ADDENDUM No. 8

A Further Clarification of Graph No. 3

This exhibit shows U. S. production of various bearing groupings, as well as total bearing production of one Japanese bearing manufacturer.

1. U. S. production of miniature and instrument bearings (Curve 1) shows all 0-9 mm. o.d. bearings, regardless of precision grade, and all 9-30 mm. o.d. bearings of a precision grade generally required for defense items (gyros, gear heads, antennas, etc.) These bearings, by reason of size and/or precision grade, constitute "miniature and instrument bearings."
2. U. S. production of "Category I and II" bearings shows the sum of all 0-9 mm. o.d. bearings of all grades of precision. Such bearings, by reason of their size, require very specialized equipment and assembly facilities and represent the normal output of the miniature bearing manufacturer.
3. U. S. production of "Category 1" bearings shows the sum of (1) all 0-9 mm. o.d. low precision grade bearings, and (2) 30% of total U. S. production of high precision grade 0-9 mm. o.d. It is this portion of our business that has provided the base on which our previous expansions and technical developments have been founded.
4. The curve showing the output of one Japanese bearing manufacturer was developed from data in the April 1967 issue of the "Oriental Economist."

COMMENT:

While we have no way of directly determining the size and tolerance range produced by the Japanese plant, we know that optimum profits would accrue if the Japanese product fell into the Category I area. Until quite recently the demand for Category I product could not be met by U. S. production—due to the Vietnam escalation. In this area the Japanese found a "sellers market" in which a product could be sold with a minimum of technical content or customer contact. We feel, therefore, that Curves (3) and (4) are directly comparable, and that the Japanese now have more than 50% of the total U. S. (defense) market for this commodity.