

## REVIEW OF OPERATIONS

### AUTOMOTIVE PARTS

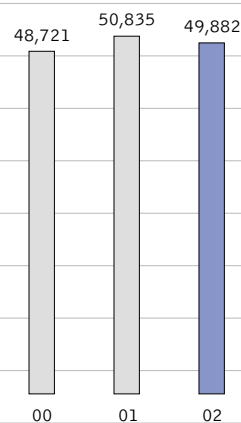
Current sales revenue for this division, which includes the Group's core products: piston rings, camshafts, valve lifters, and steering knuckles, was ¥49,882 million, a 1.9% decline from the previous year. Operating income was ¥4,760 million, an 8.4% decline from the previous year.

Piston rings are just one of many Riken Group products that include surface processing technology and contribute to lighter, more fuel-efficient automobiles. The market share for piston rings grew for domestically produced engines. Overseas sales revenue also grew significantly as a result of new ring sales to European OE manufacturers and growth in replacement part sales to the Asian and Middle-Eastern markets. Valve lifter sales also increased due to increased engine production by our major customers. However, market competition resulted in a decline in the unit prices of engine parts, such as valve seats, camshafts, and chassis parts, leading to a decline in overall sales revenues.

In the future, product sophistication and lighter-weight automobiles will be the critical concerns for the industry. The Riken Group is conducting R&D, with an emphasis on developing thinner, lighter, and highly durable piston rings in conjunction with advancements in surface-treatment technology that will enhance the compatibility between ring sealing strength and lubricity. Other R&D projects include improvements in valve lifter functionality, reduced-weight camshafts, and thin-walled cast iron chassis parts.



SEGMENT SALES  
(¥ million)



## CONSTRUCTION PRODUCTS & SERVICES

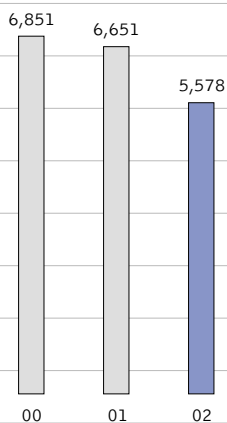


Responsible for the manufacture and sale of piping equipment and materials, this division strove to expand sales and secure new customers. It did so by investing from the start of the year in SUSFIT fittings for stainless-steel pipe in response to changing demand. Sales were ¥5,578 million, a 16.1% decline from the previous year, resulting from the overall price reductions associated with the slump in the construction and housing industry. However, the operating income ratio improved as a result of productivity enhancements and operational efficiencies, reducing the operating loss to ¥106 million.

Going forward, the plan is to realize further cost reductions by optimizing production volume and to expand sales by developing products that respond to market needs by focusing on high value-added mechanical fittings, such as our package of stainless steel fittings.



### SEGMENT SALES (¥ million)

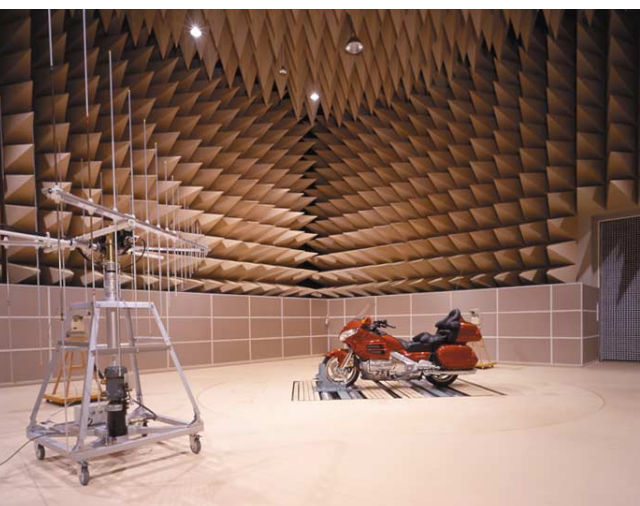


## OTHER PRODUCTS & SERVICES

Responsible for the installation of radio frequency anechoic chambers, shield rooms and industrial furnaces, this division had sales revenues of ¥13,788 million, a 4.4% decline from the previous year. Operating income was ¥936 million, a 28.5% decline from the previous year. The overall decline resulted from an IT-glut-induced slump in industrial furnaces for semiconductor use and a decline in equipment exports to overseas markets. This occurred despite a favorable 9% year-to-year increase in sales of radio frequency anechoic chambers and shield rooms, primarily to automobile and automotive parts manufacturers.

With the growing trend in ITS (Intelligent Transport System) related business, beginning with ETC (Electronic Toll Collection), there has been growing activity in the development of devices and systems that use radio waves. This trend is making radio-wave absorbers and high frequency anechoic chambers critical components for the automobile industry. In addition, public authorities have started to establish signal leakage standards.

Given these circumstances, and with the help of design considerations at the planning stage, we will continue to develop sales by fully leveraging our automotive industry track record and Riken's sales force.



SEGMENT SALES  
(¥ million)

