

【Materials for Investor Briefing】

FY2021 1st Half Results and Annual Forecasts

November 24, 2021

 **SUMITOMO DENSETSU CO.,LTD.**

1. FY2021 1st Half Results and Annual Forecasts
2. Main Initiatives for FY2021 by Works Type
3. Medium-term Management Plan
VISION 24(FY2020 – FY2024)
4. Policy on the Distribution of Profits to Shareholders

1. FY2021 1st Half Results and Annual Forecasts

1-1. Summary of FY2021 1st Half Results



◇Explanation of Business Results

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

- Orders received significantly increased thanks to solid performances from works such as mobile base station-related works in addition to large-scale orders for data centers, logistics warehouses, etc. Sales also increased thanks to the progress of large-scale works on hand. Consolidated orders received hit a record high.

[Operating profit and Ordinary income] Slightly decreased year on year (YoY)

- Profit and income slightly decreased due in part to an increase in expenses for work style reforms and improvement of the workplace environment, despite group-wide efforts to improve profitability in works.

◇FY2021 1st Half Results

(¥bn)

	FY2020 1H Actual ①	FY2021 1H			Growth ③-①	
		Plan ②	Actual ③	Difference ③-②		Percentage
Orders Received	78.2	-	92.2	-	14.0	17.8%
Sales Amount	70.8	71.0	72.9	1.90	2.1	3.0%
Operating Profit	5.33	4.40	4.99	0.59	(0.34)	(6.4)%
Margin	7.5%	6.2%	6.9%	0.7%	(0.6)%	-
Ordinary Income	5.66	4.80	5.51	0.71	(0.15)	(2.6)%
Margin	8.0%	6.8%	7.6%	0.8%	(0.4)%	-
Net Income	3.72	3.00	3.57	0.57	(0.15)	(4.2)%
Margin	5.3%	4.2%	4.9%	0.7%	(0.4)%	-

◇Interim Dividends for FY2021

- **¥37 per share** (up ¥2 YoY), as forecast at the start of the fiscal year

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



- Power Transmission Works:** Declined YoY due to a significant decrease in the number of FIT-related projects, although the number of projects for electricity companies was similar to the previous year.
- General Electrical Works:** In Japan, increased YoY owing to significant progress in works on hand. Overseas, increased YoY due to the contribution of progress made in works on hand in Thailand and the Philippines.
- Information & Communications Works:** Declined YoY due to delayed progress in works for networks caused by the shortage of semiconductors, despite an increase in the number of mobile base station works.
- Facility & HVAC Works:** Increased YoY owing to the progress of large-scale HVAC works.
- Others*:** Sales of HVAC equipment, etc. were at the same level as the previous 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 amount

(¥bn)

Works Type	FY2019 1H	FY2020 1H	FY2021 1H	FY20→21 Growth (%)	FY2021 Composition
Power Transmission Works	9.8	9.4	8.9	(5.3)%	12.3%
Non-consolidated + Japanese Subsidiaries	35.0	31.3	32.3	3.2%	44.3%
Overseas Subsidiaries	10.6	9.8	11.0	12.2%	15.1%
General Electrical Works	45.6	41.1	43.3	5.4%	59.4%
Information & Communications Works	11.0	11.4	11.3	(0.9)%	15.5%
Facility & HVAC Works	5.9	4.7	5.1	8.5%	7.0%
Others*	4.3	4.2	4.3	2.4%	5.8%
TOTAL	76.6	70.8	72.9	3.0%	100%

1-3. Outlook for FY2021

◇ Business Environment and Key Initiatives

While economic activities are expected to return to normal as the state of emergency was lifted, it is necessary to closely monitor risks arising from such factors as price hikes and procurement delays in parts and materials. Under such circumstances, we will strive to secure profits through obtaining profitable orders and reducing cost not only to achieve the forecasts but outperform them. In addition, 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 in July 2020.

◇ 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 FY2021

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

1-4. FY2021 Forecast



(¥bn)

	FY2019 Actual	FY2020 Actual	FY2021 Forecast	Growth (%)	FY2024 V24
Orders Received	167.3	162.1	165.0	1.8%	200.0
Sales Amount	172.9	154.1	160.0	3.9%	200.0
Operating Profit	13.58	11.32	11.50	1.5%	
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%	-	

1-5. 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*	8.8	8.3	9.0	0.7
Total	172.9	154.1	160	5.9

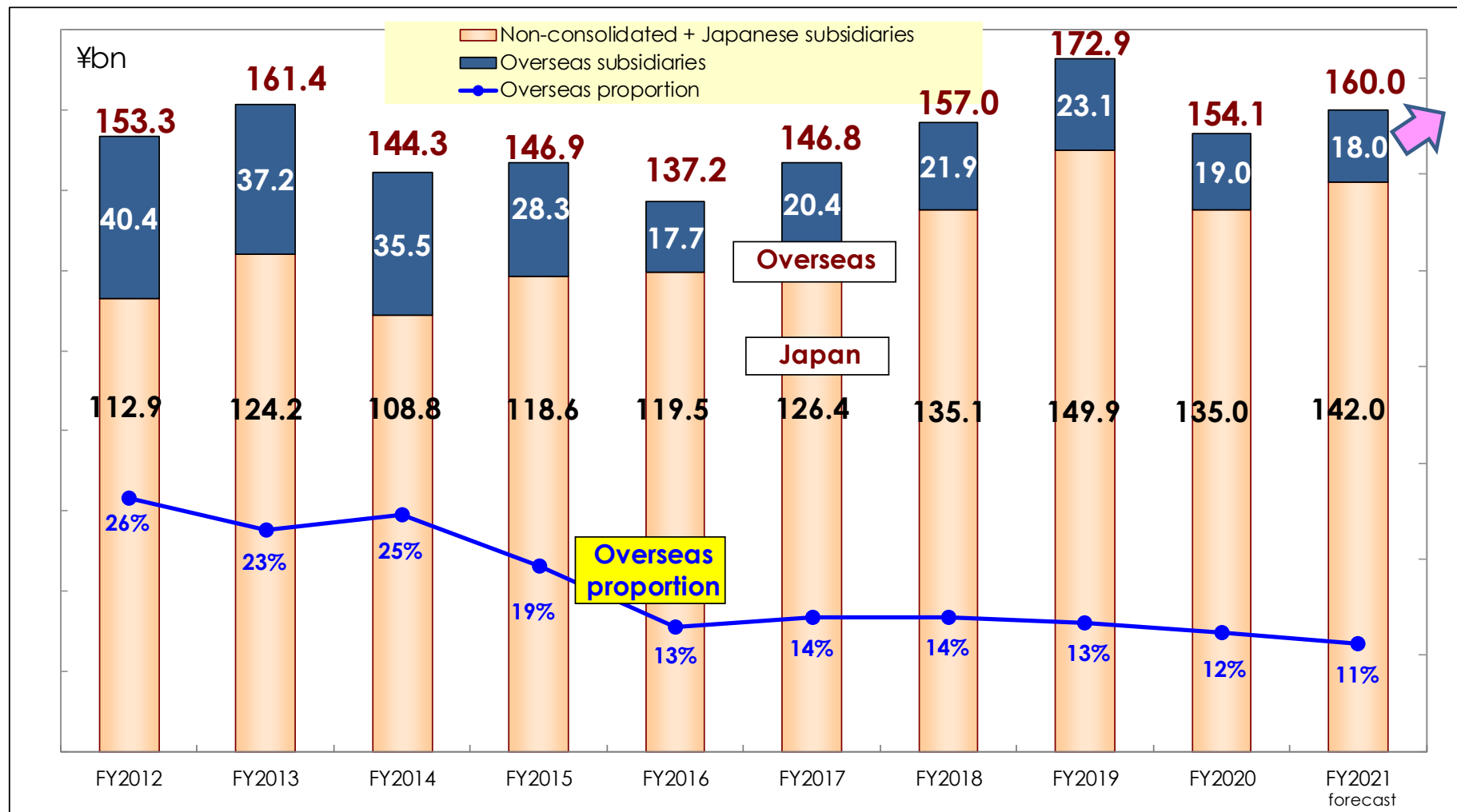
*Others

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

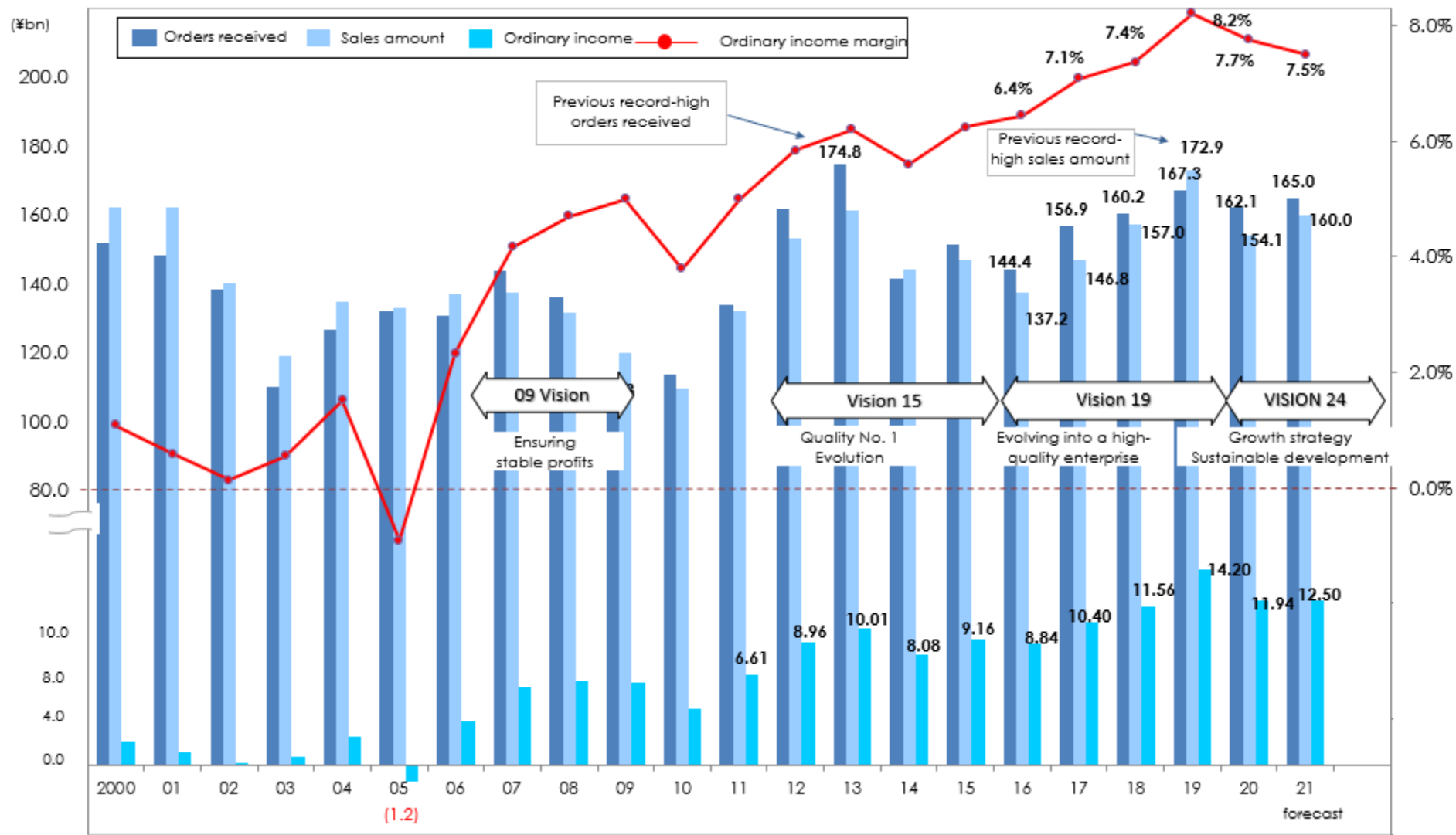
1-6. Proportion of Sales Amount from Overseas



Overseas, as new investments by Japanese manufacturing companies are sluggish mainly in automobile-related industries, we will focus on receiving orders also from non-Japanese customers to increase works in overseas countries which have inherent potential.



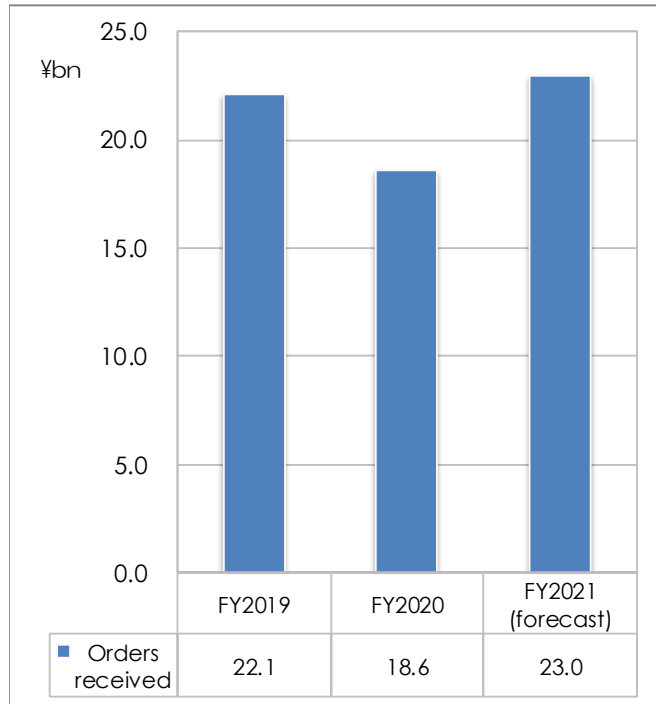
1-7. Historical Data Since FY2000



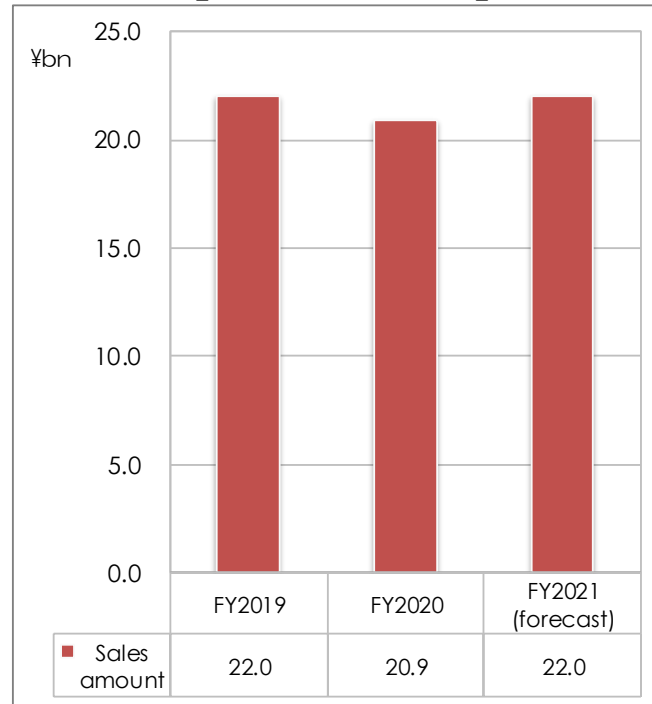
2. Main Initiatives for FY2021 by Works Type

2-1. Power Transmission Works

【Orders Received】

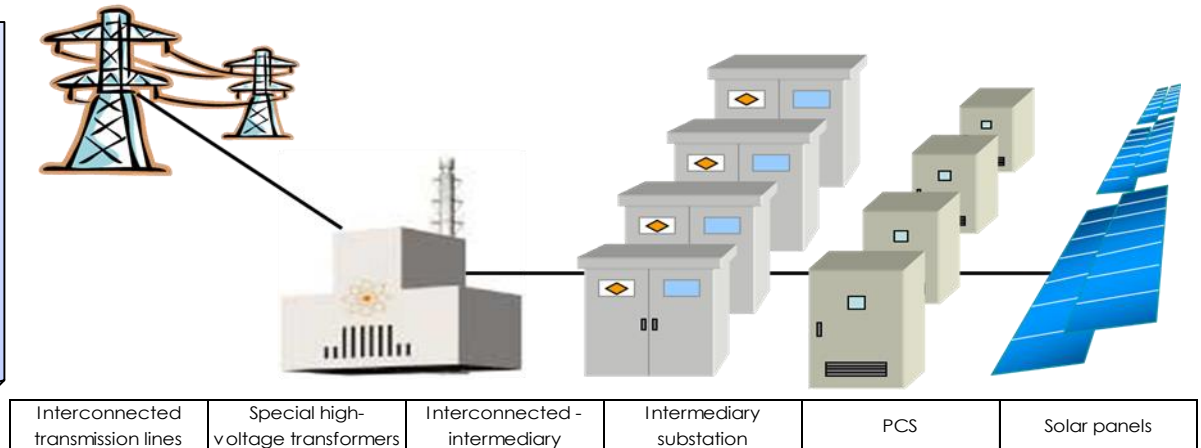


【Sales Amount】



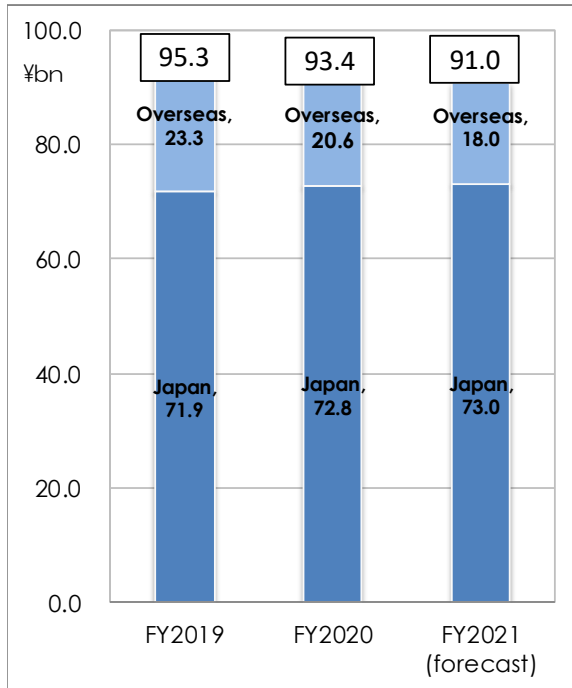
【Outlook for FY2021】

- As orders have been steady for overhead power transmission line and underground line renewal works for electricity companies, orders received and sales are expected to exceed those of the previous year.

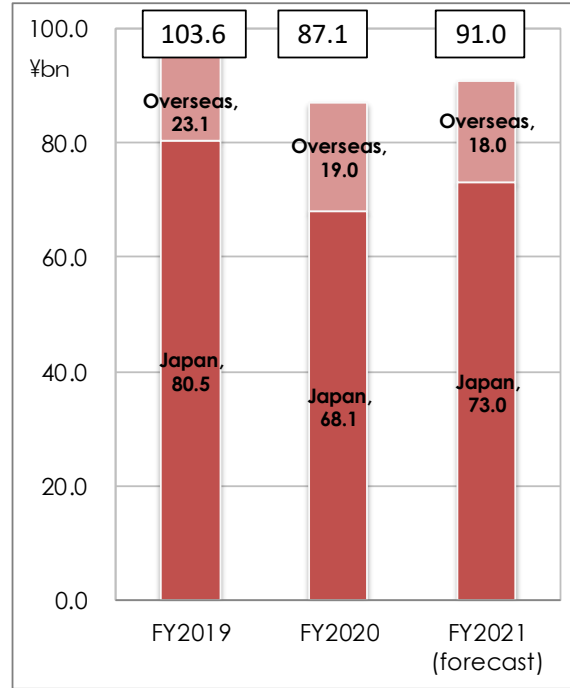


2-2. General Electrical Works

【Orders Received】



【Sales Amount】



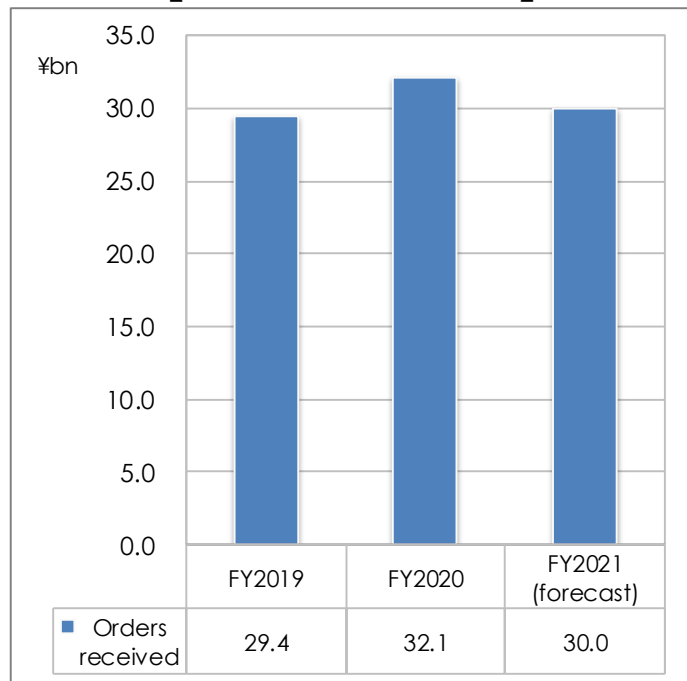
【Outlook for FY2020】

- Japan : We will focus on orders related to redevelopment in the Tokyo metropolitan area / Kansai area and the thriving segment of large logistics warehouses, data centers, etc.
Sales are expected to increase YoY in line with progress in the large-scale projects on hand.
- Overseas: Notwithstanding the continuing impact of the COVID-19 pandemic, we will focus on orders for data center projects, orders from non-Japanese customers and renewal / maintenance works for the projects we handled in the past in Indonesia and Thailand, our two mainstay countries.

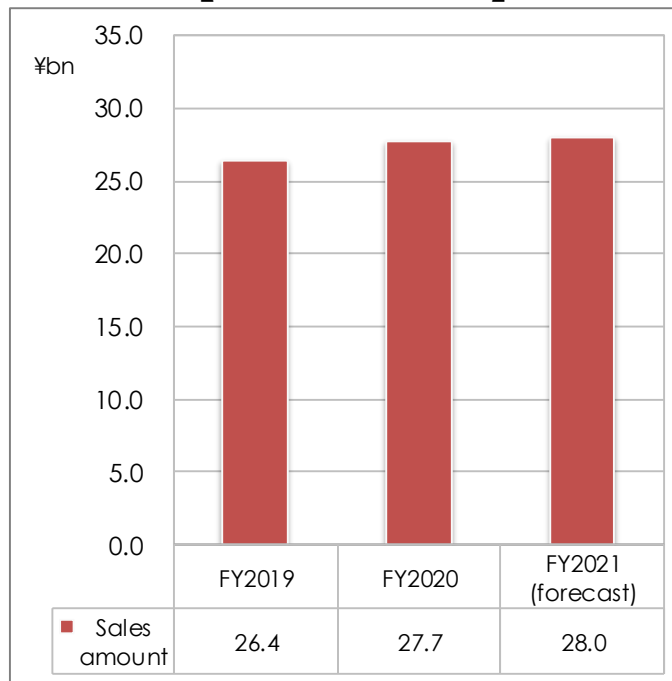


2-3. Information & Communications Works

【Orders Received】



【Sales Amount】

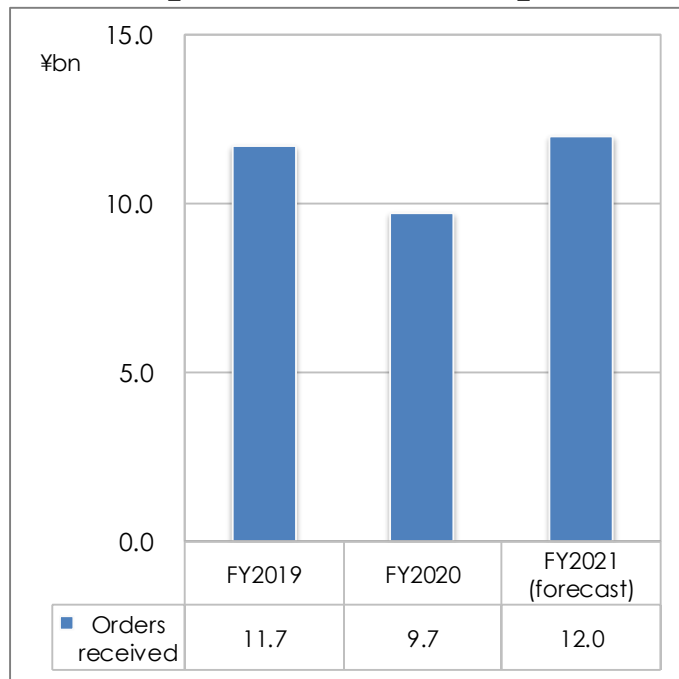


【Outlook for FY2021】

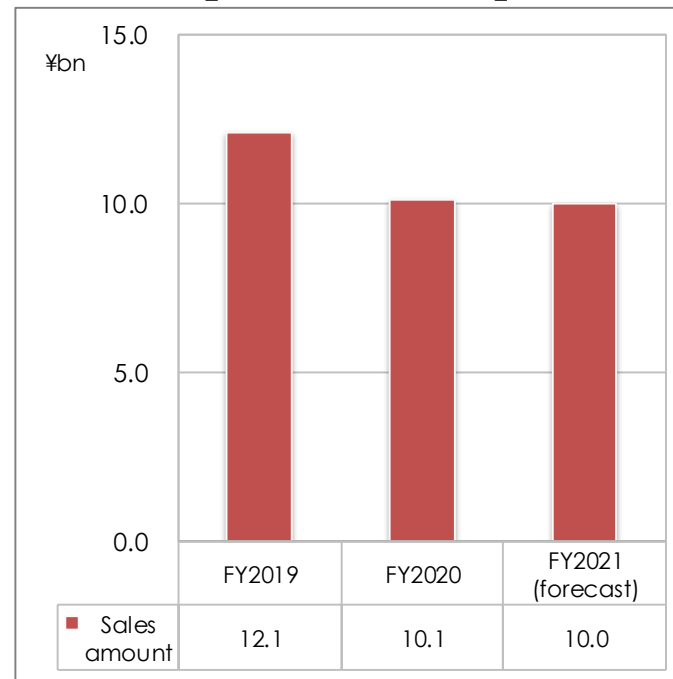
- For outdoor communications works, we will strive to steadily receive orders related to robust 5G infrastructure investments from carriers.
- For works for indoor networks, we will focus on receiving orders for data centers, logistics warehouses, etc., working with the general electrical works division, as "Team Sumitomo Densetsu." On the other hand, semiconductor shortage may cause manufacturing companies and universities, in particular, to postpone their order placement or move back their construction term. We are closely monitoring their impact on our orders and sales.

2-4. Facility and HVAC Works

【Orders Received】



【Sales Amount】



【Outlook for FY2021】

- For HVAC works, apart from continuing plant premise works within the Sumitomo Electric Group, we will focus on small- and medium-scale projects in the Kanto region and large-scale projects in the Kansai region, mainly for office buildings, warehouses, etc. to secure work volume.
- For plant construction, we will secure orders mainly from the plant divisions of engineering companies and general contractors (GCs) . Orders received are forecast to significantly exceed those of the previous year at ¥12.0 bn.

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

3-1. 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!

Team Sumitomo Densetsu, 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)

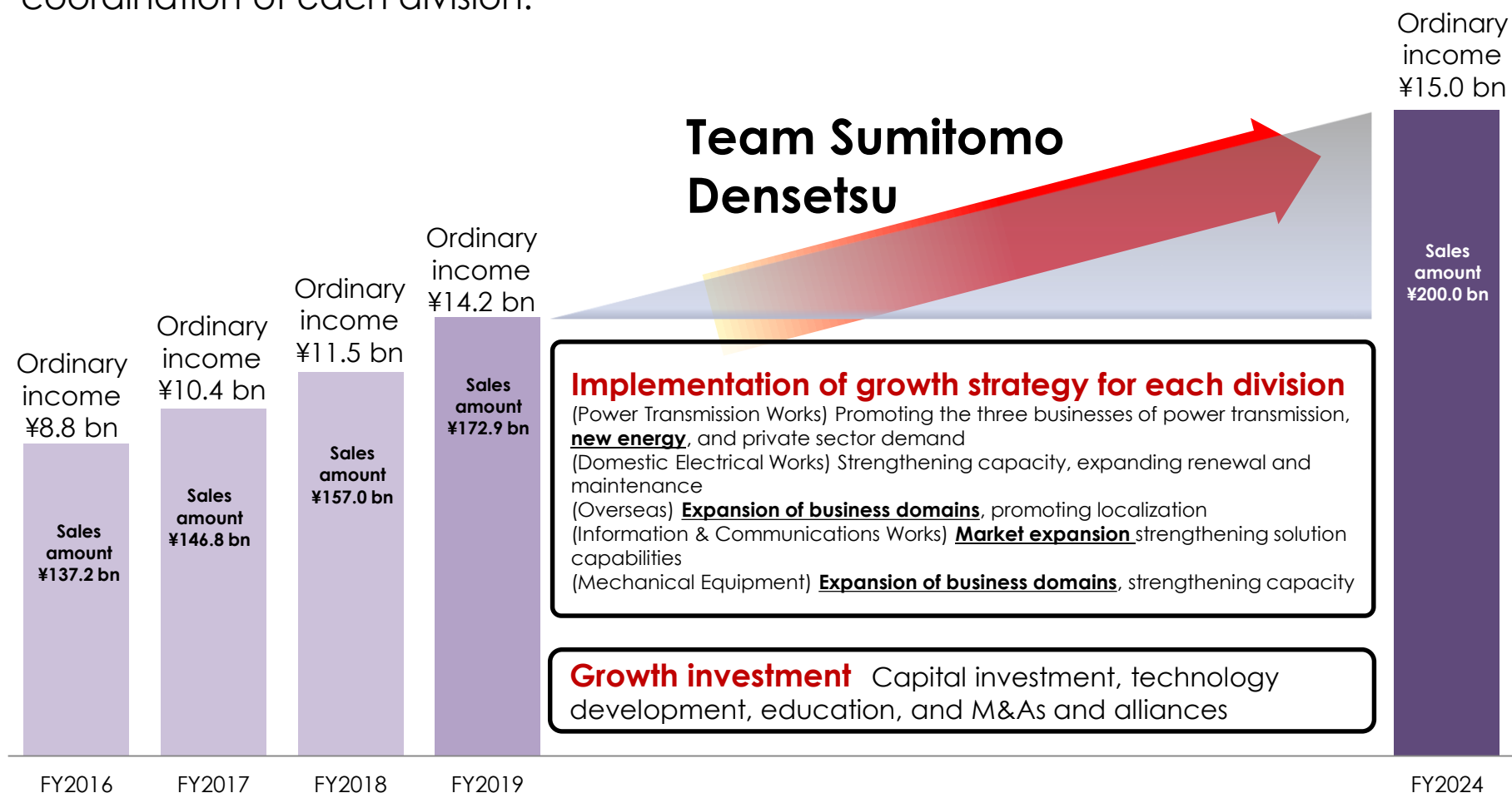
Enhancing enterprise value in anticipation of the future

Corporate Philosophy of the Sumitomo Densetsu Group
The Sumitomo Spirit

3-2. Medium-term Management Plan VISION 24 - Basic Concept -



As a comprehensive facilities corporate group, the Group will allocate resources to improve the capacity and technical capabilities of each division, aim to increase sales, and expand total services to customers through the comprehensive strength from the coordination of each division.



3-3. 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)

4. Policy on the Distribution of Profits to Shareholders

4-1. 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

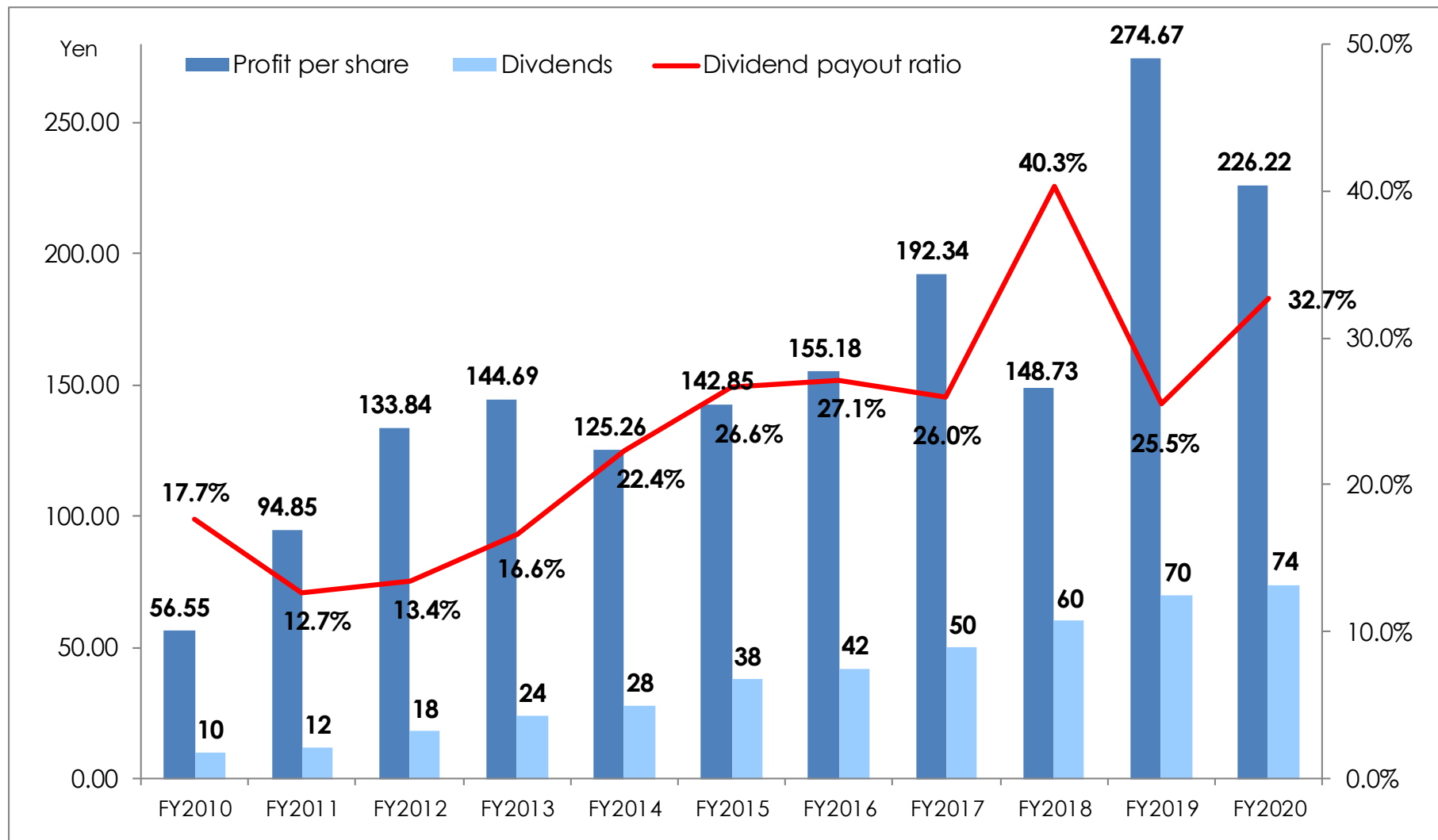
(¥bn)

	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Net income	4.46	5.08	5.52	6.84	5.29	9.77	8.05
Income margin	3.1%	3.5%	4.0%	4.7%	3.4%	5.7%	5.2%
Dividends per share (yen)	28	38	42	50	60	70	74
Interim dividend	12	14	20	22	25	30	35
Year-end dividend	16	24	22	28	35	40	39
(Increase)	(4)	(10)	(2)	(6)	(10)	(10)	(4)
Profit per share (yen)	125.26	142.85	155.18	192.34	148.73	274.67	226.22
Dividend payout ratio	22.4%	26.6%	27.1%	26.0%	40.3%	25.5%	32.7%

4-2. Profit and Dividends per Share, and Dividend Payout Ratio



- Dividends have increased for 10 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.

Inquiries

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