

AUTOMOTIVE PARTS SEGMENT

Our automotive parts segment provides piston rings, other engine parts, and cast-iron products for a wide range of uses including automobiles, motorcycles, ships, as well as industrial machinery and air conditioners. For the fiscal year ended March 31, 2001, sales in this segment increased 4.3% to ¥50.8 billion. Operating income surged by 42.6% to ¥5.2 billion.

Sales of piston rings, our core product, increased mainly due to boosted exports to Asian and Middle Eastern countries. A newly developed multilayered chrome plating top ring for diesel engines also drew a high demand. New products of seal rings used in transmissions posted higher sales fueled by increases in car production. Demand for our innovative ultralight hollow camshafts were also strong, while at the same time we discontinued unprofitable products such as chambers to enable a further concentration on core products.

Markets for automotive parts are severely competitive, but ample opportunities nevertheless exist for value-adding suppliers such as Riken. For example, provoked by the Nissan Revival Plan released in 2000, markets for engine parts became borderless and more sensitive to cost performance. However, backed by our technological superiority combined with affordable pricing, we are winning new orders and staking out the prime supplier's position for global cars. Worldwide popularity in diesel engines appears to be gaining owing to its relatively low emission of CO₂. While parts for diesel engines must be more durable than for gasoline engines, our low-cost gas nitrided diesel vent M (DVM) ring and new surface treatment technology such as multilayered chrome plating are gaining the spotlight.

We obtained QS-9000 certification for the other engine parts division and for a camshaft manufacturing subsidiary in April and May 2001 respectively, in addition to the acquisition of this certificate for the piston ring division in 1999. Obtaining QS-9000 in addition to ISO 9001 should reinforce our global reach.



SEGMENT SALES
(¥ million)



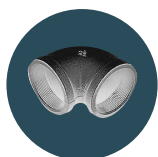
CONSTRUCTION PRODUCTS AND SERVICES SEGMENT

Our construction products and services segment deals mainly in piping products. We manufacture and distribute piping materials for use in homes, condominiums, office buildings, and manufacturing facilities. Mainstay products include fittings for steel, vinyl chloride, polyethylene and stainless pipes. Our subsidiaries also provide constructional services both for group members and outside customers.

The harsh operating conditions hampered our results in the fiscal year ended March 31, 2001. Sales in this segment declined 2.9% to ¥6.6 billion. Operating loss amounted to ¥350 million, ¥203 million worse than the previous year. Although a demand increase for condominiums offset weakened demand for private houses, domestic housing starts totaled only 1.2 million units, remaining at the previous year's level. Floor space of non-housing construction starts declined 0.4% from the previous year due to a decline in private sector constructions. Our piping business was slowed by severe price competition over a limited share of new and delayed constructions due to a slow domestic economy. Although sales volume for piping products was at 98% of the previous year's total, revenue reached only 92% of the previous year's level. In addition, a shift in types of pipe fittings used among customers adversely affected our core cast-iron screw pipe fittings.

In the fiscal year under review, we began marketing a new product, SUS FIT. This new cutting-edge pipe fitting boasts many user friendly features such as an anti-falling function for loosened screws, as well as coloring that aids correct joints and other features. We started supply of this new product to competitors. We also shifted to recyclable and more environmentally friendly materials in pipe fittings.

In this segment, we intend to expand sales and promote an optimal allocation of production at domestic and overseas affiliates in order to reduce costs. At the same time, we will advance new product development focused on the high-value-added field of mechanical fittings.



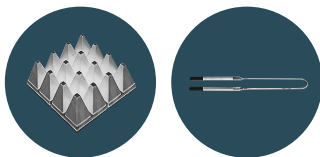
OTHER PRODUCTS AND SERVICES SEGMENT

Other than automotive parts and construction businesses, Riken offers products ranging from furnaces and electric heating wire to shield rooms and anechoic chambers that shield against electromagnetic radiation produced by electronic devices. We offer furnaces for incinerating sewage and industrial waste that offer a variety of industrial uses.

Sales of this segment increased by 3.1% to ¥14.4 billion in the fiscal year ended March 31, 2001. Operating income rose 27.8% to ¥ 1.3 billion, up ¥285 million from the previous year. Although sales of furnaces stayed at the previous year level, large-scale orders for shield rooms contributed to an overall increase in sales in this segment. Viewed more precisely by product, sales of industrial furnaces increased 34% from the last year thanks to orders to overseas clients and new orders from information technology and telecommunication sectors. Our initiative to expand to the semiconductor market led to a 128% increase in sales of ceramic heating from the previous year. This was more than enough to offset a 56% decrease in sales of incinerators, for which we conducted only maintenance jobs, with no new orders recorded.

As for industrial furnaces, it appears that capital investment in the information and communication as well as energy fields is steady, although restricted capital investment in matured industries hinders new orders. We forecast that growing worldwide concern about the impact of low-frequency radio waves on the human body should increase needs for our shield rooms and anechoic chambers. Therefore, we expect orders for upgrades to such facilities as the substations and generator rooms of buildings. Regarding incinerators, we predict that demands for upgrading existing incinerators to control dioxin in exhaust emissions will fade, but new demands to control dioxin in flying ash and incinerator ash will increase.

With our world class technology, as shown by the electromagnetic anechoic chamber, we provide products that contribute to society by advancing leading industries and supporting the environment.



SEGMENT SALES
(¥ million)

