

Machined Components Business

Aim to achieve strong growth on the back of increasing structural demand, particularly for ultra-high quality products and overwhelming competitive edge



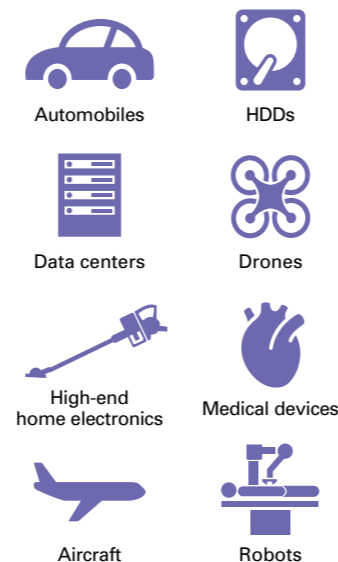
Satoshi Mizuma
Managing Executive Officer,
Chief of Machined Component Manufacturing Headquarters

Major products



Ball bearings Rod-end bearings Spherical bearings Roller bearings Fasteners
Bushings Pivot assemblies Mechanical assemblies Aerospace fasteners

Major applications



Basic strategies

A basic strategy of the Machined Components business, which has been the Company's core business since its founding, is to maintain consistent and permanent growth while maximizing growth areas by expanding the business portfolio. To such ends, we have been increasingly fortifying the business of miniature and small-sized ball bearings which already boast overwhelming competitive advantages in the market, while taking steps to further strengthen the earnings base by actively arranging M&As aiming to acquire new technologies and expand the business portfolio.

Core competencies

Through the fundamental strength of the Company's DNA, including ultra-precision machining, vertical integration, global development, and mass production, we are securing a dominant market share and high-level QCD*. By pursuing overseas development early and strengthening our in-house manufacturing and maintenance capabilities for components and facilities, we have succeeded in balancing ultra-high quality and low costs. The accumulation of knowhow over many years forms a barrier to entry that cannot be measured in terms of capital investment, making entry practically impossible for competing manufacturers.

* "QCD" is an abbreviation for Quality, Cost and Delivery.

Overview of the fiscal year ended March 2020

Highlights of the Machined Components business

Net sales composition	ROIC	External sales volume of ball bearings	Production volume of ball bearings
18%	24%	Approx. 190 million units/month (+ internal sales 65 million units/month)	Approx. 260 million units/month

Overview of the fiscal year

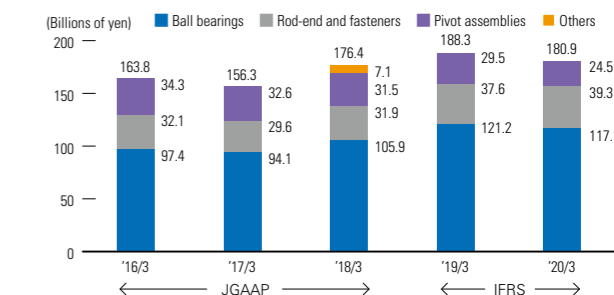
Sales and income decreased due to the macroeconomic slowdown

Sales to data centers of ball bearings, one of our mainstay products, decreased on a full-year basis, but from the third quarter, we saw a clear trend of recovery. On the other hand, sales for automobile applications gradually slowed in the latter half of the fourth quarter although sales were up year on year for the fiscal year.

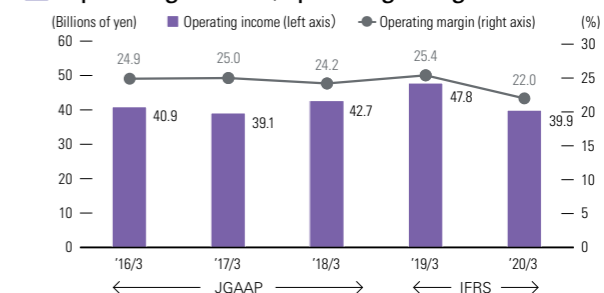
Despite the impact of reduced production in B737MAX, rod-end and fasteners sales increased owing to favorable orders in other aircraft and other products. Meanwhile, pivot assembly sales were down both in volume and amount due to shrinking of the HDD market.

As a result, net sales were 180.9 billion yen (down 4.0% YoY), operating income was 39.9 billion yen (down 16.5% YoY), and operating margin was 22.0%.

Net sales



Operating income/operating margin



"Becoming the one-of-a-kind through INTEGRATION capabilities" Strategy

Creating value that only one company in the world can

The Company is the only ball bearing manufacturer that also produces sensors. The Company is the only rod-end bearing manufacturer that also produces connectors. With our vertically-integrated manufacturing system, one of the Company's core competencies, and our "vertically comprehensive capabilities," we can create value like no other company in the world by strengthening our "horizontally

comprehensive capabilities." This is what we call INTEGRATION.

For example, we are working to realize "malfunction detection" through the development of sensor-equipped ball bearings. Furthermore, by combining the wireless technologies of our Electronic Devices and Components business and the MITSUMI business with our battery-less power generation technologies, we aim to produce benefits including labor savings, environmental burden reductions, and energy efficiency improvements.

Creating solutions to social issues

The higher the quality of the product, the higher the market share: developing together with an energy-saving society

The most important function of bearings is to reduce energy consumption by allowing things to rotate more easily. Furthermore, bearings should also reduce or silence noise during rotation. For ball bearings, the higher the precision and

specifications required, the higher the Company's market share gets—for applications, such as luxury vehicles, cooling fans for data centers, drones, high-end home electronics, and pivot assemblies for hard disks.

Amid rising global environmental awareness, the Company is working to protect the environment while growing our business.

