

# Plan to Meet the Criteria for Continued Listing on the New Market Segment

December 21, 2021



# AGENDA



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## II. Continued Listing Plan

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- Basic Policy for Meeting the Criteria for Continued Listing

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- Business Strategy
- Financial and Capital Strategy
- Environmental, Social, and Governance Response

# I. Company Outline

# Company Outline

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<b>Company name</b>	: <b>SUNCALL CORPORATION</b>
<b>Founded</b>	: <b>June 1943</b>
<b>Common stock</b>	: <b>4,808 million yen</b>
<b>Headquarters</b>	: <b>14, Umezunishiura-cho, Ukyo-ku, Kyoto</b>
<b>Share listing</b>	: <b>Tokyo Stock Exchange, First Section</b>
<b>Number of employees</b>	: <b>2,301 (Consolidated)</b> <b>627 (Non-consolidated)</b>
<b>Major shareholders</b>	: <b>The Master Trust Bank of Japan, Ltd.</b> <b>(Retirement Benefit Trust Account / Kobe Steel, Ltd. Account) 16.7%</b> <b>Marubeni-Itochu Steel Inc. 12.7%</b> <b>ITOCHU Corporation 9.8%</b>

**(As of September 30, 2021)**

# Domestic and Overseas Bases

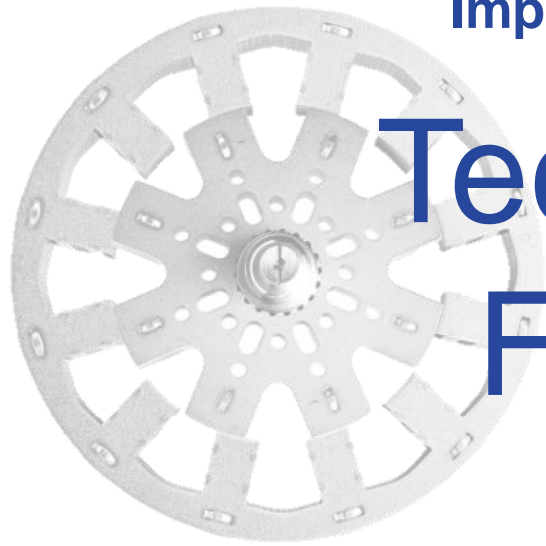
## 14 bases in Japan

Headquarters	Kyoto, Kyoto
<b>Production bases</b>	
Head Plant	Kyoto, Kyoto
Toyota Plant	Toyota, Aichi
Hirose Plant	Toyota, Aichi
<b>Domestic subsidiaries</b>	
SUNCALL Engineering Corporation	Minami-Alps, Yamanashi
SUNCALL Kikuchi Corporation	Kikuchi, Kumamoto
<b>Sales offices</b>	
Tokyo Branch	Yokohama, Kanagawa
Nagoya Branch	Toyota, Aichi
Nishi-Nihon Branch	Kyoto, Kyoto
Ueda Sales Office	Ueda, Nagano
Kita-Kanto Sales Office	Utsunomiya, Tochigi
Hamamatsu Sales Office	Hamamatsu, Shizuoka
Kinki Sales Office	Kyoto, Kyoto
Nishi-Nihon Sales Office	Hiroshima, Hiroshima

## 15 overseas bases in 7 countries

Country	Region	Investment Ratio	Goods Produced
U.S.A.	Indiana	100%	Valve springs, ring gears, etc.
	South Carolina	100%	Optical communications components (sales base)
	Texas	100%	
Mexico	Aguascalientes	100%	Valve spring materials, ring gears
	Aguascalientes	50%	Spiral springs for seatbelts
China	Guangzhou	100%	Valve springs, ring gears, etc.
	Guangzhou	100%	Valve spring materials (sales base)
	Foshan	25%	Valve spring materials
	Tianjin	100%	Ring gears
	Shenzhen	100%	Printer rollers, optical communications components, etc.
Hong Kong	100%		
Thailand	Chonburi	100%	Valve springs, ring gears Spiral springs for seatbelts Printer rollers, etc.
Vietnam	Hanoi	100%	Printer rollers, etc.
South Korea	Yangsan	49%	Materials for spiral springs for seatbelts
Philippines	Manila	100%	HDD suspensions (Representative Office)

Improving the World through Technology



# Technology Taking Flight to Create Change



Our management philosophy at Suncall is “Technology taking flight to create change,” and the Company is forging ahead dramatically on this basis.

## Technology Taking Flight

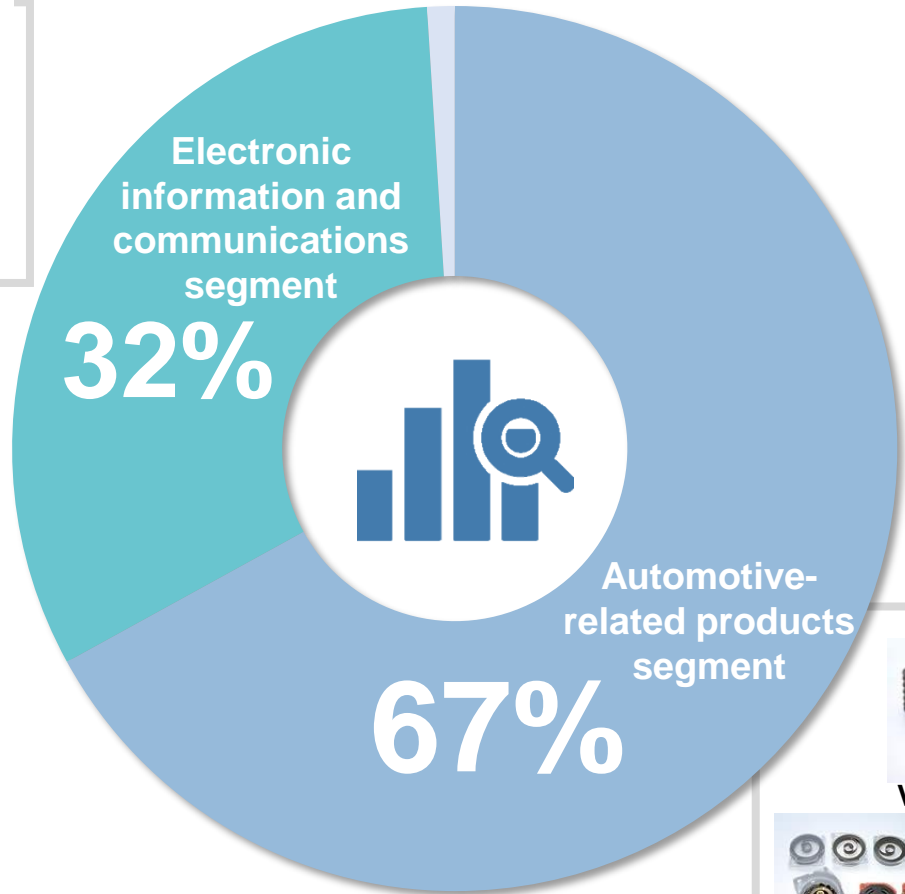
Suncall would not exist if it were not for the Company’s unique technologies

## Create Change

We are taking the lead in transforming the world

# Business Fields/Main Products

## Net Sales for the Second Quarter of FY Ending March 2022



### Printer components



Rollers



Torque limiters  
Spring clutches

### HDD components



HDD suspensions

### Communications-related components



Optical connectors



Optical adapters

### Precision functional materials



Valve spring wire



Precision shaped wire

### Precision functional components



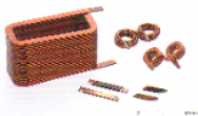
Valve springs



Ring gears



Spiral springs

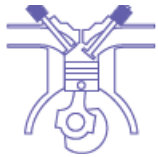


Reactor coils



Motor core components

## Automotive-related Products Segment



Engine components

### (1) Valve springs



Top-class market share in Japan  
Integrated production from materials to processing enables high-quality and high-durability that can withstand 100 million compressions.

### (2) Ring gears / drive plates



Top-class market share in Japan  
Our proprietary metal processing technology achieves high precision.

### (3) Spiral springs for seatbelts

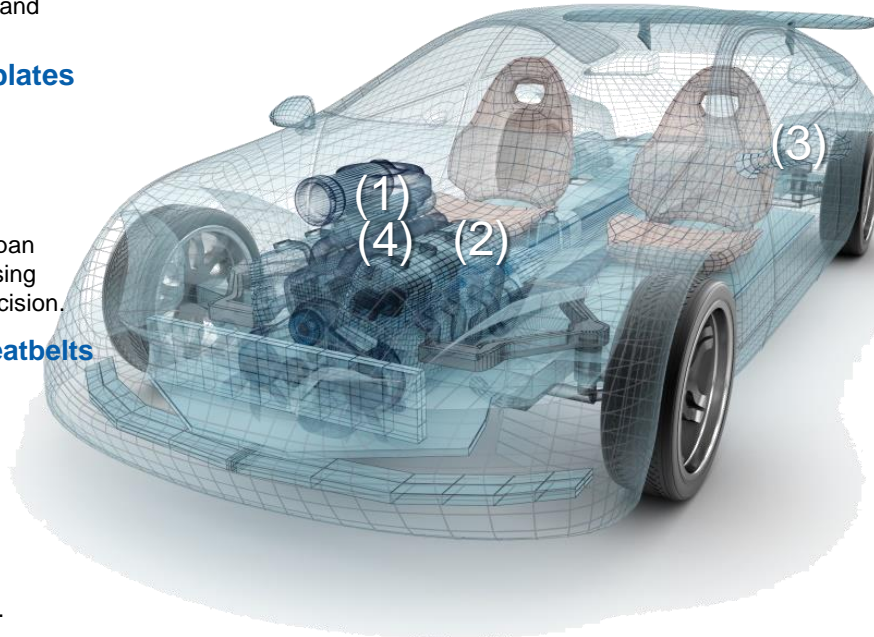


We achieve comfort by enabling calibration of precision torques by manufacturing from materials.



Transmission components

Safety components



### Materials-related business/copper wire for valve springs: precision shaped wire



Suncall's cores that support integrated production  
We use a wide range of unique technologies in this core business.  
We are pioneering new domains through safety, security, and high-quality.

### Motor and electric components



### (4) Bus bars

Each designed to suit unit shapes  
The main focus of the future of wiring

### (4) Shunt on bus bars

A bus bar integrated sensor with built-in feature to measure voltage while transmitting current  
Also supports high current such as in lithium-ion batteries

### (4) Fuse sensors

A next-generation sensor that destructively interrupts energized parts when an overcurrent is detected

### (4) Motor cores/stator cores

Components that form the core of the motor  
We achieve high productivity through automated integrated production.

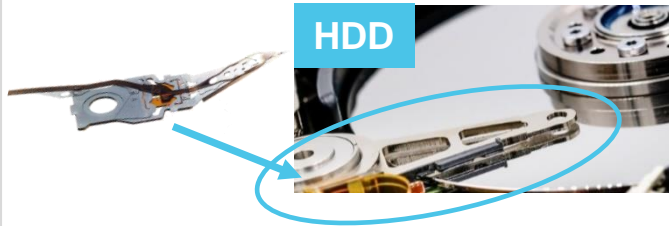


# Integrated production from materials to processing



### Key devices in product groups whose demand is expected to be increased by future expansion of 5G/IOT and increasing remote work

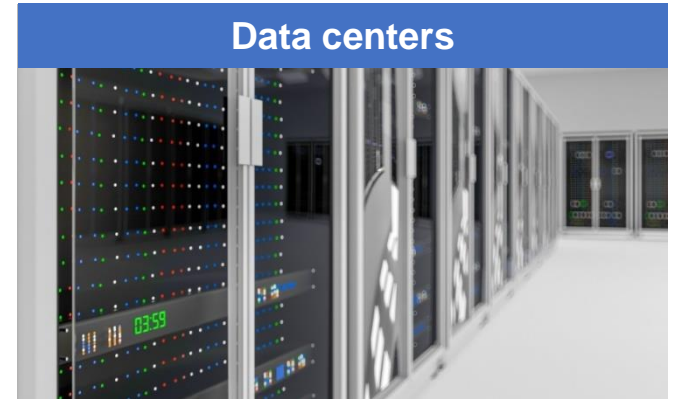
#### HDD suspensions



Supporting extreme levels of precision requirements for HDD magnetic heads with positioning at the level of 10s of nanometers



#### Data centers



#### Printer-related products

##### Rollers



##### Torque limiters Spring clutches



#### Printers



Worldwide top market share by supplying long, lightweight, and high-precision shafts

#### Communications-related products

##### Optical connectors



##### Optical adaptors



## Our Strengths

# Proven Record and Trust from Store of Expertise and Technology

### Advanced precision plastic processing technology



#### In-house die production

- We produce drawing dies in-house, which enables us to create precision deformed products with more complicated shapes.
- We achieve short delivery turnaround while meeting our customers' precision requirements.



#### Quality assurance

- We roll out applications of the measurement expertise we gained through manufacturing precision components.
- We leverage our unique applied sensor technologies to combine an inline measurement system with control technology. This dramatically improved quality and productivity.

### Integrated production system spanning from materials to products



#### Materials development

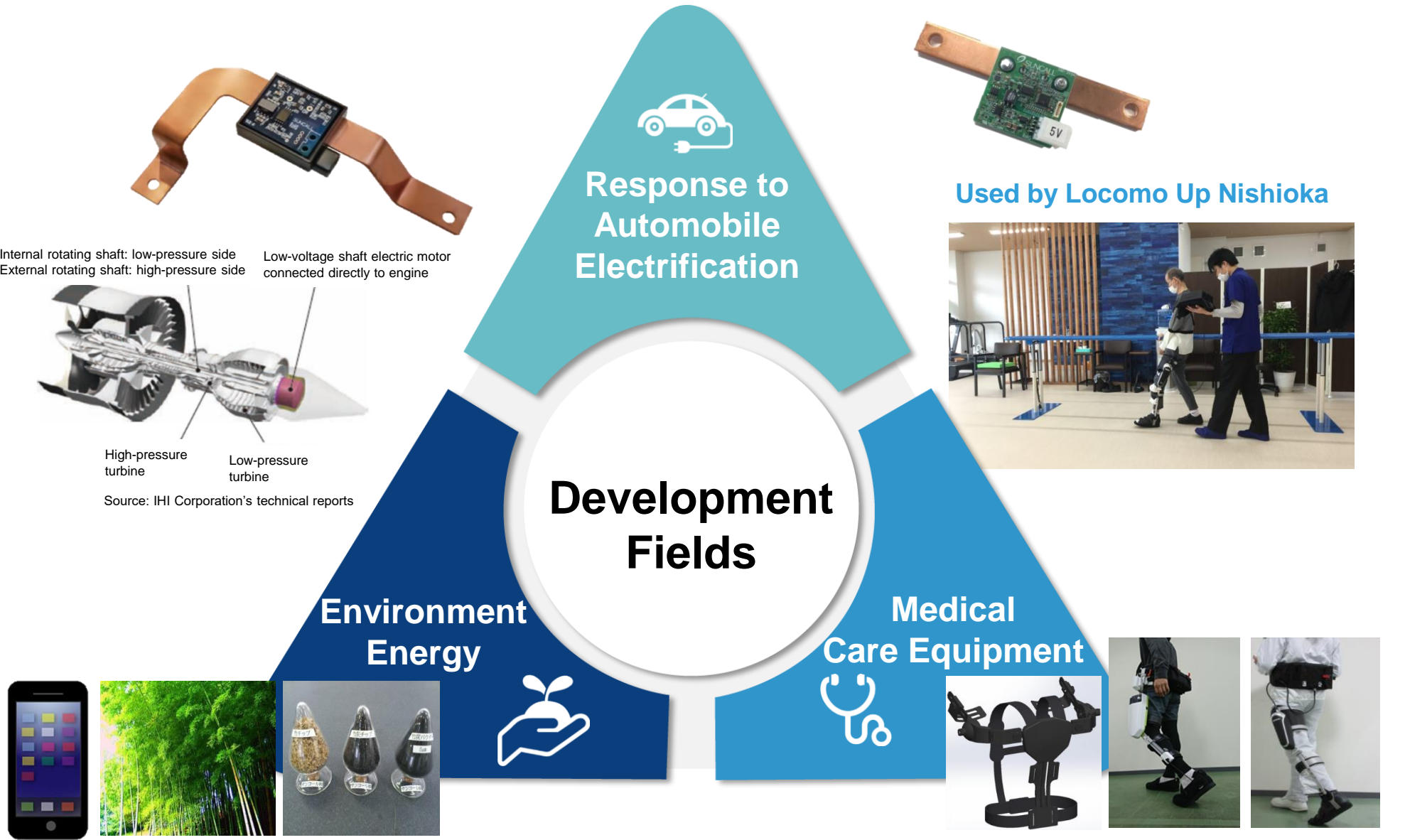
- Our contributions start from designing the composition of steel materials, developing unique high-strength materials with the high responsiveness and durability that meet our customers' specifications requirements.



#### Surface treatment technology

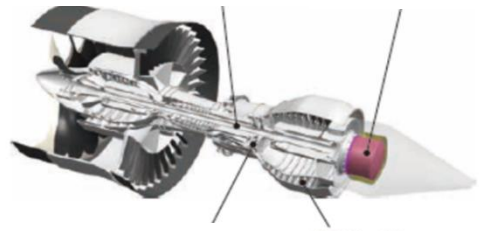
- We achieve high fatigue strength by leveraging surface treatment technologies such as nitriding and multi-stage shots.

# Development of Next-generation Businesses



Internal rotating shaft: low-pressure side  
 External rotating shaft: high-pressure side

Low-voltage shaft electric motor connected directly to engine



High-pressure turbine      Low-pressure turbine

Source: IHI Corporation's technical reports

**Used by Locomo Up Nishioka**



## II. Continued Listing Plan

# Status with Regard to Meeting All Criteria for Continued Listing

## Status with Regard to Meeting All Criteria for Continued Listing

As of the base date for transition (June 30, 2021), the Company did not meet the criteria for continued listing on the Prime Market for tradable share market cap and trading value.

	Criteria for Continued Listing on the Prime Market	The Company's Figures (As of notification on June 30)
Tradable share market cap	10.0 billion yen	7.4 billion yen
Trading value	20.00 million yen	17.21 million yen

### Period of Plan

- We have specified the period of plan for meeting the criteria for continued listing as the final fiscal year of the next Medium-term Management Plan (April 2022–March 2025). We will implement various measures to meet the criteria as soon as possible.
- The next Medium-term Management Plan (April 2022–March 2025) is under diligent consideration. We plan to announce the details together with our financial results for the third quarter, scheduled for release in February 2022.

# Basic Policy for Meeting the Criteria for Continued Listing

## Basic Policy

We intend to increase the tradable share market cap by formulating the next Medium-term Management Plan and steadily implementing measures including capital measures together with the business plans in the Medium-term Management Plan. We are giving careful consideration to increasing the trading value through a continuously higher share price (which translates to market cap).

### Current Issues and Future Initiatives for Increasing the Tradable Share Market Cap

The Company's past inability to exceed the cost of capital expected by the stock market is considered to be an issue. We will implement the following measures in the next Medium-term Management Plan in order to solve this issue.



- Reform our business portfolio with an awareness of return on capital



- Implement the capital measures that contribute to higher shareholder value with an understanding of appropriate capital structure

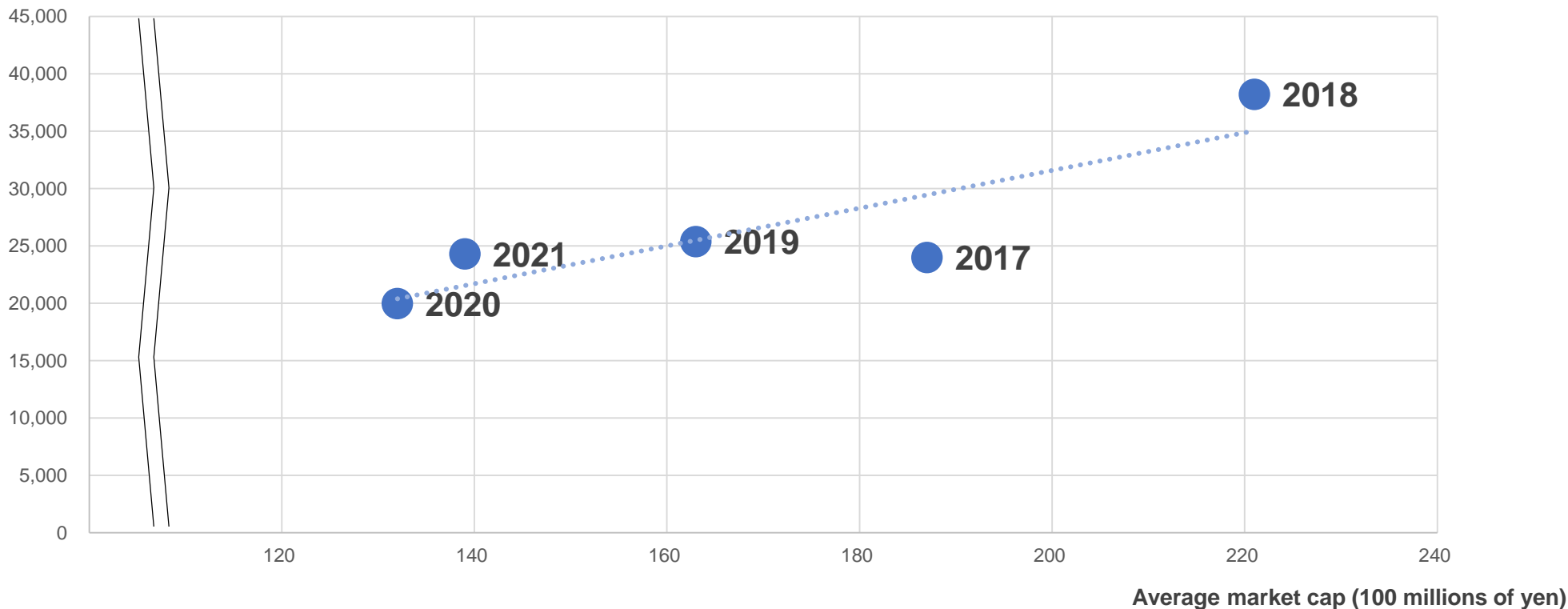


- Establish the SDGs Promotion Committee and search for business opportunities that address sustainability issues
- Strengthen management oversight by increasing the number of independent outside directors

# Relationship Between the Company's Trading Value and Market Cap

## Relationship between the Company's Trading Value and Market Cap

Average trading value (thousands of yen)



**Because a correlation can be seen between the Company's trading value and market cap, we are giving careful consideration to increasing the trading value through a continuously higher market cap.**

\* Source: Speeda

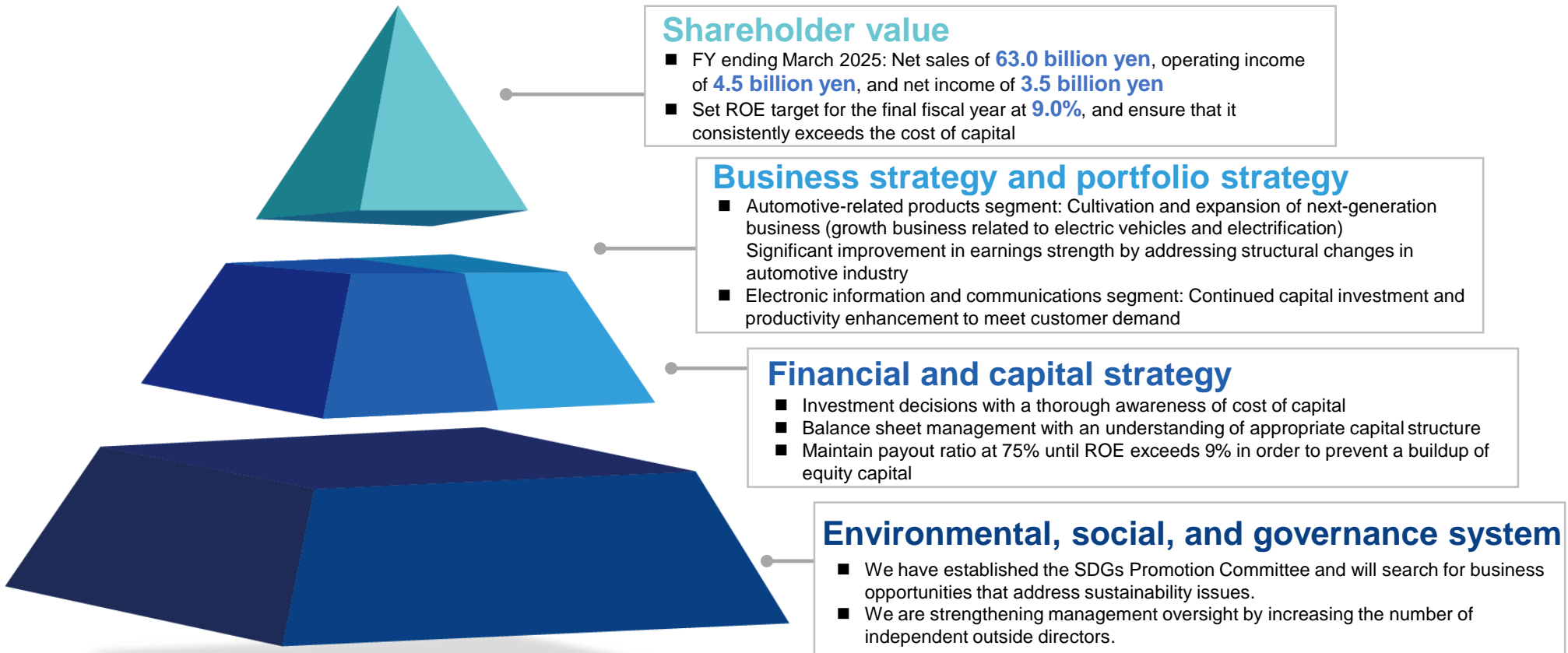
# Next Medium-term Management Plan (April 2022–March 2025) Outline



# Next Medium-term Management Plan (April 2022–March 2025) Overview

## Basic Policy of the New Medium-term Management Plan

### Acceleration of an effective strategy to create a business portfolio for 2030



# Next Medium-term Management Plan (April 2022–March 2025)

## Numerical Targets

	Index	FY ending March 2022 (Forecast)	FY ending March 2025 (Target)
Growth rate	Net sales	47,600 million yen	63,000 million yen
	Operating income (margin)	650 million yen (1.4%)	4,500 million yen (7.1%)
	Net income	710 million yen	3,500 million yen
Return on capital	ROE (%)	2.0% (expected)	<b>9.0%</b>
Returns to shareholders	Dividend payout ratio	Dividend payout of 30% of net income up to 2.5 billion yen, and 40% of net income above 2.5 million yen	<b>Maintain payout ratio at 75% until ROE exceeds 9%</b>

**Next Medium-term Management Plan (April 2022–March 2025)**  
**Business Strategy**

# Business Strategy

## Business Strategy Policy

Acceleration of an effective strategy to create a business portfolio for 2030 that will enable sustainable growth

Accurately identify business opportunities and growth fields of each business, make highly effective investments with an awareness of capital cost, and ensure that we achieve profitability on the upfront investments we have made to date

## Key Strategies

- Cultivation and expansion of next-generation main business  
**Growth business related to electric vehicles and electrification**
- Significant improvement in earnings strength by addressing structural changes in automotive industry  
**Existing automotive-related products segment**
- Continued capital investment and productivity enhancement to meet customer demand  
**Growth business related to electronic information and communications**



# Future Outlook for Business Segments toward 2030

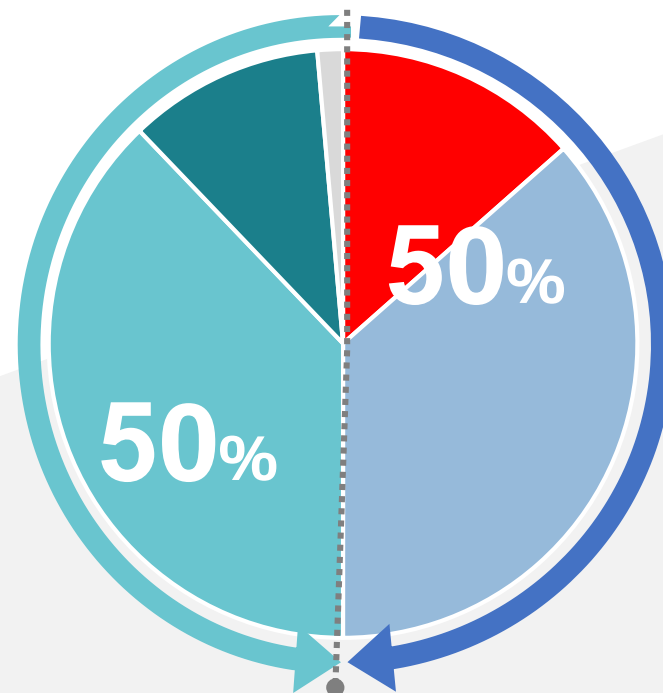
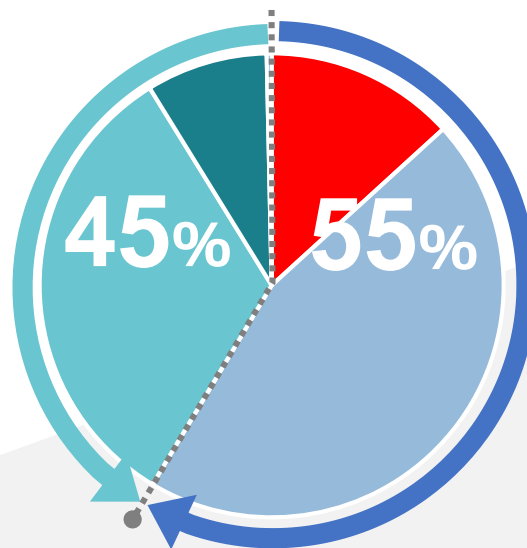
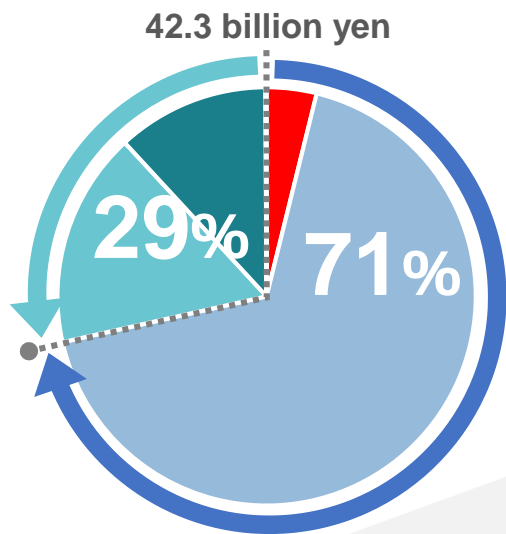
## A Automotive-related products segment

- Products related to electric vehicles and electrification (**next-generation business**) (bus bars, current sensors, etc.)
- Existing products (valve springs, wire for valve springs, ring gears, etc.)

## E Electronic information and communications segment

- Hard disk drive suspensions
- Optical and printer-related products
- Others

\* Percentages represent proportions of net sales



FY2019 (Pre-COVID-19) Actual

FY2024 Target

FY2030 Target

# Automotive-related Products Segment: Key Strategies

01

## Cultivation and expansion of next-generation main business (Growth business related to electric vehicles and electrification)

- Sizable growth in demand for various types of vehicles including electric vehicles, hybrids, and plug-in hybrids is creating increased needs for highly precise current detection. We will meet these needs by developing bus bars, shunt sensors, and shunts on bus bars and launching them in the electronic vehicles market.
- Medium- to long-size bus bars using the Company's plastic processing for metals and precision processing technologies have been newly adopted for use in electric vehicles and hybrids by two Japanese automakers. We will promote their adoption for other vehicle models.
- We have begun to mass produce and supply shunt bus bars for electric vehicles in North America. We will expand sales of shunt bus bars in Europe, China, and the U.S. together with shunt sensors for high-precision current detection, which we have started to deliver in Japan.
- Moving forward, we will accelerate global mass production by further enhancing our development system and collaborating with Marubeni-Itochu Steel Inc., in order to develop the electrification-related business into a next-generation main business.

02

## Significant improvement in earnings strength by addressing structural changes in automotive industry (Existing automotive-related products segment)

- With sizable growth in demand for electric vehicles forecast, we will be able to maintain through 2030 the scale of our existing automotive-related products segment (consisting of a seat belt business and other safety equipment-related products in addition to the main products of engine parts and precision-functioning transmission parts).
- We will focus on improving earnings strength of existing projects by thoroughly managing earnings on an individual product basis.

# Automotive-related Products Segment: External Conditions

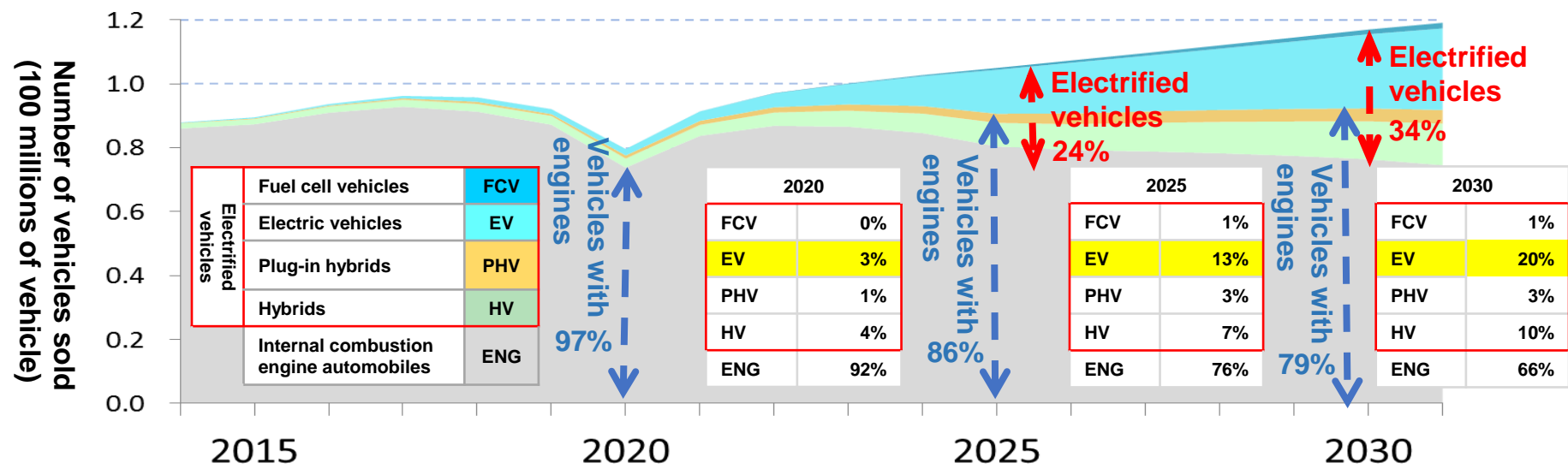
## Outlook for progress on automobile electrification

By 2030, 34% of vehicles will be electrified

## Electrification is accelerating



	2020 Forecast			2021 Forecast		
	2020	2025	2030	2020	2025	2030
Ratio of engine-less vehicles	2%	4%	9%	3%	14%	21%
Ratio of vehicles with engines (including hybrids and plug-in hybrids)	98%	96%	91%	97%	86%	79%



[Data Source: FOURIN & Marklies]

**03**

## **Continued capital investment and productivity enhancement to meet customer demand**

### **(Hard disk drive suspension business)**

- The remarkable growth of cloud computing in recent years is expected to increase data storage volumes at a rate of nearly 20% per year. We expect growth to accelerate even more in the post-pandemic world.
- Customer demand for large-capacity hard disk drives, called “nearline drives,” remains strong, particularly in data centers for such uses as growth of IoT and storage of video data. The Company will continue to carry out capital investment in the hard disk drive suspension business to accurately meet customer demand and pursue higher efficiency by strengthening its production technology capabilities to further increase customer satisfaction through stable supplies and cost reductions.

### **(Communications-related business)**

- Further growth driven by strong 5G-related and IoT-related demand is forecasted going forward in the optical information and communications industry’s three main application markets: data centers, telecommunications, and wireless.
- We will work to increase sales by strengthening our product development capabilities and expanding our sales network for all these markets.



# Electronic Information and Communications Segment: External Conditions

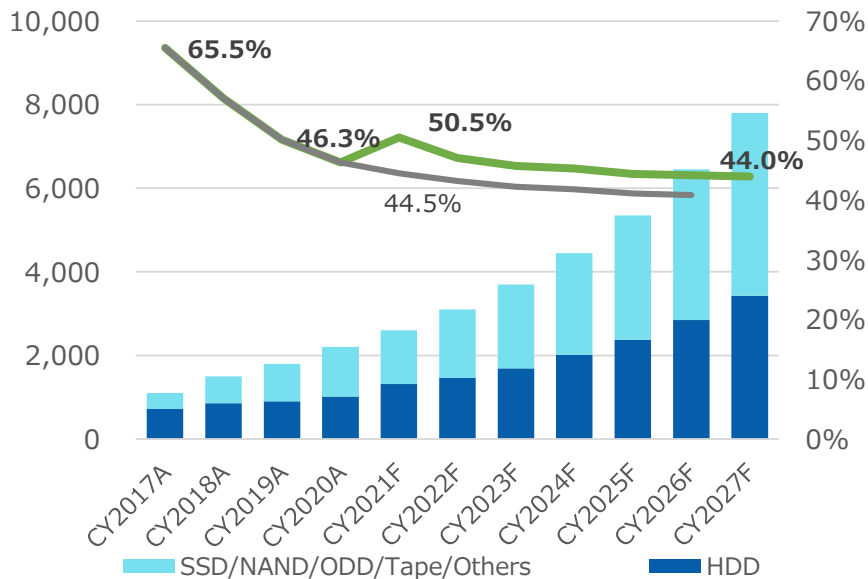
**Demand for nearline hard disk drives will tend to grow going forward in response to the explosive growth in demand for cloud storage capacity**

**1**  
The COVID-19 pandemic is expected to drive explosive growth in demand for cloud storage in the global market

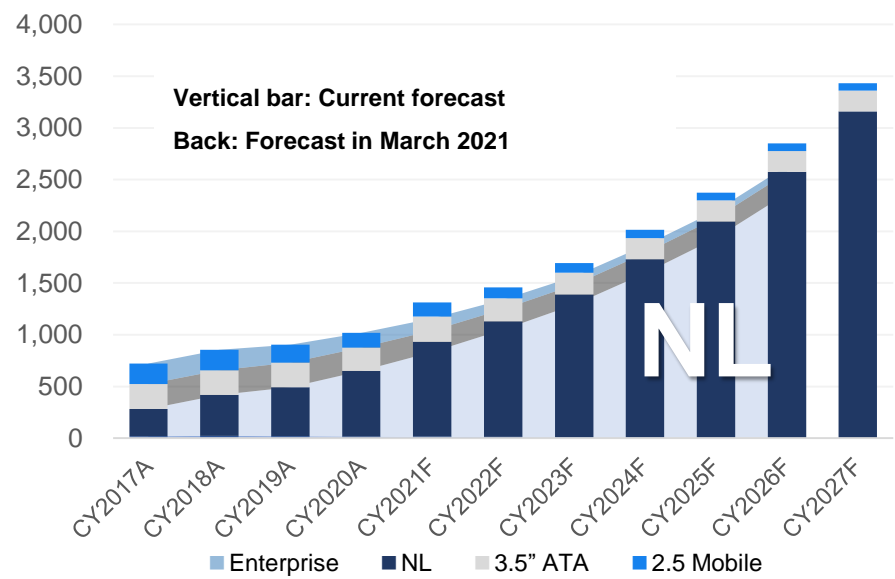
**2**  
Data storage and processing services are centrally managed in data centers and require large-capacity storage

**3**  
Demand for nearline hard disk drives will grow further compared to our forecast in March 2021

**Data storage capacity demand**



**Hard disk drive capacity demand**

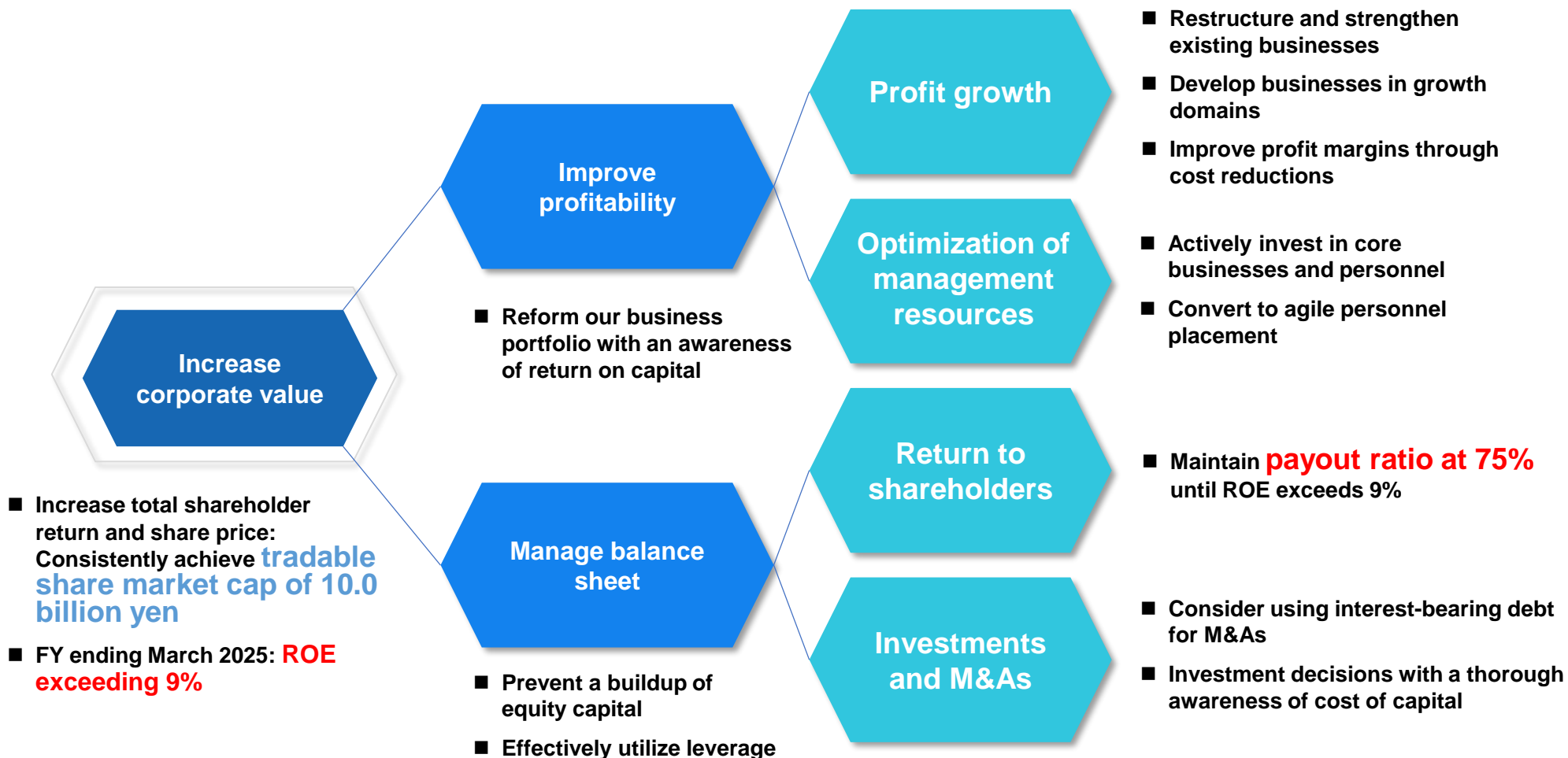


An exabyte (EB) is a unit of measurement for data. 1 EB is 1,000,000,000,000,000 bytes.  
Source: Techno Systems Research Co., Ltd.

Next Medium-term Management Plan (April 2022–March 2025)  
**Financial and Capital Strategy**

# Financial and Capital Strategy

- Reform our business portfolio with an awareness of improving return on capital
- Manage balance sheet with the aim of optimizing excessive shareholders' equity
- Maintain **payout ratio at 75%** until **ROE exceeds 9%** to prevent a buildup of equity capital

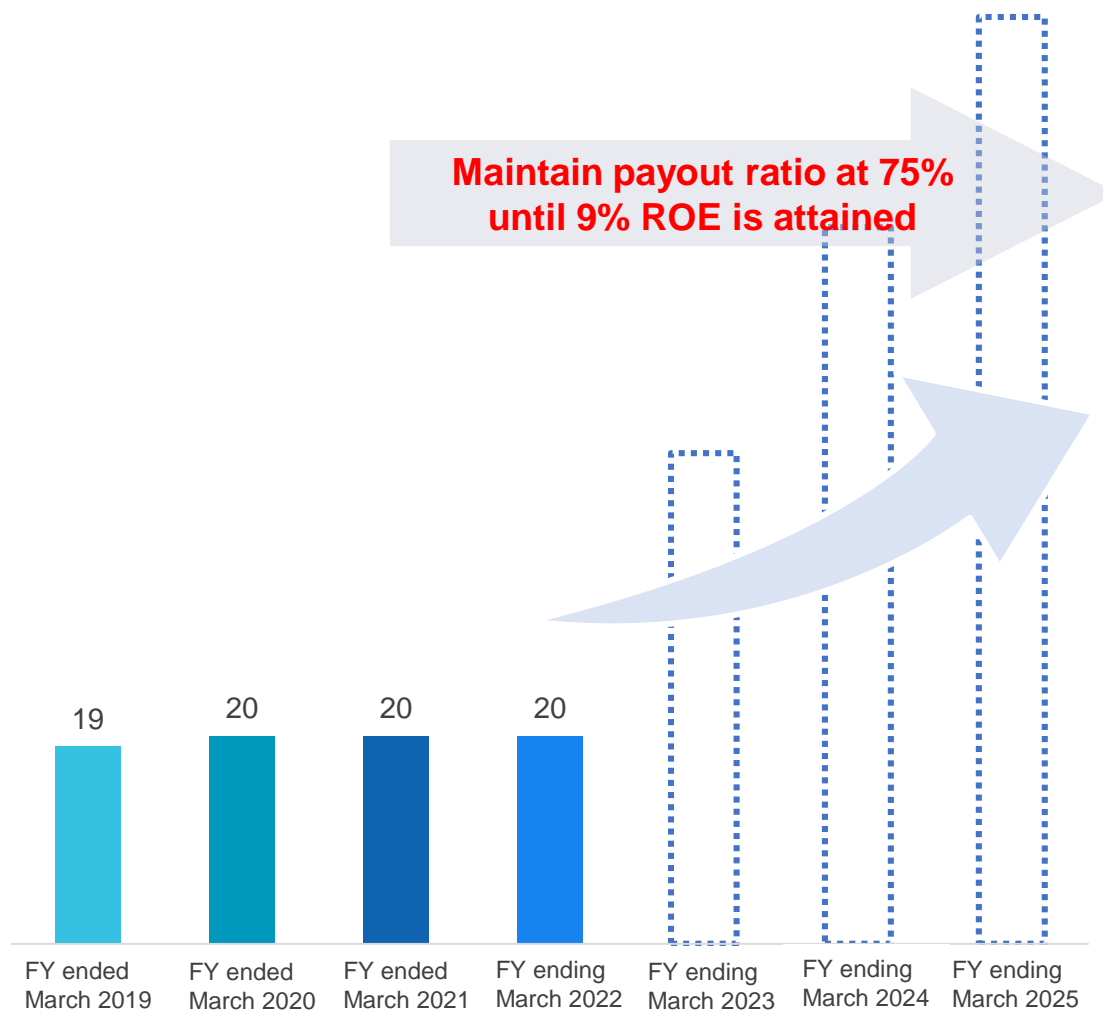


Promote management with an awareness of return on capital and balance sheet management to continuously exceed 9% ROE

Change from the conventional policy of stable dividends to aggressively implementing return to shareholders in order to prevent a buildup of equity capital

- As set forth in the next Medium-term Management Plan, maintain payout ratio at 75% until ROE exceeds 9%

## Trends in dividends per share (yen)



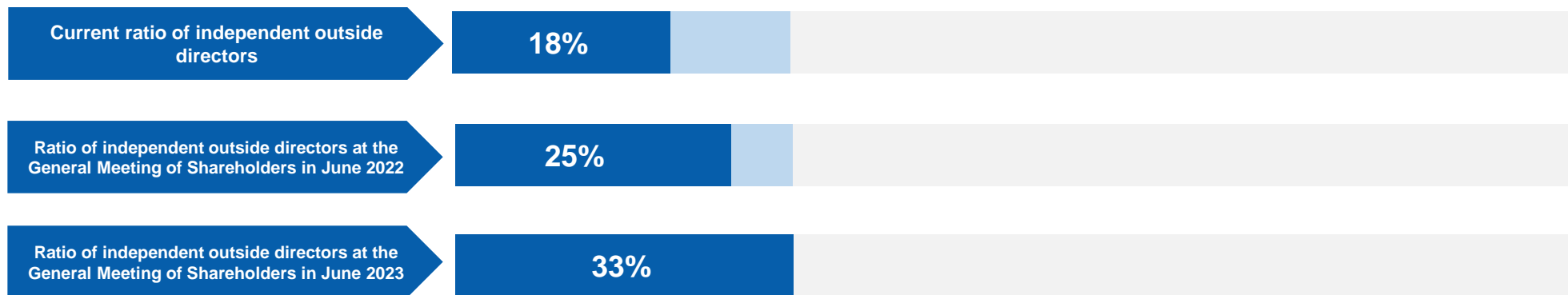
Next Medium-term Management Plan (April 2022–March 2025)  
**Environmental, Social, and Governance Response**



# Environmental, Social, and Governance Response (2)

## Increasing the Number of Independent Outside Directors

**At the General Meeting of Shareholders in June 2022, we plan to appoint an independent outside director. Our target is for one third of the Board to consist of independent outside directors by the General Meeting of Shareholders in June 2023.**



To create the best director composition, we are studying skill matrix as a tool to list and evaluate knowledge, experience, skills, and other qualities of each director from an objective viewpoint. We plan to include this information in the convocation notice of the General Meeting of Shareholders in June 2022.

[Notice]

The materials for today's briefing include statements regarding the Company's performance outlook and future plans and policies. Please ensure that you comply with the Financial Instruments and Exchange Act and other laws and regulations when trading stock, etc. In addition, forward-looking statements in the materials are prepared based on currently available information and include factors of known and unknown risks and uncertainty. Accordingly, the Company's actual performance, business activities, and financial position may differ significantly from these statements. Please note that the Company has no obligation to announce or disclose updates or revisions to these forward-looking statements.

