

## AUTOMOTIVE PARTS

Current sales revenue for this division, which includes the Group's core products of piston rings, camshafts, valve lifters and automobile suspension parts, was ¥52,622 million, a 5.5% increase from the previous year. Operating income was ¥4,780 million, a 0.4% increase from a year earlier.

In this segment, as a result of developing new piston rings which help reduce the weight of engines and improve fuel efficiency, ring sales have expanded as these new products were introduced into the new models of automakers in Japan and abroad. In addition, domestic automobile production recovered. As a result, our sales of general automobile components increased.

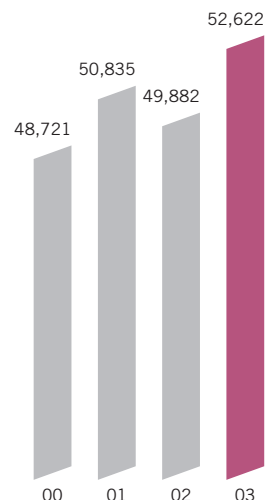
We need to be responsive to progressive trends in engine function as automobiles are becoming more and more eco-friendly. Additionally, we must respond to the trend of standardization of engine models among automakers. We will promote development of high-performance products and concentrate our resources on the establishment of low-cost processing technologies to ensure production of low-cost, mass-production products. We also aim to expand sales in the world market by: 1) better responding to specific customer needs in the domestic and overseas production of Japanese automakers, and 2) boosting sales to non-Japanese carmakers by optimally leveraging the supply structures of the Group.



### AUTOMOTIVE PARTS SEGMENT SALES

(¥ million)

For the years ended March 31



## CONSTRUCTION PRODUCTS & SERVICES



This division is responsible for the manufacture and sale of construction products, with a focus on pipe fittings. Efforts were made to improve customer services with a full-scale launch of a call center and by promoting the rationalization of production processes. Sales fell 10.5% from a year earlier to ¥4,993 million due to sluggish sales in the construction and housing industry, resulting in an operating loss of ¥169 million.

We will review the procurement structure in the Group, including subsidiaries, to thoroughly enhance quality/cost competitiveness while developing new products and expanding sales of mechanical stainless-steel pipe fittings.

## OTHER PRODUCTS & SERVICES



Sales of this division remained almost unchanged from the previous year at ¥13,892 million, up 0.8% from a year earlier. Sales of industrial furnaces and shield rooms declined despite increases in sales of sealing rings, thermal equipment and equipment exports to overseas markets. Meanwhile, operating income soared 43.2% from the previous year to ¥1,340 million due to progress in rationalization efforts.

### CONSTRUCTION PRODUCTS & SERVICES SEGMENT SALES

(¥ million)

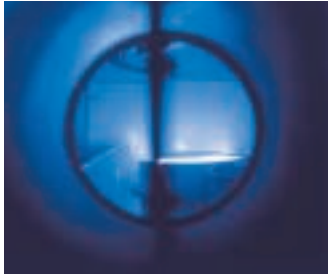
For the years ended March 31



### OTHER PRODUCTS & SERVICES SEGMENT SALES

(¥ million)





## R&D ACTIVITIES

Research and development activities of the Riken Group, divided according to the three divisions, are directed by the Research & Development Department of the Company, as well as by the Technology Development Department, Product Development Section and Technical Group of the respective business divisions. Our R&D expenses totaled ¥1,286 million in fiscal 2002, including expenses on research for product commercialization as well as on research facilities themselves.

Major R&D activities of each business are as follows.

1. Development of new light-weight piston rings that reduce fuel consumption and conform to tighter emissions regulations.
2. Improvement in piston ring materials/surface qualities; development of assessment/analysis technologies and low-cost manufacturing methods.
3. Development of light-weight, low-friction valve components.
4. Development of thin, light-weight suspension components.
5. Development of mechanical joints for stainless-steel pipes.
6. Development of eco-friendly, corrosion-proof stainless joints.
7. Development of high-frequency measuring technologies for microwaves and millimeter waves, and that of high-frequency absorbers for anechoic chambers.
8. Development of ceramic materials.
9. Development of car sensors.

## SUMMARY OF CAPITAL SPENDING

As its basic strategy the Riken Group concentrates its management resources on the core businesses, mainly on Automotive Parts (piston rings, engine parts, etc.) We spent ¥3,853 million on capital investment in fiscal 2002, primarily for the rationalization of production facilities.

Of the total capital investment, Automotive Parts accounted for ¥2,868 million, while ¥124 million were spent for Construction Products & Services, and ¥859 million were used for Other Products & Services.

All the funds required for capital investment were sourced internally.