of the COVID-19 disaster in addition to the fact that it is an off-peak year for sales caused by the timing of completion of large-scale works, an extremely challenging situation is expected to continue.

Under such circumstances, we will return to our starting point and strive to achieve the forecast results through high-quality business management with the motto of Sumitomo Densetsu as one.

Furthermore, we will steadily 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 announced this July.

◇ Consolidated Forecast for FY2020

Sales amount:	¥155.0 bn
Operating profit:	¥9.4 bn
Ordinary income (%):	¥10.0 bn (6.5%)
Net income:	¥6.2 bn

◇ Dividend Forecast for FY2020

- An annual dividend of **¥70 per share** (interim ¥35) is forecast, unchanged from FY2019.

1-4. FY2020 Forecast



Despite the challenging situation caused by the impact of the COVID-19 disaster, we will focus on quality with the motto of Sumitomo Densetsu as one and strive to achieve the forecast results.

(¥bn)

	FY2018 Actual	FY2019 Actual	FY2020 Forecast	Growth (%)	FY2024 V 24
Orders Received	160.2	167.3	160.0	(4.4)%	
Sales Amount	157.0	172.9	155.0	(10.4)%	200.0
Operating Profit	10.95	13.58	9.40	(30.9)%	
Margin	7.0%	7.9%	6.1%	-	
Ordinary Income	11.56	14.20	10.00	(29.6)%	15.00
Margin	7.4%	8.2%	6.5%	-	7.5%
Net Income	5.29	9.77	6.20	(36.7)%	
Margin	3.4%	5.7%	4.0%	-	

1-5. Sales Amount for FY2020 by Works Type



Sales amount

(¥bn)

Works Type	FY2018	FY2019	FY2020 Forecast	Growth
Power Transmission Works	19.8	22.0	20.0	(2.0)
Non-consolidated + Japanese Subsidiaries	75.1	80.5	72.5	(8.0)
Overseas Subsidiaries	21.9	23.1	18.0	(5.1)
General Electrical Works	97.0	103.6	90.5	(13.1)
Information & Communications Works	20.7	26.4	26.5	0.1
Facility & HVAC Works	11.0	12.1	10.0	(2.1)
Others*	8.5	8.9	8.0	(0.9)
Total	157.0	172.9	155.0	(17.9)

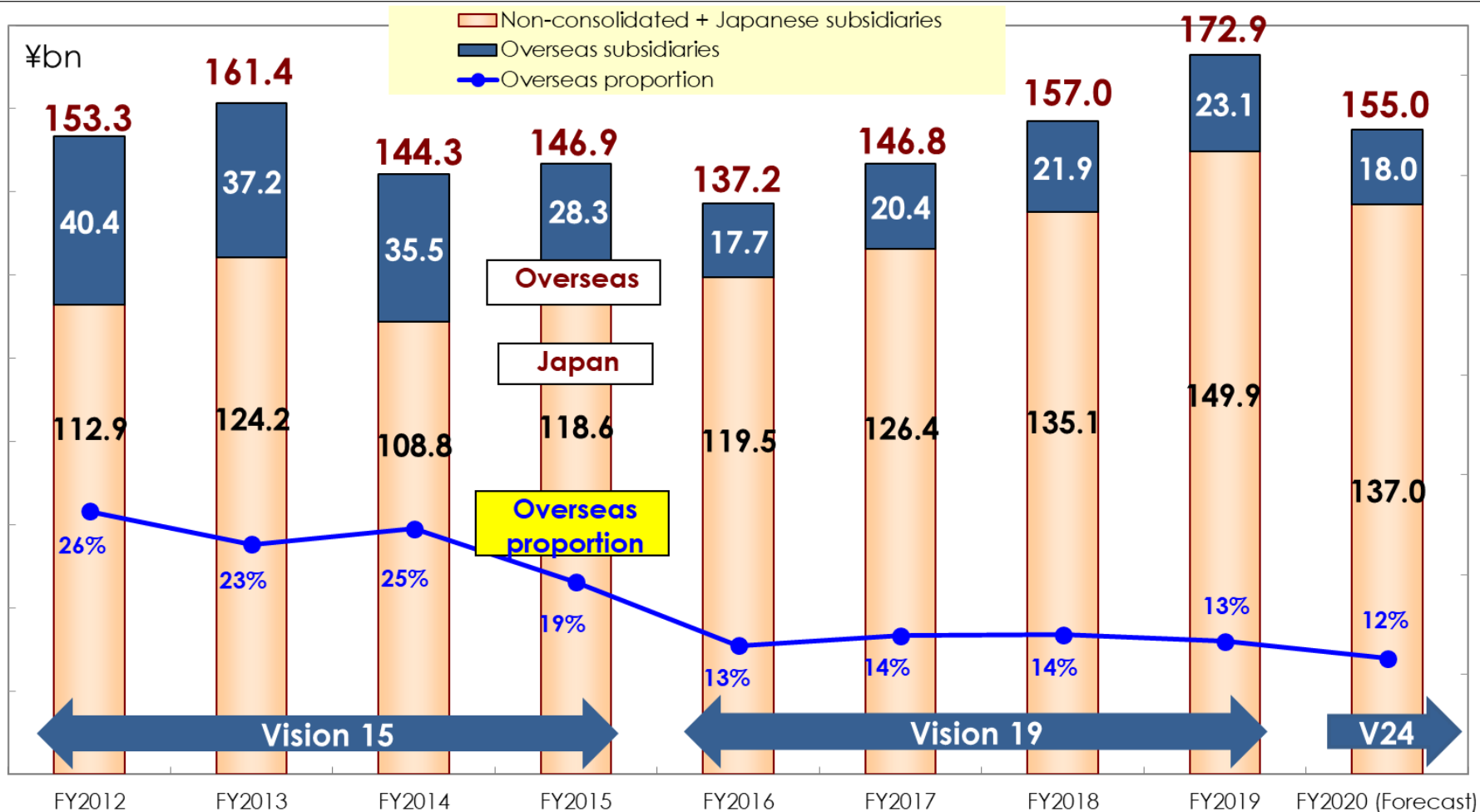
*Others

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

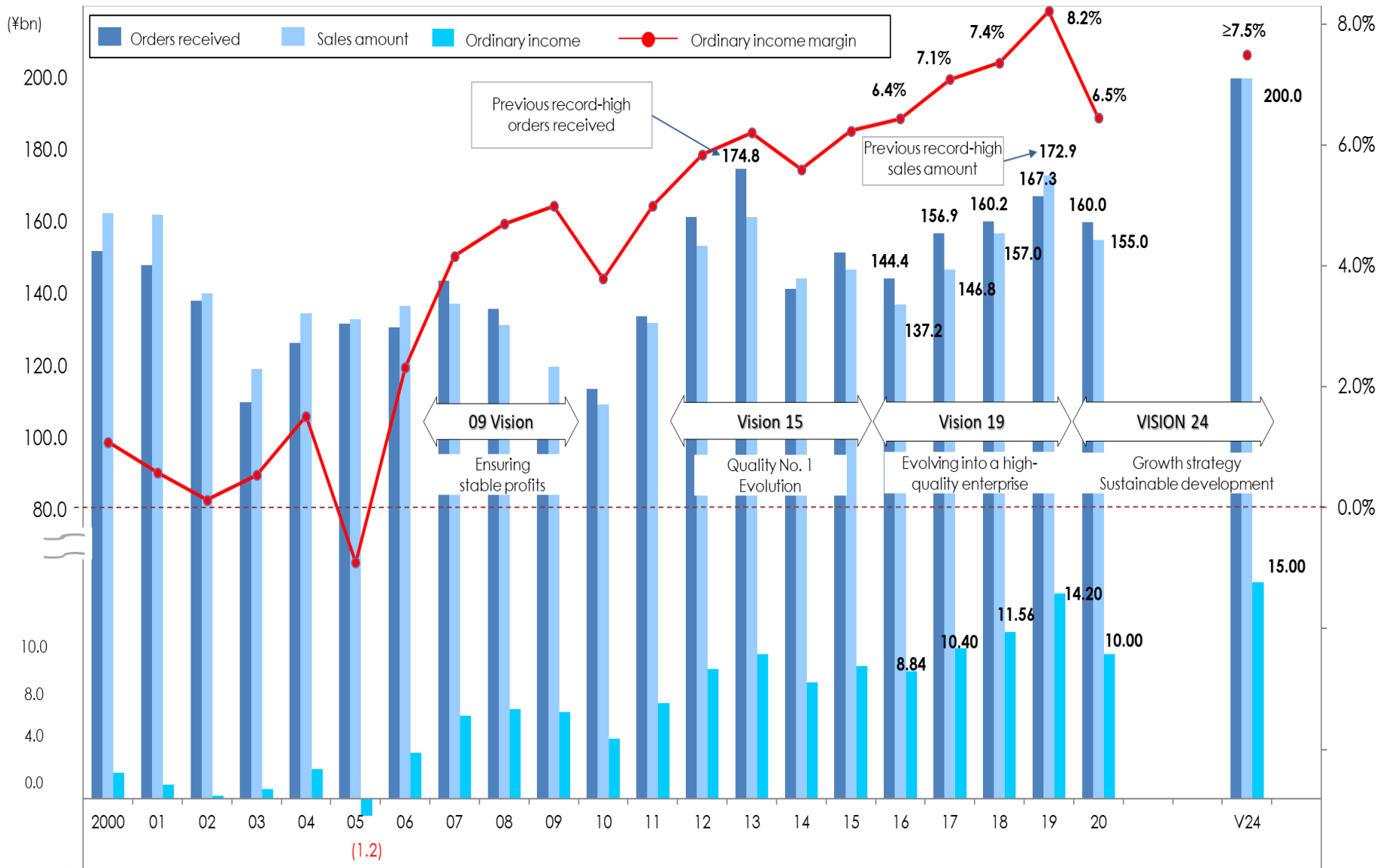
1-6. Proportion of Sales Amount from Overseas



Overseas, a challenging situation continues with postponement of orders from Japanese manufacturing companies, delay in progress of works at work sites, etc. due to the impact of the COVID-19 disaster. We will focus on receiving orders from non-Japanese customers as well to reach sales targets.



1-7. Historical Data Since FY2000



Made a **loss** in FY05



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

1-8. 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

1-9. Medium-term Management Plan VISION 24 - Numerical Targets -



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

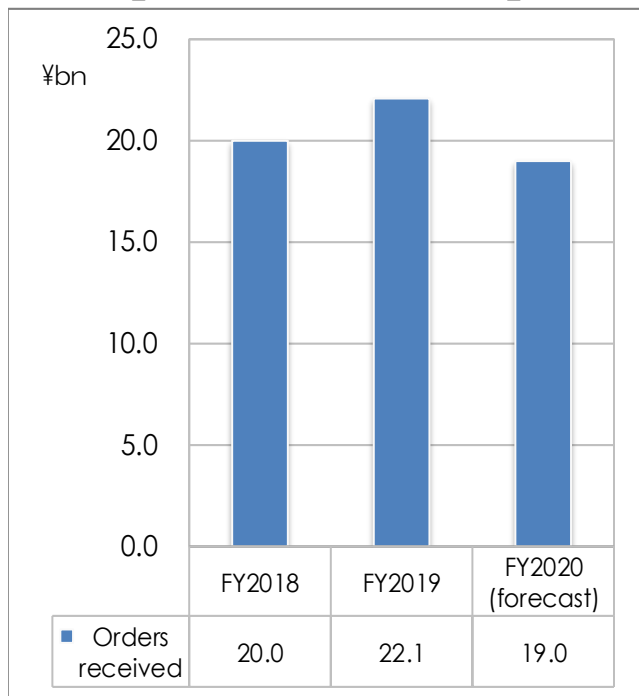
	VISION 24 FY2024 target
Orders received	¥200.0 bn
Sales amount	¥200.0 bn
Ordinary income	¥15.0 bn
Ordinary income margin	7.5%

- 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)

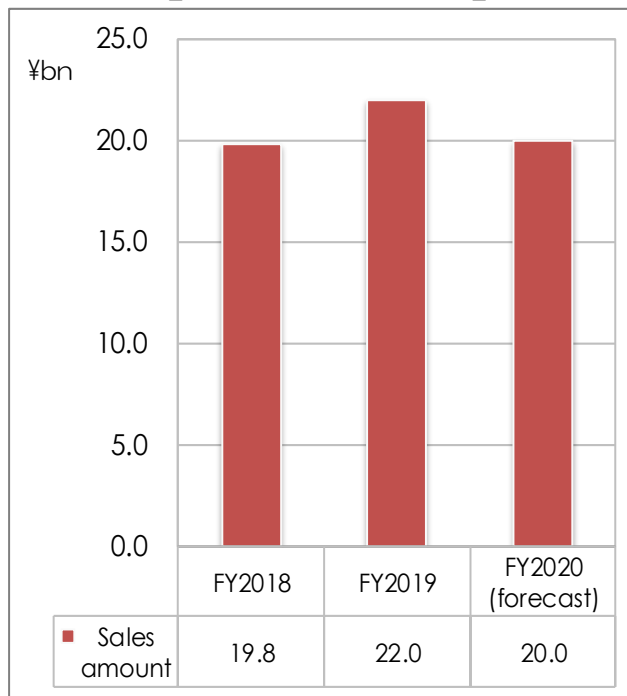
2. Main Initiatives for FY2020 by Works Type

2-1. Power Transmission Works

【Orders Received】

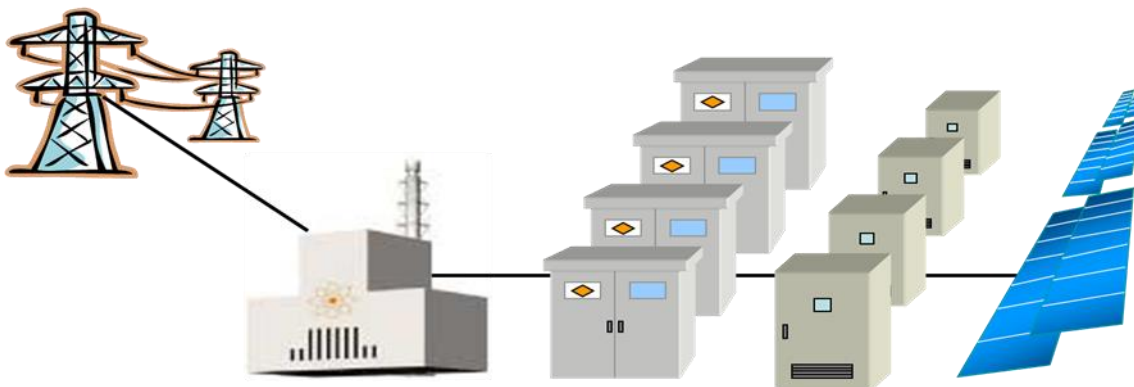


【Sales Amount】



【Outlook for FY2020】

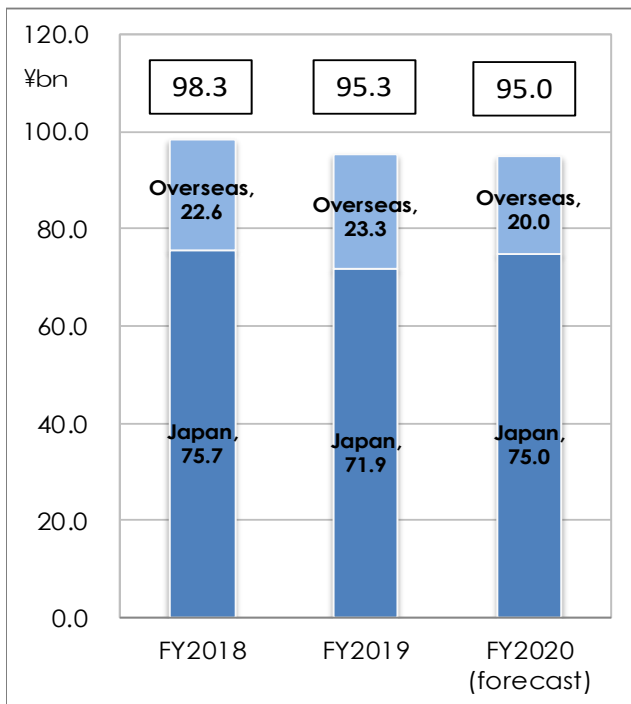
- Though there are a certain number of orders for renewal works for electricity companies, sales of ¥20.0 bn are forecast, a decline year-on-year partly due to a downturn in sales attributable to the last fiscal year's completion of large-scale FIT-related projects.



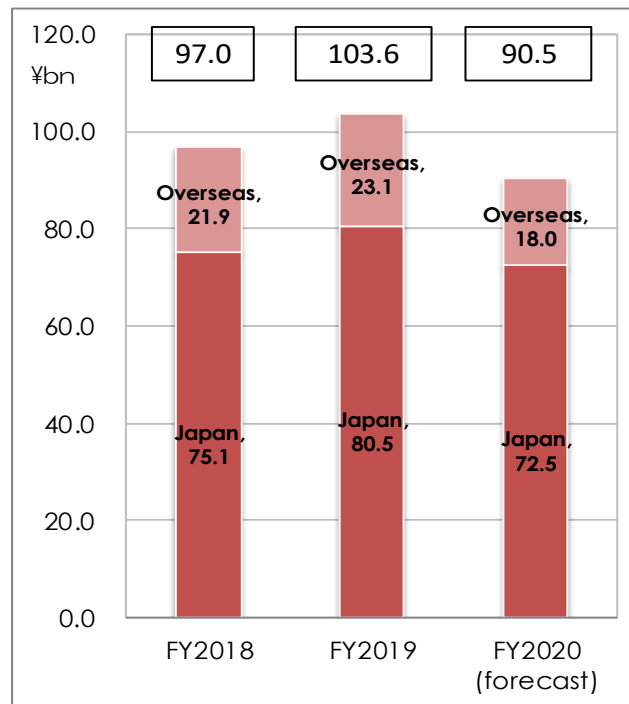
Interconnected transmission lines	Special high-voltage transformers	Interconnected-intermediary	Intermediary substation	PCS	Solar panels
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2-2. General Electrical Works

【Orders Received】



【Sales Amount】



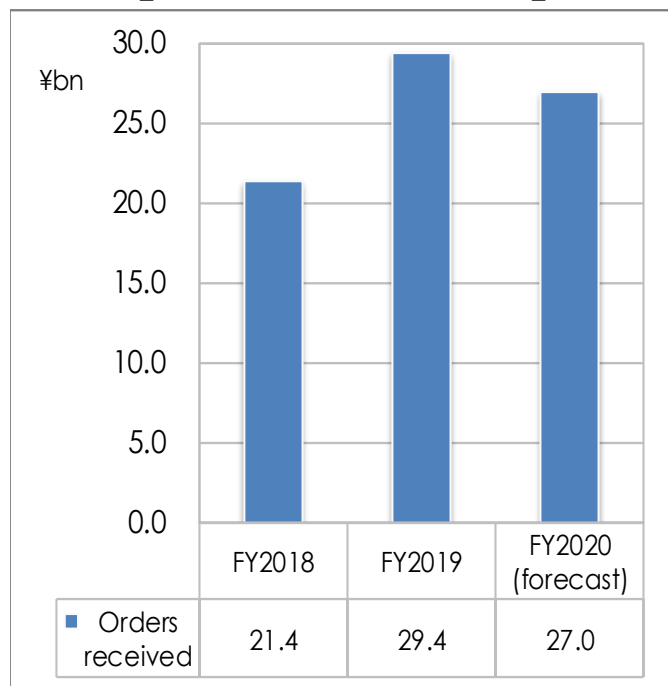
【Outlook for FY2020】

- Japan: The situation is challenging with regard to orders related to maintenance projects for the manufacturing sector due to the COVID-19 disaster, but we will focus on orders related to redevelopment in the Tokyo metropolitan area / Kansai area, logistics warehouses, data centers, etc. While we had many large-scale projects nearing final completion last fiscal year, we have only a few this fiscal year. Sales is thus expected to decline.
- Overseas: In countries such as Indonesia and the Philippines, which have been greatly affected by the COVID-19 disaster, the impact of postponement or cancellation of capital investment by Japanese companies and delay in completion caused by delay in works is significant. We will focus on orders from non-Japanese companies as well and forecast sales of ¥18.0 bn.

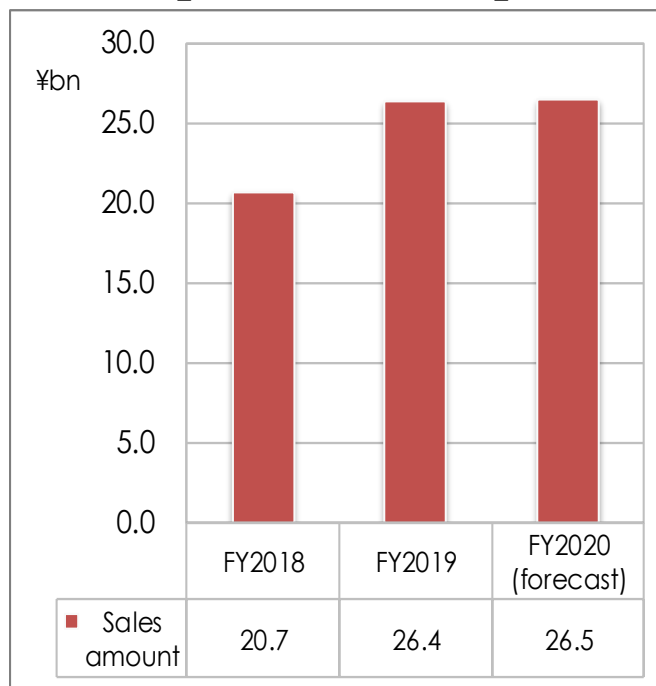


2-3. Information & Communications Works

【Orders Received】



【Sales Amount】

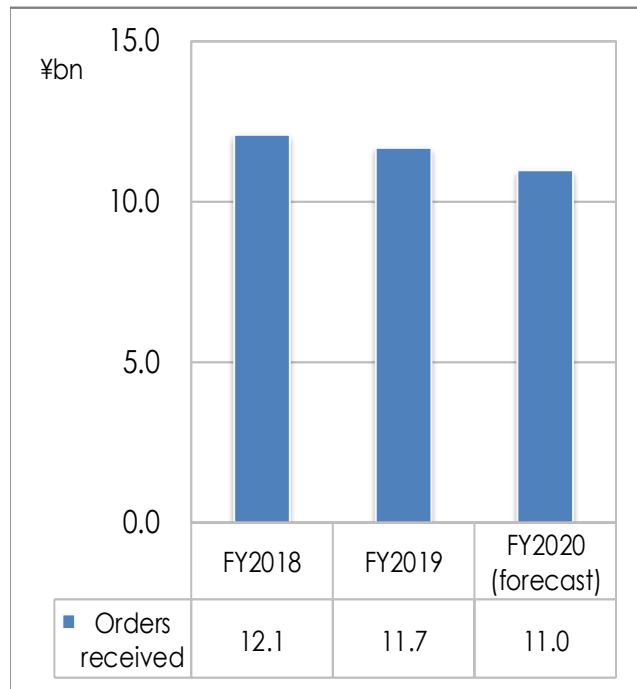


【Outlook for FY2020】

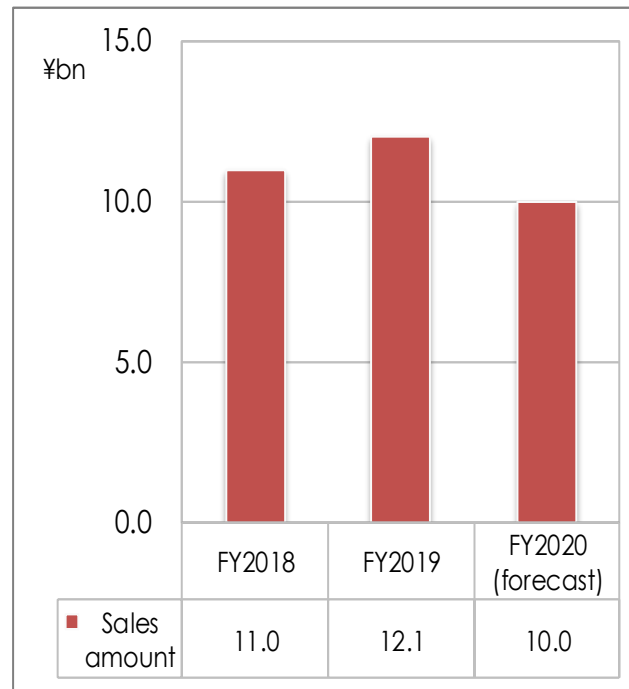
- We expect an increase in the volume of works for indoor networks for GIGA schools, distance learning at educational facilities, etc. In addition, demand for mobile base station works, including those for 5G, remains robust. Sales of ¥26.5 bn is forecast, the same level as the previous year.

2-4. Facility and HVAC Works

【Orders Received】



【Sales Amount】



【Outlook for FY2020】

- Maintenance and renewal works for the manufacturing sector will decrease due to the impact of the COVID-19 disaster. We will maintain the existing relationship with the Sumitomo Electric Group and secure the amount of works by focusing on medium-sized projects, primarily for other office buildings and warehouses. Sales of ¥10.0 bn is forecast.

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.

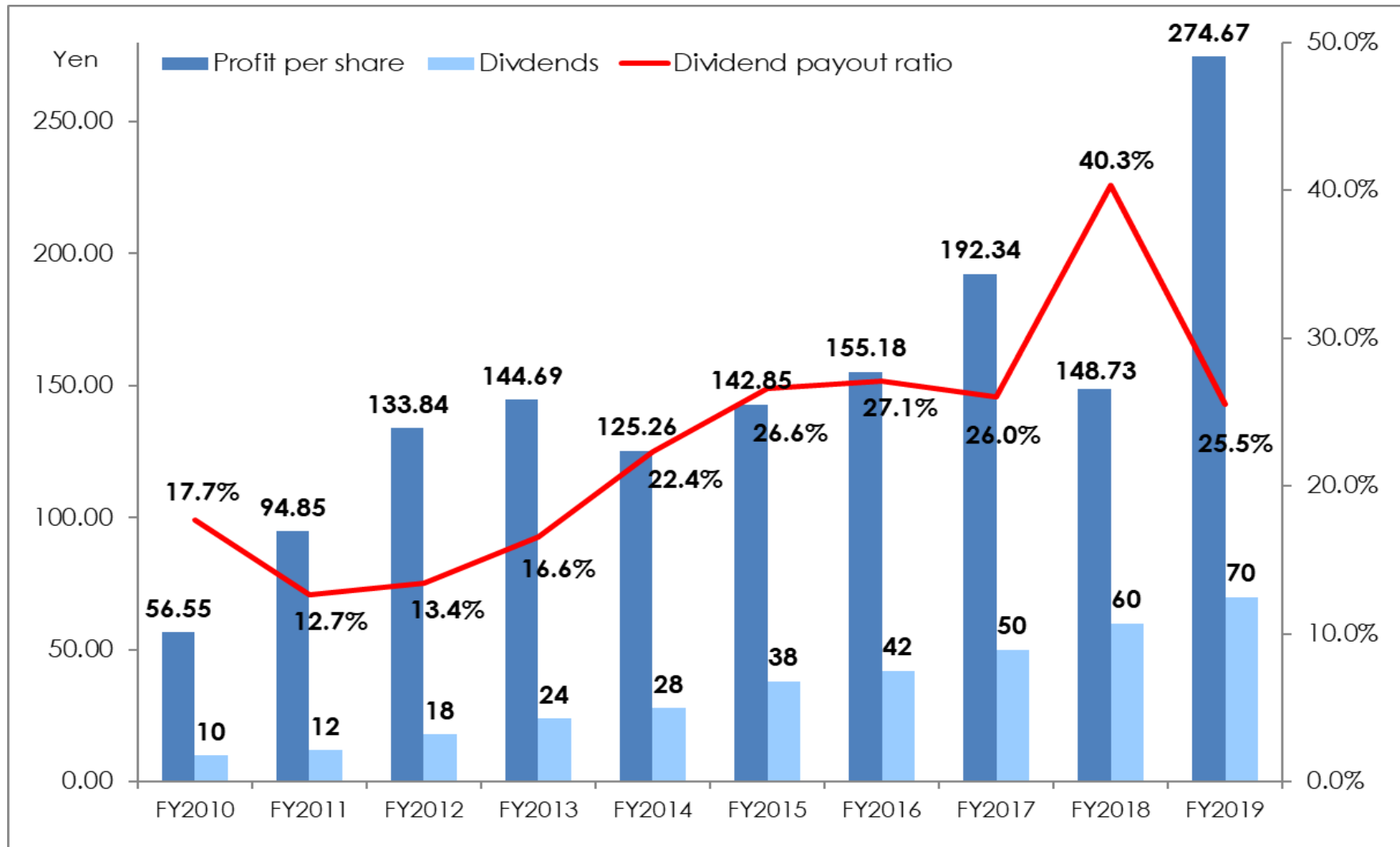
Trend in Net Income and Dividends

(¥bn)

	FY15	FY16	FY17	FY18	FY19	FY20 Forecast
Net income	5.08	5.52	6.84	5.29	9.77	6.20
Income margin	3.5%	4.0%	4.7%	3.4%	5.7%	4.0%
Dividends per share (yen)	38	42	50	60	70	70
Interim dividend	14	20	22	25	30	35
Year-end dividend	24	22	28	35	40	35
(Increase)	(10)	(2)	(6)	(10)	(10)	-
Profit per share (yen)	142.85	155.18	192.34	148.73	274.67	174.26
Dividend payout ratio	26.6%	27.1%	26.0%	40.3%	25.5%	40.2%

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

- Dividends have increased for 9 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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