



SEMIANNUAL REPORT 2005

For the six-month period ended September 30, 2004

Cautionary Note Regarding Forward-Looking Statements

This document includes forward-looking statements that are predictions expressed as the Company's beliefs, plans, strategies and management objectives for future performance based on past expenses, income, profits and other factors. In essence, these forward-looking statements carry a degree of uncertainty, and various factors could cause actual results to differ from predictions that are either expressed or implied.

To Our Shareholders

First of all, we would like to thank you for your continued support in the past term. It is our pleasure to report on the business performance of Riken Corporation and its consolidated subsidiaries for the first half of the 81st term, ended September 30, 2004.

Overview of Operations

During the six-month period under review, the U.S. economy grew, benefiting from robust consumer spending and capital investment. At the same time, the economies of China and other Asian countries continued to expand while the European economy followed a mild recovery path. Despite such uncertain factors as surging prices of crude oil and raw materials, the Japanese economy performed solidly thanks to rising exports, steadily increasing corporate earnings and mildly recovering personal consumption.

In the automobile industry, domestic vehicle sales fell from the same period of the previous year due to declining sales of diesel-powered vehicles that met stricter exhaust emissions regulations and a reduction in sales of small passenger cars, as well as other factors. Despite slowing vehicle sales, domestic vehicle production rose 3.1% from a year earlier, to 5,120,000 units, reflecting brisk exports to Europe, the United States and Asia. The construction and housing industries remained firm as plant construction and new housing construction increased.

Under these business conditions, the Riken Group strove to enhance its overall competitiveness in terms of quality, technology and price, particularly in regard to its core piston ring and camshaft product lines. In this effort, our focus continued to be on developing and selling products that met the needs of the customer. As a result, the Group's net sales for the first half rose 8.2% from the same period of the previous year, to ¥37,607 million. Overall sales growth was bolstered not only by rising automotive parts sales, but also by increasing sales of radio frequency anechoic chambers and equipment for overseas markets. While falling selling prices and soaring raw material costs for castings negatively affected profits, the Group stepped up its streamlining efforts, including the reduction of overall procurement costs. As a consequence, operating income increased by ¥1 million, to ¥2,748 million. Net income for the first half totaled ¥2,074 million, surging 32.5% to reach a record high.

As in prior years, the Company decided that no interim dividend would be paid for the current year.

(1) Automotive Parts Segment

The Automotive Parts segment includes the core products of the Group, such as

piston rings, camshafts, valve lifters and high-grade cast iron parts. In the interim period under review, sales of automotive piston rings increased as overseas engine production by Japanese automakers was brisk and transactions with non-Japanese automakers also expanded. Similarly, sales of camshafts and high-grade cast iron parts increased. For one thing, there was strong production by our customers; for another, the use of our products in volume-production car models was expanded. As a result, net sales of this segment in the half-year period under review totaled ¥26,714 million, up 6.0% over a year earlier. Operating income, however, came to ¥1,483 million, down 16.5%. This reduction in operating income was primarily the result of declining unit selling prices and the rising material cost of castings used for products such as camshafts and high-grade cast iron parts.

(2) Construction Products and Services Segment

Although domestic construction is recovering, competition in the market remained as severe as ever. During the interim period under review, we worked to expand sales with a focus on piping components and to win orders for construction products and services. These efforts resulted in net sales of ¥2,537 million, up 2.1% from a year earlier. As for operating income, this segment was negatively affected by soaring prices of materials but benefited from the rationalization effect of production and other transfers to our Indonesian subsidiary. Consequently, operating income was ¥92 million, a 300% jump over a year earlier.

(3) Other Products and Services Segment

Net sales of other products and services were ¥8,355 million, up 18.2% from a year earlier. These included transmission seal rings, radio frequency anechoic chambers and equipment for overseas markets, as well as piston rings for marine and construction machinery applications. Thanks to positive effect of increased production and production rationalization, operating income totaled ¥1,172 million, up 23.8% over a year earlier.

Outlook

In the period ahead, many uncertainties should continue worldwide, including the situation in the Middle East and soaring prices of crude oil and raw materials. On the other hand, the world economy is expected to continue to expand, led by the U.S. economy and by the Chinese and other Asian economies. In Japan, exports, capital investment and consumer spending will continue to remain firm. However, given the uneasiness caused by

political uncertainty and the prospect of a higher yen, the Japanese economy may weaken in the near term.

Although the world economy is marked by various uncertainties, the motor vehicle industry is expected to expand its markets in the United States, Europe and the Asian region, including China. In particular, Japanese automakers should further expand their global production. Against this backdrop, customers are increasingly raising the level of their demand in terms of quality, technology and price. Furthermore, with raw material supply and demand expected to continue to tighten, costs will remain high for the foreseeable future. In such a harsh business environment, the Group is called upon, more than ever before, to make every effort to fortify its business bases.

As you may be aware, Riken Corporation's Kashiwazaki Plant and several Group companies in the Chuetsu region of Niigata Prefecture were hit by an earthquake that struck the area on October 23, 2004. However, no significant damage occurred and all facilities have already resumed normal operations.

The Riken Group will continue to hone its competitive edge by further improving quality and technology and will carry out its marketing activities with a global perspective. In addition, cooperation among Group companies will be strengthened in a bid to increase the sales of the entire Group.

At the same time, the Group will further promote activities to streamline its operations with a view to improving its profitability and financial standing, thereby enhancing its corporate value. For the year ending March 31, 2005, the Group expects consolidated net sales of ¥76,000 million, operating income of ¥6,500 million and net income of ¥4,600 million.

We hope to continue to receive the support and cooperation of our shareholders in the period ahead.

January 2005



Toshinaga Koizumi
President

**Riken Corporation
and Consolidated Subsidiaries**

**Semiannual Consolidated Financial Statements
(Unaudited)**

The six-month period ended September 30, 2004 and 2003

Riken Corporation and Consolidated Subsidiaries

Semiannual Consolidated Balance Sheets (Unaudited)

	September 30,		
	2004	2003	2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Assets			
Current assets:			
Cash and cash equivalents	¥ 5,769	¥ 6,596	\$ 51,977
Time deposits <i>(Note 4)</i>	268	47	2,422
Notes and accounts receivable	18,649	17,409	168,009
Less allowance for doubtful receivables	(31)	(27)	(280)
Marketable securities	2	166	20
Inventories	8,316	7,572	74,926
Deferred tax assets	1,011	991	9,115
Other current assets	947	567	8,532
Total current assets	34,934	33,323	314,722
Noncurrent assets:			
Property, plant and equipment, <i>(Notes 3 and 4)</i> :			
Land	3,536	3,644	31,864
Buildings	7,448	7,798	67,102
Machinery and equipment	13,659	13,366	123,061
Construction in progress	851	785	7,674
Total property, plant and equipment	25,496	25,594	229,701
Investments in unconsolidated subsidiaries and affiliates	4,749	2,968	42,789
Investments in other securities	3,213	3,117	28,951
Deferred tax assets	5,584	5,212	50,312
Other noncurrent assets <i>(Note 4)</i>	2,137	2,302	19,261
Total noncurrent assets	41,182	39,195	371,013
Total assets	¥76,116	¥72,518	\$685,735

	September 30,		
	2004	2003	2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Liabilities, minority interests and shareholders' equity			
Current liabilities:			
Notes and accounts payable	¥12,372	¥10,405	\$111,463
Short-term debt	8,640	10,142	77,841
Current portion of long-term debt	1,178	1,197	10,619
Accrued income taxes	1,357	1,270	12,228
Accrued expenses and other current liabilities	6,798	5,856	61,245
Total current liabilities	<u>30,346</u>	<u>28,872</u>	<u>273,396</u>
Long-term liabilities:			
Long-term debt	7,477	8,559	67,363
Deferred tax liabilities	4	6	36
Accrued retirement benefits	4,680	4,856	42,165
Accrued retirement benefits to directors and statutory auditors	225	–	2,036
Excess of net assets acquired over cost	35	68	320
Other long-term liabilities	43	7	396
Total long-term liabilities	<u>12,466</u>	<u>13,497</u>	<u>112,315</u>
Minority interests in consolidated subsidiaries	1,169	1,248	10,537
Shareholders' equity:			
Common stock:	8,573	8,573	77,240
Authorized – 196,525,000 shares			
Issued – 106,484,667 shares			
at September 30, 2004 and 2003			
Capital surplus	6,606	6,604	59,515
Retained earnings	19,687	15,875	177,368
Unrealized holding gain on other securities	166	114	1,500
Translation adjustments	(1,908)	(1,289)	(17,198)
Less treasury stock	(992)	(978)	(8,937)
Total shareholders' equity	<u>32,133</u>	<u>28,900</u>	<u>289,487</u>
Contingent liabilities <i>(Note 5)</i>			
Total liabilities, minority interests and shareholders' equity	<u>¥76,116</u>	<u>¥72,518</u>	<u>\$685,735</u>

The accompanying notes are an integral part of these statements.

Riken Corporation and Consolidated Subsidiaries

Semiannual Consolidated Statements of Operations (Unaudited)

	Six-month period ended September 30,		
	2004	2003	2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 2)</i>
Net sales	¥37,607	¥34,764	\$338,802
Cost of sales	29,531	26,599	266,046
Gross profit	8,076	8,165	72,757
Selling, general and administrative expenses	5,327	5,417	47,994
Operating income	2,748	2,747	24,763
Other income (expenses):			
Interest and dividend income	86	117	782
Interest expense	(134)	(174)	(1,209)
Equity in earnings of investees	561	365	5,058
Loss on disposal of inventories	(50)	(39)	(452)
Retirement benefits to directors and statutory auditors	(209)	(380)	(1,884)
Other, net	158	(83)	1,424
Income before income taxes and minority interests	3,161	2,553	28,481
Income taxes:			
Current	1,190	1,316	10,728
Deferred	(109)	(436)	(989)
	1,081	880	9,739
Minority interests in earnings of consolidated subsidiaries	(5)	(107)	(51)
Net income <i>(Note 8)</i>	¥ 2,074	¥ 1,565	\$ 18,691

The accompanying notes are an integral part of these statements.

Riken Corporation and Consolidated Subsidiaries

Semiannual Consolidated Statements of Shareholders' Equity (Unaudited)

	Six-month period ended September 30,		
	2004	2003	2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Common stock			
Beginning balance	¥ 8,573	¥ 8,573	\$ 77,240
Ending balance	¥ 8,573	¥ 8,573	\$ 77,240
Capital surplus			
Beginning balance	¥ 6,605	¥ 6,604	\$ 59,505
Marginal profit on disposal of treasury stock	0	0	0
Ending balance	¥ 6,606	¥ 6,604	\$ 59,515
Retained earnings			
Beginning balance	¥18,521	¥15,220	\$166,857
Add:			
Net income	2,074	1,565	18,691
Adjustment for inclusion in consolidation or equity method of accounting	-	-	-
Prior period adjustment to foreign subsidiaries	-	1	-
Deduct:			
Cash dividends applicable to six-month period	(883)	(883)	(7,956)
Bonuses to directors and statutory auditors	(25)	(28)	(225)
Prior period adjustment to foreign subsidiaries	-	-	-
Ending balance	¥19,687	¥15,875	\$177,368
Unrealized holding gain on other securities			
Beginning balance	¥ 141	¥ (2)	\$ (1,274)
Net change during six-month period	25	116	226
Ending balance	¥ 166	¥ 114	\$ 1,500
Translation adjustments			
Beginning balance	¥ (1,969)	¥ (1,386)	\$ (17,742)
Net change during six-month period	60	97	545
Ending balance	¥ (1,908)	¥ (1,289)	\$ (17,198)
Treasury common stock			
Beginning balance	¥ (983)	¥ (970)	\$ (8,859)
Net change during six-month period	(8)	(7)	(78)
Ending balance	¥ (992)	¥ (978)	\$ (8,937)

The accompanying notes are an integral part of these statements.

Riken Corporation and Consolidated Subsidiaries

Semiannual Consolidated Statements of Cash Flows (Unaudited)

	Six-month period ended September 30,		
	2004	2003	2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Operating activities			
Income before income taxes and minority interests	¥ 3,161	¥ 2,553	\$ 28,481
Depreciation and amortization	1,947	1,977	17,548
Equity in earnings of investees	(561)	(365)	(5,058)
(Decrease) increase in accrued retirement benefits	(171)	295	(1,546)
Decrease in notes and accounts receivable	450	1,179	4,063
Increase in inventories	(723)	(405)	(6,515)
Increase (decrease) in notes and accounts payable	1178	(192)	(10,619)
Other, net	297	242	2,680
Subtotal	<u>5,580</u>	<u>5,285</u>	<u>50,271</u>
Interest received	86	117	782
Interest paid	(136)	(183)	(1,230)
Income taxes paid	(1,446)	(2,020)	(13,034)
Net cash provided by operating activities	<u>4,083</u>	<u>3,199</u>	<u>36,790</u>
Investing activities			
Increase in property, plant and equipment	(1,755)	(2,344)	(15,817)
Proceeds from sales of property, plant and equipment	2	43	21
Proceeds from sales of investments in securities	–	0	–
Increase in investments in securities	(464)	(1)	(4,181)
Other, net	(196)	(18)	(1,766)
Net cash used in investing activities	<u>(2,413)</u>	<u>(2,321)</u>	<u>(21,743)</u>
Financing activities			
Proceeds from short-term bank loans	2,952	2,928	26,598
Repayment of short-term bank loans	(3,685)	(3,638)	(33,204)
Proceeds from long-term bank loans	–	9,500	–
Repayment of long-term bank loans	(807)	(8,945)	(7,274)
Cash dividends paid	(880)	(883)	(7,933)
Acquisition of treasury stock	(7)	(7)	(70)
Net cash used in financing activities	<u>(2,429)</u>	<u>(1,046)</u>	<u>(21,883)</u>
Effect of exchange rate changes on cash and cash equivalents	8	39	73
Net decrease in cash and cash equivalents	(750)	(128)	(6,764)
Cash and cash equivalents at beginning of six-month period	6,520	6,724	58,741
Cash and cash equivalents at end of six-month period	<u>¥ 5,769</u>	<u>¥ 6,596</u>	<u>\$ 51,977</u>

The accompanying notes are an integral part of these statements.

Riken Corporation and Consolidated Subsidiaries

Notes to Semiannual Consolidated Financial Statements (Unaudited)

September 30, 2004

1. Summary of Significant Accounting Policies

(a) Basis of presentation

Riken Corporation (the "Company") and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements of the Company and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respect as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

As permitted by the regulations under the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

(b) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliated companies

The accompanying consolidated financial statements include the accounts of the Company and any significant subsidiaries and affiliates which it controls directly or indirectly. Subsidiaries and affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The excess of cost over the underlying equity in net assets at the dates of acquisition of the major consolidated subsidiaries is charged to income over a five-year period by the straight-line method.

Investments in unconsolidated subsidiaries and affiliates, not accounted for by the equity method, are stated at cost or less.

1. Summary of Significant Accounting Policies (continued)

(c) Translation of foreign currencies

The accounts of the foreign consolidated subsidiaries are translated into yen as follows: All assets, liabilities, retained earnings at the end of the year and items, including net income, in the statement of income, at the rate of exchange in effect at the year end; capital stock, at historical rates; and dividends paid, at the rate of exchange in effect when paid.

The Company has presented translation adjustments as a component of shareholders' equity and minority interests in consolidated subsidiaries (instead of as a component of assets or liabilities) in the accompanying consolidated financial statements.

(d) Cash equivalents

The Company and its consolidated subsidiaries substantially consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(e) Securities

Marketable securities classified as other securities are carried at fair value.

(f) Inventories

Inventories are stated at cost determined principally by the moving average method.

(g) Property, plant and equipment and depreciation

Depreciation of buildings and of machinery and equipment is determined primarily by the declining-balance method, except for buildings acquired in Japan subsequent to March 31, 1998 on which depreciation is computed by the straight-line method, at rates based on the estimated useful lives of the respective assets.

(h) Leases

Noncancelable leases are primarily accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

1. Summary of Significant Accounting Policies (continued)

(i) Retirement benefits

Accrued retirement benefits at September 30, 2004 and 2003 have been provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of September 30, 2004 and 2003, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees. Unrecognized actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized by the straight-line method over periods (principally 10 years) which are shorter than the average remaining years of service of the employees.

In prior years, the Company expensed retirement benefits to directors and statutory auditors when paid. Effective the semiannual period ended September 30, 2004, the Company has accrued retirement benefits to directors and statutory auditors at the full amount which would be required to be paid if all directors and statutory auditors retired at balance sheet date based on the Company's internal regulation. This change in method of accounting was made in order to reflect a more appropriate cost allocation to each period and to enhance the Company's financial position.

The effect of this change was to decrease net income by ¥250 million and to increase selling, general and administrative expenses by ¥41 million and other expenses by ¥209 million.

(j) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

2. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥111 = U.S.\$1.00, the approximate rate of exchange prevailing on September 30, 2004. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

3. Depreciation

Depreciation of property, plant and equipment for the six-month periods ended September 30, 2004 and 2003 amounted to ¥1,857 million (\$16,730 thousand) and ¥1,852 million, respectively.

Accumulated depreciation of property, plant and equipment at September 30, 2004 and 2003 amounted to ¥62,068 million (\$613,225 thousand) and ¥59,927 million, respectively.

4. Pledged Assets

As of September 30, 2004	¥1,797 million (\$16,189 thousand)
As of September 30, 2003	¥1,736 million

5. Contingent Liabilities

At September 30, 2004, the Company and its consolidated subsidiaries had the following contingent liabilities:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
As endorser of trade notes discounted and endorsed	¥356	\$3,207
As guarantor of indebtedness of: Employees	142	1,279
	<u>¥499</u>	<u>\$4,495</u>

6. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased properties as of September 30, 2004 and 2003, which would have been reflected in the semiannual consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	September 30,		
	2004	2003	2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Acquisition costs:			
Machinery and equipment	¥1,728	¥2,029	\$15,568
Other assets	113	163	1,018
	<u>¥1,841</u>	<u>¥2,192</u>	<u>\$16,586</u>
Accumulated depreciation:			
Machinery and equipment	¥1,038	¥1,130	\$ 9,351
Other assets	63	99	568
	<u>¥1,102</u>	<u>¥1,230</u>	<u>\$ 9,928</u>
Net book value:			
Machinery and equipment	¥ 690	¥ 898	\$ 6,216
Other assets	49	64	441
	<u>¥ 739</u>	<u>¥ 962</u>	<u>\$ 6,658</u>

Lease payments relating to finance leases accounted for as operating leases for the six-month periods ended September 30, 2004 and 2003 amounted to ¥134 million (\$1,486 thousand) and ¥165 million, respectively, which were almost equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms.

6. Leases (continued)

Future minimum lease payments (including the interest portion thereon) subsequent to September 30, 2004 for finance leases accounted for as operating leases are summarized as follows:

Six-month period ending September 30,	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2005	·233	\$2,099
2006 and thereafter	506	4,559
Total	<u>·739</u>	<u>\$6,658</u>

7. Segment Information

(a) Business segments

The business segments information for the Company and its consolidated subsidiaries for the six-month periods ended September 30, 2004 and 2003 is summarized as follows:

Six-month period ended September 30, 2004						
	<u>Automobile</u>	<u>Construction</u>	<u>Other</u>	<u>Total</u>	<u>Eliminations or corporate</u>	<u>Consoli- dated</u>
	<i>(Millions of yen)</i>					
Sales:						
Sales to third parties	·26,714	·2,537	·8,355	·37,607	· —	·37,607
Intersegment sales and transfers	—	—	—	—	(—)	—
Total	<u>26,714</u>	<u>2,537</u>	<u>8,355</u>	<u>37,607</u>	<u>(—)</u>	<u>37,607</u>
Operating expenses	<u>25,230</u>	<u>2,444</u>	<u>7,183</u>	<u>34,858</u>	<u>(—)</u>	<u>34,858</u>
Operating income	<u>· 1,483</u>	<u>· 92</u>	<u>·1,172</u>	<u>· 2,748</u>	<u>·(—)</u>	<u>· 2,748</u>
Six-month period ended September 30, 2004						
	<u>Automobile</u>	<u>Construction</u>	<u>Other</u>	<u>Total</u>	<u>Eliminations or corporate</u>	<u>Consoli- dated</u>
	<i>(Thousands of U.S. dollars)</i>					
Sales:						
Sales to third parties	\$240,667	\$22,856	\$75,270	\$338,802	\$ —	\$338,802
Intersegment sales and transfers	—	—	—	—	(—)	—
Total	<u>240,667</u>	<u>22,856</u>	<u>75,270</u>	<u>338,802</u>	<u>(—)</u>	<u>338,802</u>
Operating expenses	<u>227,297</u>	<u>22,018</u>	<u>64,712</u>	<u>314,036</u>	<u>(—)</u>	<u>314,036</u>
Operating income	<u>\$ 13,360</u>	<u>\$ 828</u>	<u>\$10,559</u>	<u>\$ 24,757</u>	<u>\$(—)</u>	<u>\$ 24,757</u>
Six-month period ended September 30, 2003						
	<u>Automobile</u>	<u>Construction</u>	<u>Other</u>	<u>Total</u>	<u>Eliminations or corporate</u>	<u>Consoli- dated</u>
	<i>(Millions of yen)</i>					
Sales:						
Sales to third parties	·25,208	·2,485	·7,071	·34,764	· —	·34,764
Intersegment sales and transfers	—	—	—	—	(—)	—
Total	<u>25,208</u>	<u>2,485</u>	<u>7,071</u>	<u>34,764</u>	<u>(—)</u>	<u>34,764</u>
Operating expenses	<u>23,430</u>	<u>2,461</u>	<u>6,124</u>	<u>32,017</u>	<u>(—)</u>	<u>32,017</u>
Operating income	<u>· 1,777</u>	<u>· 23</u>	<u>· 947</u>	<u>· 2,747</u>	<u>·(—)</u>	<u>· 2,747</u>

7. Segment Information (continued)

(b) Geographical segment

The geographical segment information for the Company and its subsidiaries for the six-month periods ended September 30, 2004 and 2003 is summarized as follows:

	Six-month period ended September 30, 2004				Consolidated
	Japan	Other geographic	Total	Eliminations and corporate	
	<i>(Millions of yen)</i>				
Sales to third parties	¥31,636	¥5,970	¥37,607	¥ –	¥37,607
Interarea sales and transfers	3,034	231	3,265	(3,265)	–
Total	34,670	6,201	40,872	(3,265)	37,607
Operating expenses	32,110	6,048	38,159	(3,301)	34,858
Operating income	¥ 2,559	¥ 152	¥ 2,712	¥ 35	¥ 2,748

	Six-month period ended September 30, 2004				Consolidated
	Japan	Other geographic	Total	Eliminations and corporate	
	<i>(Thousands of U.S. dollars)</i>				
Sales to third parties	\$285,009	\$53,784	\$338,802	\$ –	\$338,802
Interarea sales and transfers	27,333	2,081	29,414	(29,414)	–
Total	312,342	55,865	368,216	(29,414)	338,802
Operating expenses	289,279	54,486	343,775	(29,739)	314,036
Operating income	\$ 23,054	\$ 1,369	\$ 24,432	\$ 315	\$ 24,757

	Six-month period ended September 30, 2003				Consolidated
	Japan	Other geographic	Total	Eliminations and corporate	
	<i>(Millions of yen)</i>				
Sales to third parties	¥28,892	¥5,872	¥34,764	¥ –	¥34,764
Interarea sales and transfers	2,803	266	3,069	(3,069)	–
Total	31,695	6,139	37,834	(3,069)	34,764
Operating expenses	29,420	5,538	34,958	(2,941)	32,017
Operating income	¥ 2,274	¥ 601	¥ 2,875	¥ (127)	¥ 2,747

(c) Overseas sales

Overseas sales, which include export sales of the Company and its domestic subsidiaries and sales (other than exports to Japan) of the foreign subsidiaries, for the six-month periods ended September 30, 2004 and 2003 are summarized as follows:

	Six-month period ended September 30, 2004		
	Asia	Other	Total
	<i>(Millions of yen)</i>		
Overseas sales	¥4,509	¥5,796	¥10,305
Consolidated net sales			37,607
Overseas sales as a percentage of consolidated net sales	12.0%	15.4%	27.4%

7. Segment Information (continued)

(c) Overseas sales (continued)

	Six-month period ended September 30, 2004		
	<u>Asia</u>	<u>Other</u>	<u>Total</u>
	<i>(Thousands of U.S. dollars)</i>		
Overseas sales	\$40,622	\$52,216	\$ 92,838
Consolidated net sales			338,802
Overseas sales as a percentage of consolidated net sales	12.0%	15.4%	27.4%

	Six-month period ended September 30, 2003		
	<u>Asia</u>	<u>Other</u>	<u>Total</u>
	<i>(Millions of yen)</i>		
Overseas sales	¥3,933	¥5,539	¥ 9,472
Consolidated net sales			34,764
Overseas sales as a percentage of consolidated net sales	11.3%	15.9%	27.2%

8. Amounts Per Share

The computation of basic net income per share is based on the weighted-average number of shares of common stock outstanding during each six-month period.

Net assets per share are based on the number of shares outstanding at September 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>	<u>2004</u>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Net income:			
Basic	¥ 19.97	¥ 15.07	\$0.180
Diluted	19.96	15.06	0.180
Net assets	309.34	278.15	2.787

Corporate Information (As of September 30, 2004)

Board of Directors

President

Toshinaga Koizumi

Senior Managing Director

Fumio Kiyota

Managing Directors

Koichi Yamazaki

Noritada Okano

Directors

Michio Furuta

Haruhito Watanabe

Kensei Matsuki

Tatsuo Fujita

Kenichiro Takagi

Nobuhisa Iida

Nobuyuki Okubo

Junichi Sagawa

Toshio Mizobuchi

Tatsuro Takaki

Auditors

Nobuhiro Toriduka

Shu Tamaru

Tetsuo Kodama

Shinichiro Tojo

Keisuke Kamata

Overseas Network

Taiwan Riken Ind. Co., Ltd.

P. T. Pakarti Riken Indonesia

Siam Riken Ind. Co., Ltd.

Riken of Korea, Inc.

Xiamen Riken Ind. Co., Ltd.

Riken Automobile Parts (Wuhan) Co., Ltd.

Shriram Pistons & Rings Ltd.

Riken of Asia Pte. Ltd.

Riken of America, Inc.

Allied Ring Corporation

Euro-Riken GmbH

Riken Espana, S.A.

Corporate Data

Reestablished

December 1, 1949

Head Office

13-5, Kudan-kita 1-chome, Chiyoda-ku,

Tokyo 102-8202 Japan

TEL 81-3-3230-3911

FAX 81-3-3230-3919

Capital

¥8.5 billion

Number of Employees

1,497

Transfer Agent of Common Stock

The Chuo Mitsui Trust & Banking Co., Ltd.

3-33-1 Shiba, Minato-ku, Tokyo,

105-8574, Japan

RIKEN

RIKEN CORPORATION

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