

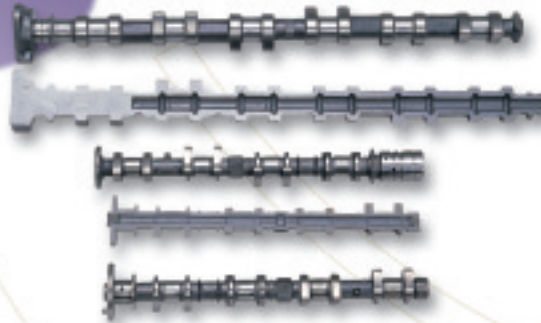


AUTOMOTIVE PARTS

The automotive parts division handles the Group's core products of piston rings, camshafts, valve lifters and high-grade cast-iron products. In this segment, sales of automobile piston rings were affected by the decline in unit prices and the reduced operations of a subsidiary in Korea due to a labor strike. However, new products were introduced for camshafts and high-grade cast-iron products. As a result, sales were ¥51,694 million, a 1.8% decrease from the previous fiscal year. Operating income was ¥4,092 million, a 14.4% decrease from a year earlier, due to the effects of reduced unit prices, higher materials costs, and increases in various expenses.

AUTOMOTIVE PARTS SEGMENT SALES

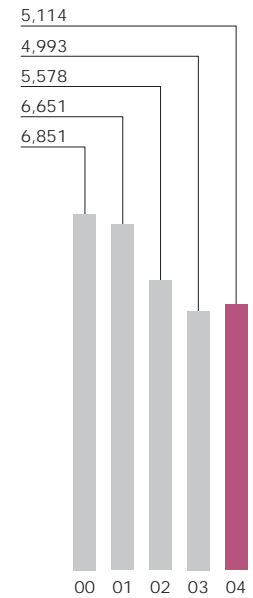
For the years ended March 31
(¥ million)



CONSTRUCTION PRODUCTS & SERVICES

Despite tough price competition, sales of the construction products & services division including its core product line of pipe fittings amounted to ¥5,114 million, up 2.4% from a year earlier, due to increased sales of piping and construction-related orders. Operating income reached a positive value of ¥46 million after an operating loss of ¥169 million for the previous year, thanks to various rationalization efforts including the transfer of production to a subsidiary in Indonesia.

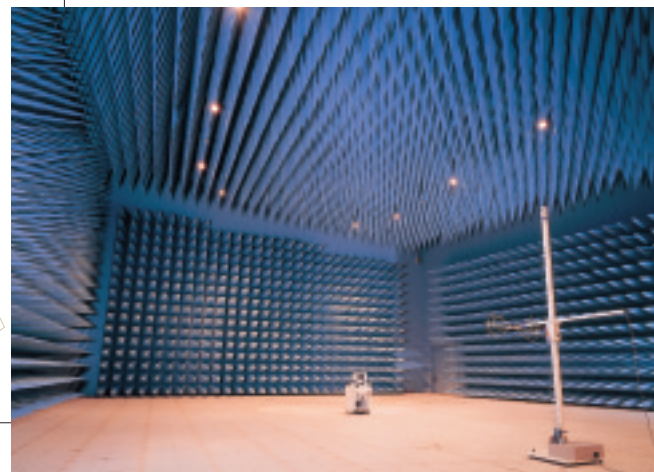
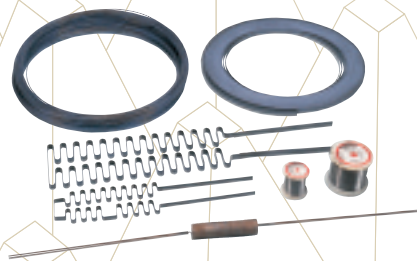
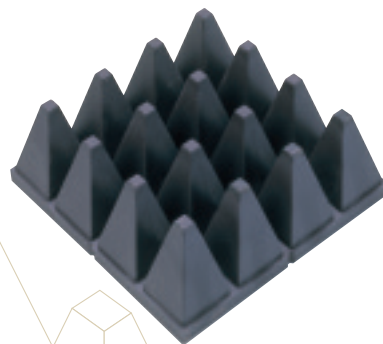
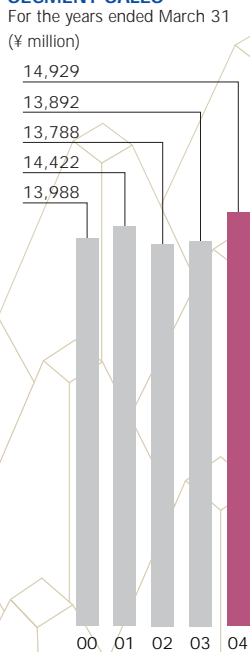
CONSTRUCTION PRODUCTS & SERVICES SEGMENT SALES
For the years ended March 31
(¥ million)

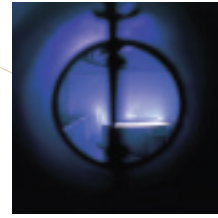


OTHER PRODUCTS & SERVICES

Sales of the other products & services division amounted to ¥14,929 million, up 7.5% from a year earlier, due to increased sales in piston rings for ships and construction equipment, sealing rings for transmissions, thermal equipment, anechoic chambers, etc. Operating income increased to ¥1,952 million, up 45.7% from a year earlier, due to progress in production rationalization efforts.

OTHER PRODUCTS & SERVICES SEGMENT SALES
For the years ended March 31
(¥ million)





R&D ACTIVITIES

Research and development activities of the Riken Group are managed 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 ¥1,397 million in fiscal 2003, including ¥1,268 million for the automotive parts division, ¥55 million for the construction products & services division, and ¥73 million for the other products & services division. Major R&D activities of each business division are as follows.

1) AUTOMOTIVE PARTS

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 treatment 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 car sensors.

2) CONSTRUCTION PRODUCTS & SERVICES

1. Development of mechanical fittings for stainless-steel pipes.
2. Development of eco-friendly, corrosion-proof pipefittings.

3) OTHER PRODUCTS & SERVICES

1. Development of high-frequency measuring technologies for the microwave and milli-range wave, as well as high-frequency absorbers for anechoic chambers.
2. Development of ceramic exothermic materials.

