

【Materials for Investor Briefing】
FY2021 Results
and Annual Forecasts FY2022

may 25, 2022

 SUMITOMO DENSETSU CO.,LTD.

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1. FY2021 Results

1-1. Summary of FY2021 Results



◇Explanation of Business Results

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

Orders received reached a record high.

Japan: General electrical works and facility & HVAC works compensated for the decrease of information & communication works thanks to the orders received for large-scale works, etc.

Overseas: Increased as in Japan thanks to the orders received for large-scale works, etc.

[Operating profit and Ordinary income] Achieved the forecasts with an increase year on year (YoY).

Ordinary income reached a record high.

An increase in sales amount and improvement of profitability in works and other factors offset an increase in expenses for work style reforms and improvement of the workplace environment.

◇FY2021 Results

(¥bn)

	FY2020	FY2021			Growth	
	Actual①	Plan ②	Actual ③	Difference ③ – ②	③ – ①	Percentage
Orders Received	162.1	165.0	179.0	14.0	16.9	10.4%
Sales Amount	154.1	160.0	167.6	7.6	13.5	8.8%
Operating Profit	11.32	11.50	13.01	1.51	1.69	14.9%
Margin	7.3%	7.2%	7.8%	0.6%	0.5%	-
Ordinary Income	11.94	12.00	13.90	1.90	1.96	16.4%
Margin	7.7%	7.5%	8.3%	0.8%	0.6%	-
Net Income	8.05	7.70	9.14	1.44	1.09	13.6%
Margin	5.2%	4.8%	5.5%	0.7%	0.3%	-

◇Dividends for FY2021

- **¥86 per share** (up ¥12YoY), up ¥12 from the forecast at the start of the fiscal year.

1-2. Sales Amount for FY2021 Results by Works Type

- Power Transmission Works:** Declined YoY due to decreases in the number of projects related to renewable energies and private sector demand, although the number of projects for electricity companies increased.
- General Electrical Works:** In Japan, significantly increased YoY owing to progress in large-scale works on hand, etc. Overseas, significantly increased YoY as in Japan owing to progress in large-scale works on hand, etc.
- Information & Communication Works:** Slightly declined YoY as steady progress in mobile base station works ordered in the previous year in the Communication Works compensated for a decrease in the number of projects in works for information networks caused by delay in the delivery of materials and equipment.
- Facility & HVAC Works:** Increased YoY owing to progress in large-scale works in the HVAC Works.

Sales amount

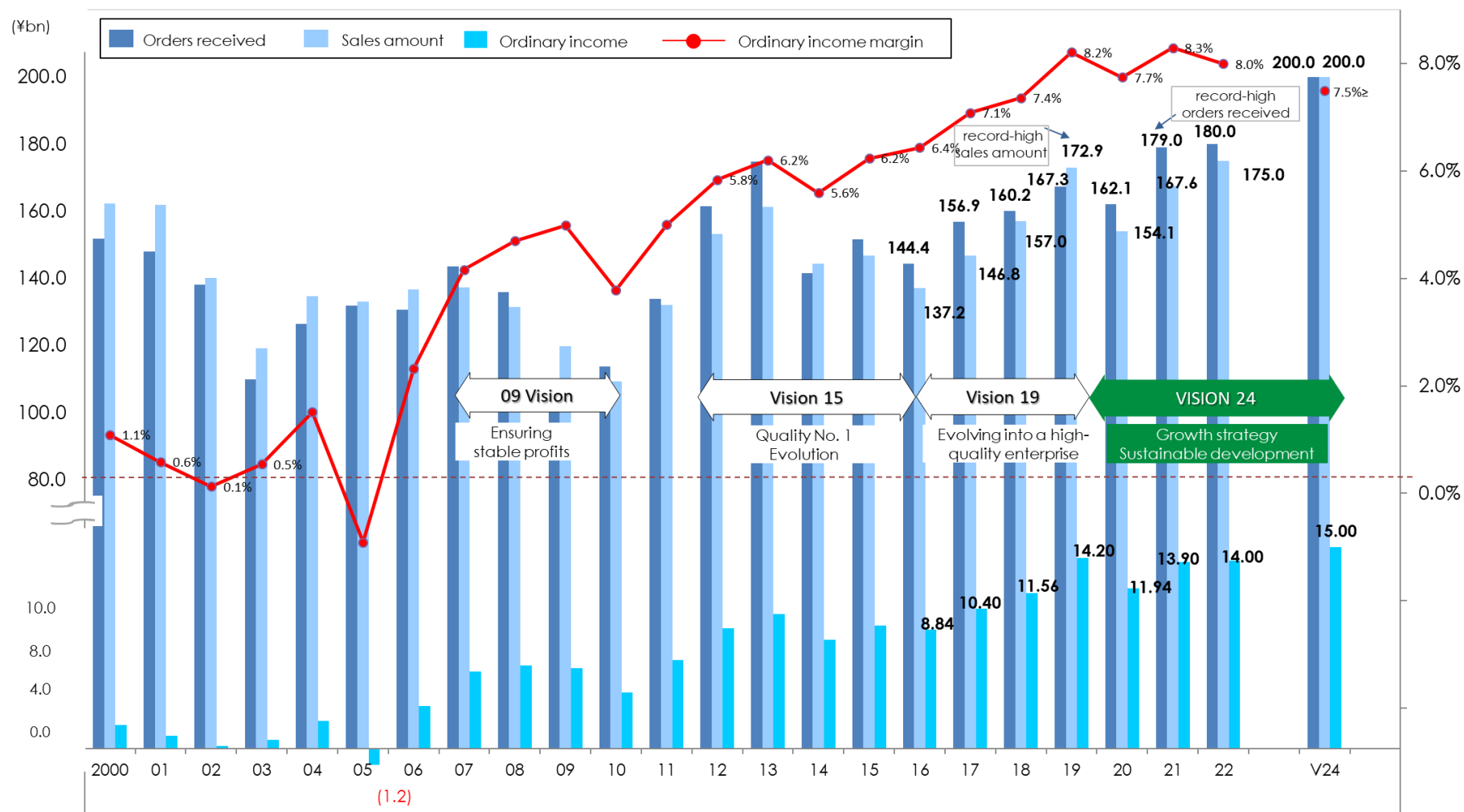
(¥bn)

Works Type	FY2019	FY2020	FY2021	FY20→21 Growth(%)	FY2021 Composition
Power Transmission Works	22.0	20.9	20.3	△3.2%	12.1%
Non-consolidated + Japanese Subsidiaries	80.5	68.1	76.8	12.9%	45.8%
Overseas Subsidiaries	23.1	19.0	23.8	25.2%	14.2%
General Electrical Works	103.6	87.1	100.7	15.6%	60.1%
Information & Communications Works	26.4	27.7	27.5	△0.6%	16.4%
Facility & HVAC Works	12.1	10.1	10.6	5.2%	6.3%
Others*	8.9	8.3	8.6	3.5%	5.1%
TOTAL	172.9	154.1	167.6	8.8%	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. FY2022 Forecast

2-1. Outlook for FY2022

◇ Business Environment

Expected demand: Redevelopment projects in the metropolitan areas, data centers, logistics warehouses, information & communication-related investments for the creation of ICT environment, investments related to Expo 2025 Osaka, Kansai.

Potential risks: Risk of resurgence of COVID-19, geopolitical risk caused by the situation in Russia and Ukraine, supply chain-related risk caused by the shortage of semiconductors and rising resource prices, rapid depreciation of the yen, and the risk of postponement or contraction of capital investment plans mainly in the manufacturing industry resulting from the aforementioned risks.

◇ Key Initiatives

“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 FY2022 : Both sales and profits are planned to increase YoY.

	FY2020	FY2021	FY2022	Growth	(¥bn)
	Actual	Actual	Forecast	(%)	FY2024 V24
Orders Received	162.1	179.0	180.0	0.5%	200.0
Sales Amount	154.1	167.6	175.0	4.4%	200.0
Operating Profit	11.32	13.01	13.10	0.7%	
Margin	7.3%	7.8%	7.5%	-	
Ordinary Income	11.94	13.90	14.00	0.7%	15.00
Margin	7.7%	8.3%	8.0%	-	7.5%
Net Income	8.05	9.14	9.20	0.6%	
Margin	5.2%	5.5%	5.3%	-	

◇ Dividend Forecast for FY2021

An annual dividend of **¥86 per share** (interim ¥43) is forecast, unchanged from FY2021.

2-2. Sales Amount for FY2022 by Works Type

We are planning to increase sales due to the potential growth of general electrical works and overseas subsidiaries.

Sales amount

(¥bn)

Works Type	FY2019	FY2020	FY2021	FY2022 Forecast	Growth
Power Transmission Works	22.0	20.9	20.3	20.0	(0.3)
Non-consolidated + Japanese Subsidiaries	80.5	68.1	76.8	79.0	2.2
Overseas Subsidiaries	23.1	19.0	23.8	27.0	3.2
General Electrical Works	103.6	87.1	100.7	106.0	5.3
Information & Communications Works	26.4	27.7	27.5	29.0	1.5
Facility & HVAC Works	12.1	10.1	10.6	12.0	1.4
Others*	8.9	8.3	8.6	8.0	(0.6)
Total	172.9	154.1	167.6	175	7.4

*Others

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

3. Main Initiatives for FY2022 by Works Type

3-1. Power Transmission Works

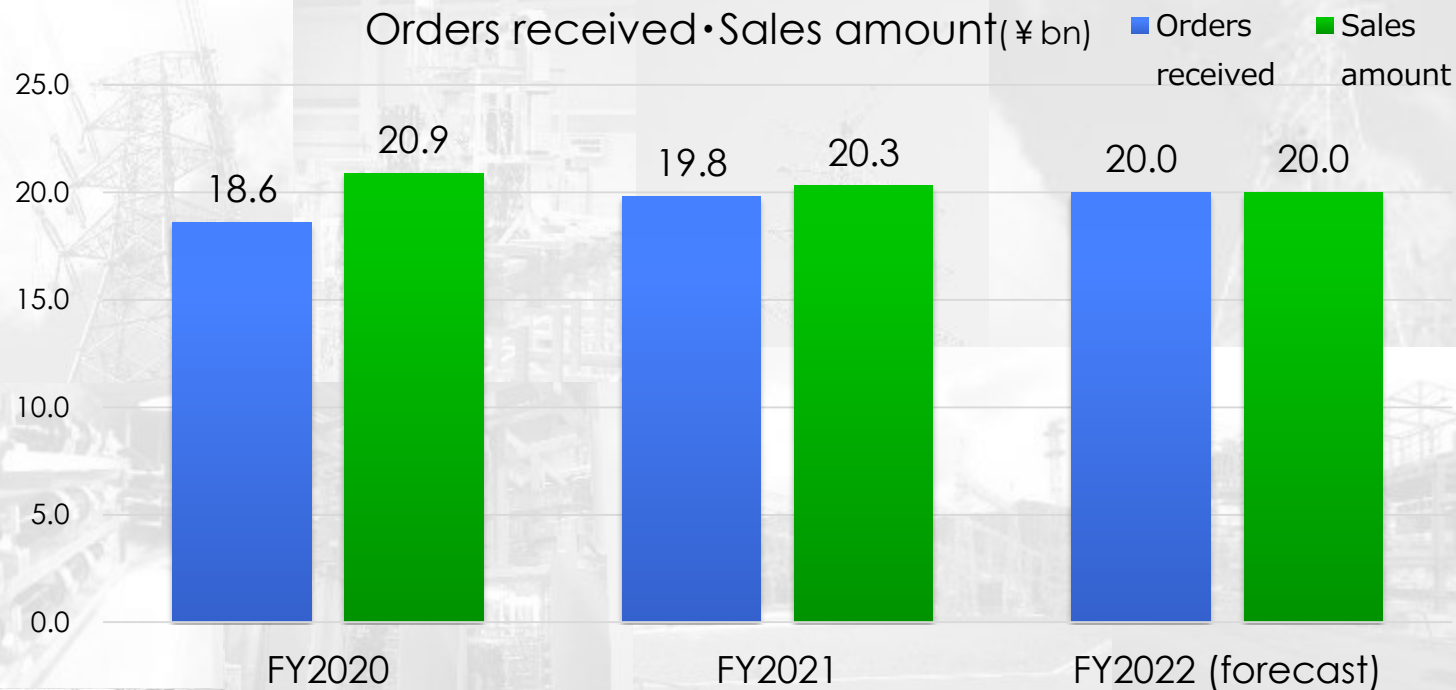


Provide high-quality, reliable electric transmission technologies to meet the needs of customers

Electricity is vital to modern society. Sumitomo Densetsu has a range of experience in the construction of the facilities required for the transmission of “electricity,” including overhead and underground transmission, electrical substations, and electrical power distribution systems. We are also engaged in the construction of interconnected systems to supply electricity from new energy facilities, including photovoltaic power stations, wind power stations and hydroelectric power stations.

For more details, please refer to the link below
<https://www.sem.co.jp/english/business/>

3-1. Power Transmission Works Outlook for FY2022



We are focusing on orders for renewable energy-related investments in addition to renewal works for electricity companies.

Orders received and sales amount are planned to be at the same level as the previous year.

3-2. General Electrical Works



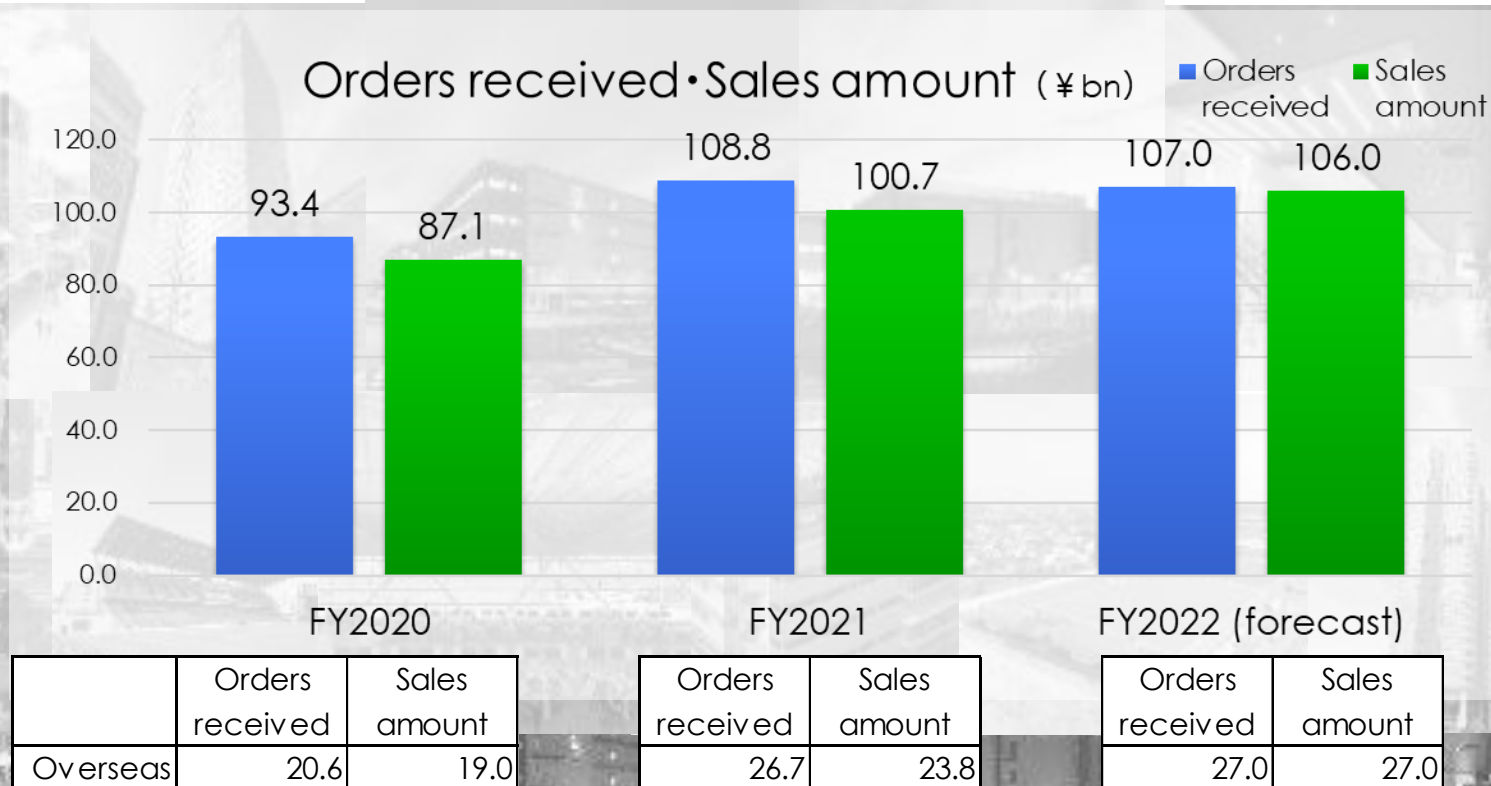
Provide speedy and high-quality services for electrical systems that are becoming increasingly important

Electrical systems used for buildings are becoming increasingly sophisticated and diversified in pursuing convenience and comfort. The stable supply of electrical energy has become more important, especially for managing various kinds of risks, dealing with BCPs, fulfilling social responsibilities such as environmental protection, and achieving a sustainable society.

Sumitomo Denetsu has been implementing speedy and high-quality planning, design, construction and maintenance, making use of our high technological capabilities for various electrical systems (high-voltage, low-voltage, disaster preventive and security). We will meet any kind of needs based on substantial experience both inside and outside Japan.

For more details, please refer to the link below
<https://www.sem.co.jp/english/business/>

3-2. General Electrical Works Outlook for FY2022



Japan: We will work on receiving orders for redevelopment projects in the Tokyo metropolitan area / Kansai area, data centers, logistics warehouses, plants, etc. in a well-balanced manner.

The orders for projects related to Expo 2025 Osaka, Kansai are also expected to be received.

Overseas: We will also focus on receiving orders from non-Japanese customers due to concerns over the potential impact of the rapid depreciation of the yen on the Japanese companies' investments in Southeast Asia.

3-3. Information & Communications Works



■ Communication System

**Establish a communication infrastructure, with the motto
“Safety and Quality First”**

Sumitomo Densetsu provides total engineering services from consultation, system design, construction and operation to the maintenance of communication/broadcasting infrastructure. With the motto “Safety and Quality First,” we will continue supporting the ICT society.

For more details, please refer to the link below
<https://www.sem.co.jp/english/business/>

3-3. Information & Communications Works

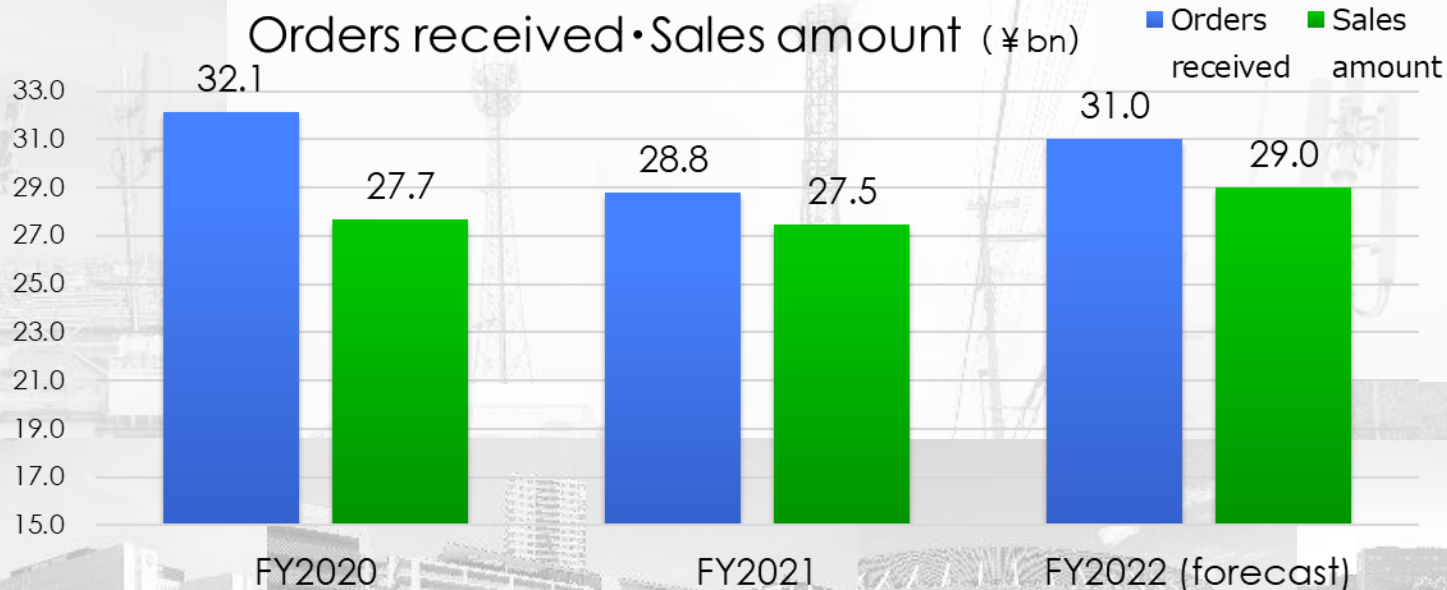


■ Information & Telecommunication Support the establishment of optimal networks using accumulated know-how

As the IT society develops, information networks, which are the infrastructure of the IT society, become more and more important. Sumitomo Densetsu was the first in our industry to make efforts to establish information networks, and has introduced them in many companies, universities, hospitals, data centers, etc. We provide optimal systems ranging from design, establishment, and operation to maintenance, taking advantage of our accumulated know-how.

For more details, please refer to the link below
<https://www.sem.co.jp/english/business/>

3-3. Information & Communications Works Outlook for FY2022



In FY2022, we will focus on projects that were delayed due to the shortage of semiconductors, etc. and also on receiving orders for new large-scale works related to investments in ICT, including the IoT platform. Both orders received and sales amount are planned to increase YoY.

3-4. Facility and HVAC Works

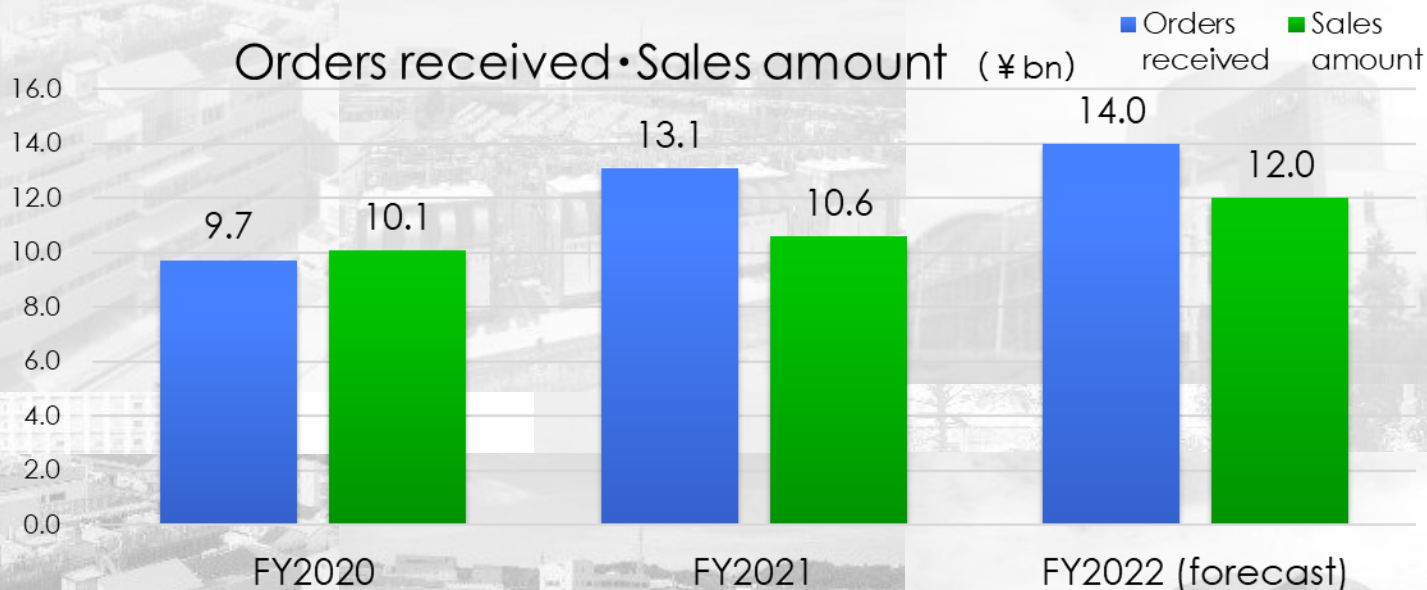


Make the environment of buildings and factories more comfortable and convenient

Sumitomo Densetsu is involved in the planning, construction and maintenance of plant machines used in various kinds of manufacturing plants, and of air-conditioning and plumbing systems in factories, office buildings and hotels. We secure a sanitary and comfortable environment and improve convenience for production and management in buildings and factories used for various purposes.

For more details, please refer to the link below
<https://www.sem.co.jp/english/business/>

3-4. Facility and HVAC Works Outlook for FY2022



We will continue renewal works within the Sumitomo Electric Group while focusing on order-receiving activities related to office buildings, warehouses, and large housing complexes. Both orders received and sales amount are planned to increase YoY.

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. 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)

4-3. VISION 24



Human resources development for the foundation for our future growth

October 29, 2021 News Release: Establishment of SEM Training Center (tentative name)



Sumitomo Densetsu (Nishi-ku, Osaka; President: Makoto Tani) decided to establish a new training center with accommodation facilities (tentative name: SEM Training Center) in Kawasaki, Kanagawa Prefecture.

We celebrated the 70th anniversary of our foundation in April 2020. As one of our commemoration projects, the training center will be established to further enhance the level of staff education. This is also part of our initiatives for “Securing and developing human resources and implementing work style reforms,” one of the key measures of the Medium-term Management Plan VISION 24, which was formulated in the same year.

At the training center, staff members will be able to learn various technologies, including electricity equipment as well as power equipment, information & communication equipment, and air-conditioning and plumbing equipment, using real equipment, not to mention attending classroom lectures. The training center will also have a safety and danger sensory experience room equipped with VR sensory equipment designed to experience danger, etc. This will be a hub for staff training to learn practical technological skills and expertise, and will also serve as a site for the development of various new technologies, which is planned to have functions as a showroom as well.

Location	3-878-1 Shimonoge Takatsu-ku, Kawasaki, Kanagawa
Site Area	about 3,000 m ²
Total Floor Area	about 5,000 m ²
Structural Scale	Steel Construction, 4 story building
Construction Period	December 2021 to December 2022
Opening	April 2023 (planned)

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.

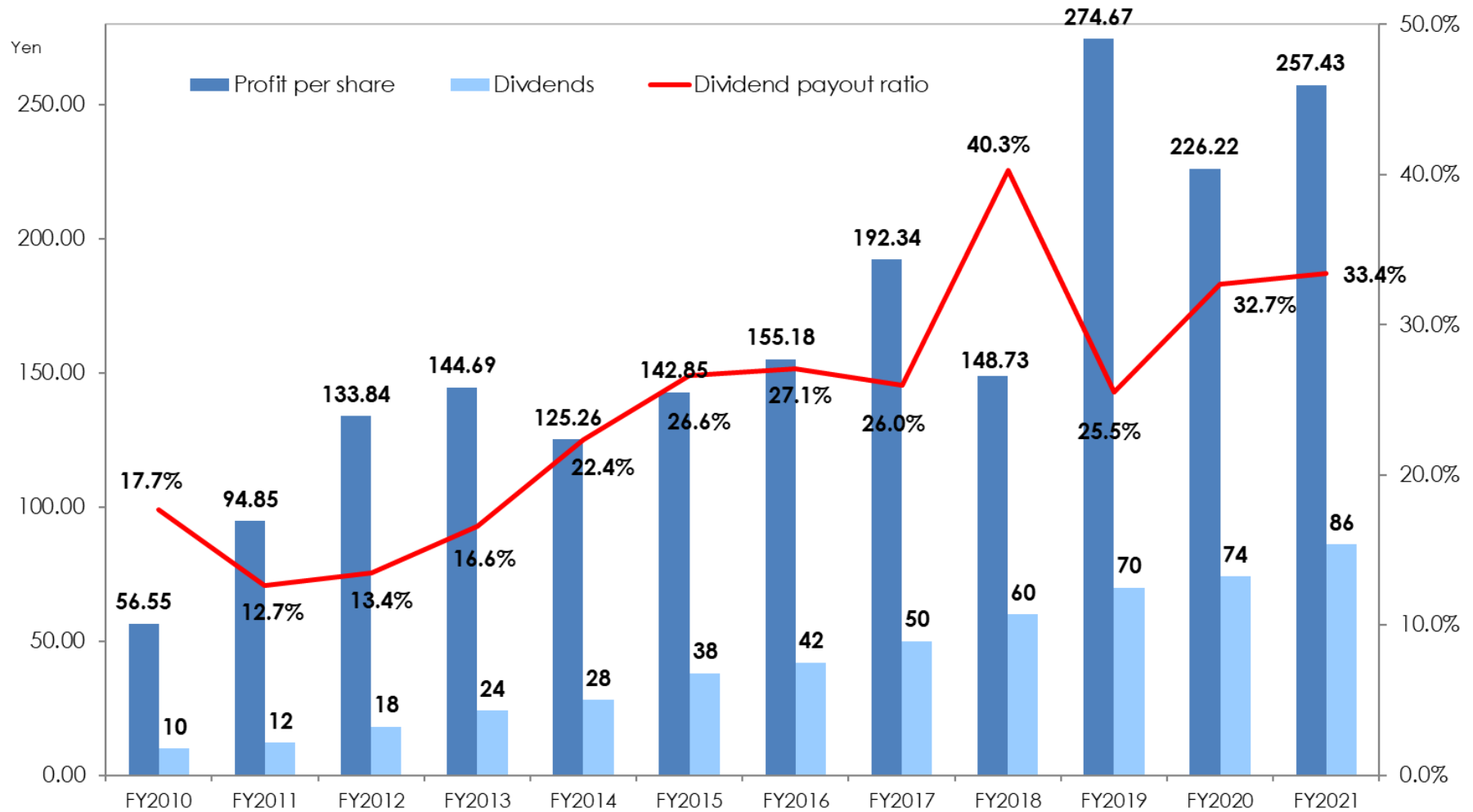
Trend in Net Income and Dividends

(¥bn)

	FY17	FY18	FY19	FY20	FY21	FY22
Net income	6.84	5.29	9.77	8.05	9.14	9.20
Income margin	4.7%	3.4%	5.7%	5.2%	5.5%	5.3%
Dividends per share (yen)	50	60	70	74	86	86
Interim dividend	22	25	30	35	37	43
Year-end dividend	28	35	40	39	49	43
(Increase)	(6)	(10)	(10)	(4)	(12)	
Profit per share (yen)	192.34	148.73	274.67	226.22	257.43	259.10
Dividend payout ratio	26.0%	40.3%	25.5%	32.7%	33.4%	33.2%

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

• Dividends have increased for 11 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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