Annual Report 2000

For the year ended March 31, 2000

50th Anniversary RIKEN CORPORATION
Quality tells it.

RIKEN CORPORATION

PROFILE

Riken Corporation is one of the world's foremost piston ring makers. The Company was established in 1927 to commercialize the technological developments of the Institute of Physical and Chemical Research and was reestablished in 1949 following revisions to Japan's Commercial Code after the war.

In addition to piston rings and other engine parts, Riken produces piping products, high-strength cast-iron products, heating wires, industrial furnaces and waste incinerators. To expand its range of products, Riken is focusing research and development activities on such promising fields as sensors, electromagnetic compatibility and new materials.

AT A GLANCE

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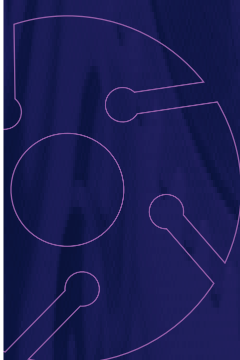
PISTON RINGS

Piston rings for automobiles, motorcycles, construction machinery, ships and aircraft

41.9

OTHER ENGINE PARTS

Engine parts for automobiles, motorcycles and ships; precombustion chambers; valve lifters; camshafts; valve seats



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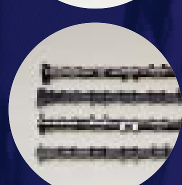


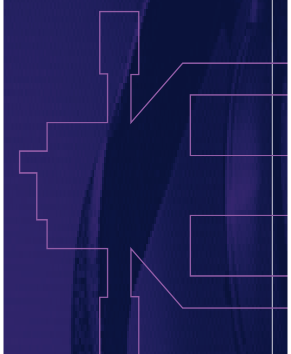
PIPING PRODUCTS

Fittings for steel pipes, vinyl chloride pipes, polyethylene pipes and stainless steel pipes; fittings for pipes used in mixing concrete; fittings for fire protection systems; mechanical fittings

8.8

HIGH-STRENGTH CAST-IRON PRODUCTS

Cast-iron parts for automobiles, rolling stock and industrial machinery

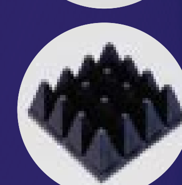


13.8

INDUSTRIAL PLANTS AND OTHER PRODUCTS

Wastewater and sewage incinerators; industrial waste incinerators; industrial furnaces; electric heating wires; anechoic chambers; electromagnetic shielding material

17.6



A MESSAGE FROM THE PRESIDENT

In the fiscal year ended March 31, 2000, although net sales edged up 0.3% to ¥63.3 billion, operating income climbed to ¥3.6 billion, approaching record levels owing to Groupwide management reform measures. In December 1999, we entered our 50th year of operations and were pleased to be able to mark the occasion by resuming cash dividends applicable to the period of ¥5.00 per share.

OPERATING ENVIRONMENT

During the fiscal year under review, the U.S. economy continued robust growth centered on consumer spending and high-tech industries, while economic performance improved in Europe and Asia. Although the Japanese economy achieved its first positive growth in three years on the back of large-scale economic stimulus measures, industries constituting Riken's main areas of demand continued to experience a harsh operating environment.

The automotive industry, which accounts for 70% of our sales, benefited from new standards for compact cars in Japan. However, new vehicle production fell below 10 million units for the second consecutive year as a result of fewer car exports owing to sluggish shipments to Europe and the Middle East.

The construction and housing industries finally showed increased demand following policies for special tax reductions and low interest rates. Domestic housing starts increased 4.0% to 1.23 million units. However, floor space of non-housing construction starts remained at low levels, declining 1.9% from the previous fiscal year.

MANAGEMENT REFORM MEASURES SUPPORT SUBSTANTIAL RECOVERY

To overcome a harsh operating environment, we advanced a management reform plan that consisted of the following points:

- Concentrate personnel, assets and capital on such core businesses as piston rings
- Reduce the workforce by 360 employees and increase productivity by approximately 20% in the three years beginning with the fiscal year ended March 31, 1999

- Overhaul our basic foundation as a manufacturing business
- Fully implement "CS management" to increase customer satisfaction

The first initiative was a return to core businesses by focusing on the automotive parts sector, mainly on engine parts, and Riken's original business of piston rings in particular. Despite reducing capital investment and research and development expenses over the past few years, selective entry into core businesses through careful screening contributed to sales growth in automotive-related businesses for the fiscal year under review.

We also improved efficiency by reassessing engineering methods, promoting optimal production allocation among affiliated companies and partner companies, and improving production technology. As a result, we reduced staff by 104 employees over the year, including loaned employees, and froze recruitment of new personnel that would normally replace retirees, resulting in a reduction of approximately ¥1.2 billion in fixed costs.

Business Process Reengineering (BPR) allowed us to overhaul our base of operations through implementation of Just-in-Time production, introduction of an Enterprise Resource Planning (ERP) system, and utilization of advanced Information Technology (IT). As part of organizational reform, we introduced ERP software, BAAN IV, to the Piston Rings division. By streamlining the supply chain from order to delivery, we aim to achieve an average reduction in response time of 20%.

In efforts to improve customer service, experienced technical staff, who concentrate on services within Strategic Sales and Marketing Planning, are enhancing technical services and advancing consultative marketing. Through these activities, we are making efforts not only to expand existing domestic business, but also gain new customers overseas. To complement customer service activities, we collect customer service questionnaires twice a year. Assessments are made in the five areas of quality, cost, delivery, development and service. On a five-point scale with five being "extremely satisfied," the percentage of customers responding "extremely satisfied," has increased from 12.2% to 19.4% over the past three years, approaching the 20% mark.

Such marketing efforts supported a 0.3% increase in net sales to ¥63.3 billion for the fiscal year under review. Substantial gains were made in operating income, which climbed 371.2% to ¥3.6 billion.

Due to the application of tax-effect accounting in the fiscal year under review, we recorded deferred income taxes of ¥1.4 billion, and net income of ¥1.3 billion. To account for large taxable provisions recorded in the previous fiscal year, we recorded adjustments for adoption of tax-effect accounting, raising unallocated retained earnings by ¥2.0 billion. As a result, retained earnings were ¥5.4 billion following payment of cash dividends of ¥5 per share.

RAISING COMPETITIVE POSITION AND PRESENCE IN WORLD MARKETS

Since demand in the domestic automotive and construction industries is not expected to experience substantial growth in the future, it is essential to raise profitability with the current level of sales. The fiscal year ending March 31, 2001, is an important year for Riken in terms of ascertaining our earnings recovery from the previous year. To reach the minimum goals of our management reform plan, we intend to carry out the following measures:

- Developing and Marketing New Products

To become a premier company worldwide, Riken must firmly establish its technologies accumulated over many years, such as casting, machining and surface treatment. Our aim is to ensure the technological excellence of our products. To accomplish this, we will concentrate management resources in core businesses to produce top brands. During the fiscal year under review, new products contributed to ¥6.5 billion in sales. Important products included hollow camshafts, valve lifters and ion plated (IP) oil rings. From the current fiscal year, there are numerous promising new products in our core businesses, including piston rings for engines designed for environmental protection. We are also working to commercialize products for new fields, including automobile NOx sensors, electromagnetic compatibility-related (EMC) products and heating products.

• Reforming Business Structure

Riken will further pursue measures to streamline and improve productivity, important factors in its management reform plan. By the end of March 31, 2002, we aim to reduce our workforce to 1,500 employees, reducing fixed costs by at least ¥2.5 billion centered on personnel expenses, compared with the fiscal year ended March 31, 1999. To reduce labor requirements, we will ascertain BPR through the introduction of ERP software throughout the Company. To reduce variable costs, including materials expenses and outsourced processing costs, we are working with suppliers with the aim of a ¥1.5 billion reduction at the very least. With the effects of streamlining, we intend to ensure year-on-year operating profit growth and improve results in the fiscal year ending March 31, 2001, although competition in the market is forecasted to remain harsh.

• Preparing for Industry Reorganization

The automobile industry in Japan can no longer rely on a purely domestic management approach. The pursuit of foreign capital and alliances by Japanese automakers has made it essential for Riken to create a distribution structure that can supply its products anywhere in the world. Although we have established manufacturing and marketing bases for automobile parts in Asia and the Americas, mainly through joint ventures, we still have a small share of the European market. In May 2000, we established a “memorandum of understanding” in our piston ring business for a global alliance with Dana Corporation of the United States. This was one step toward achieving global supply capabilities for automakers. We will consider using this alliance as a base for establishing manufacturing and marketing joint ventures in Europe.

Riken aims to improve profitability by focusing on the above initiatives. For the fiscal year ending March 31, 2001, management targets net sales of ¥62.0 billion and operating income of ¥3.5 billion. With an assumption of a substantial reduction of sales prices amid a prolonged sluggish economy, we believe this is a conservative target.

With the introduction of new accounting standards in Japan for severance benefits, management expects to hold unfunded pension liabilities of ¥14.0 billion during the term. We intend to write off these liabilities in a one-time extraordinary charge for a loss on prior service costs, resulting in a net loss of ¥4.0 billion. The balance will be covered by our operating income of ¥3.5 billion, other income of ¥3.6 billion related to the transfer of marketable securities to a severance benefits trust and approximately ¥4.0 billion in deferred tax benefits from the employment of tax-effect accounting. Since we have adequate financial reserves mentioned above, we intend to maintain dividends of ¥5.0 per share.

Riken will continue to make efforts in reinforcing its foundation for the next step: “to raise our competitive position and expand our presence in world markets.”

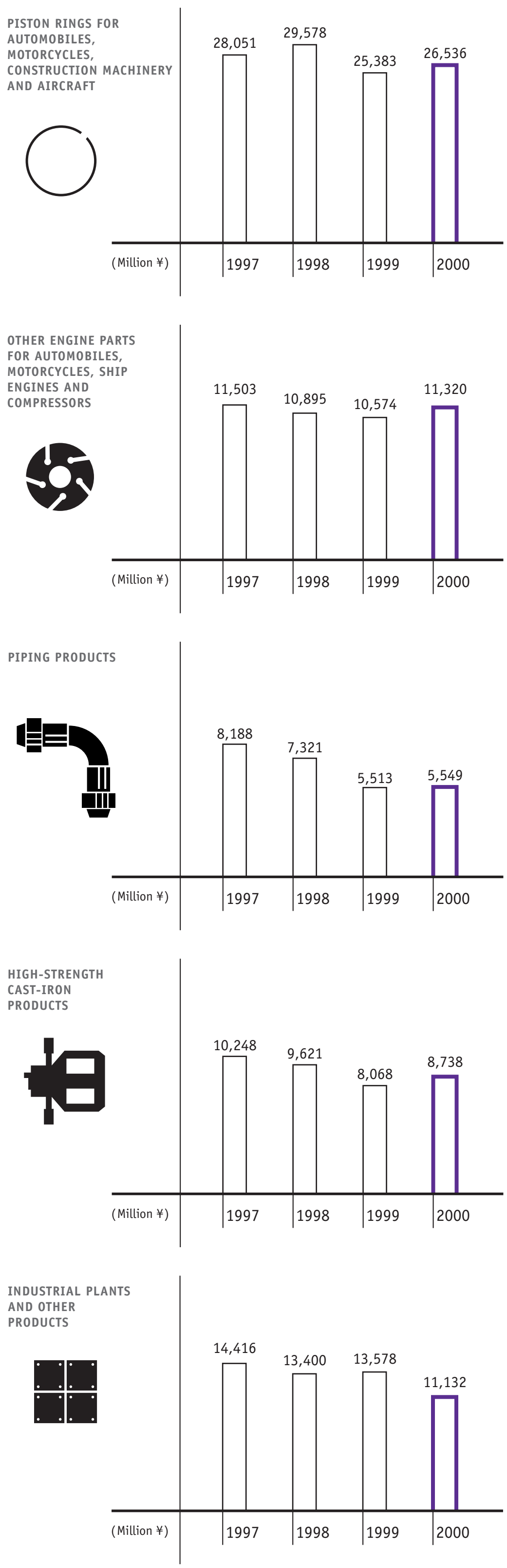
Thank you for your support.

July 2000

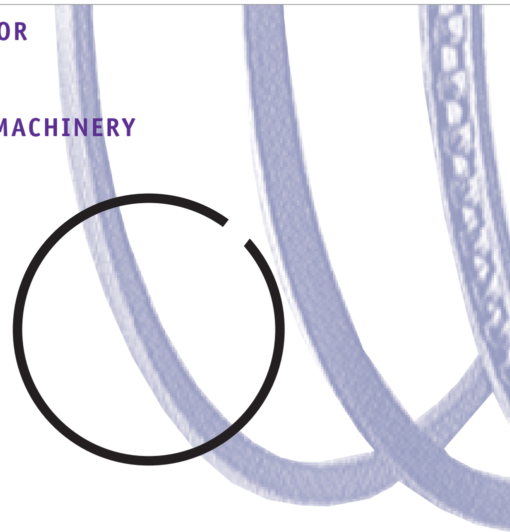
Kunihiko Oguchi,
President

REVIEW OF OPERATIONS

DIVISIONAL SALES OVER PAST FOUR YEARS



PISTON RINGS FOR AUTOMOBILES, MOTORCYCLES, CONSTRUCTION MACHINERY AND AIRCRAFT

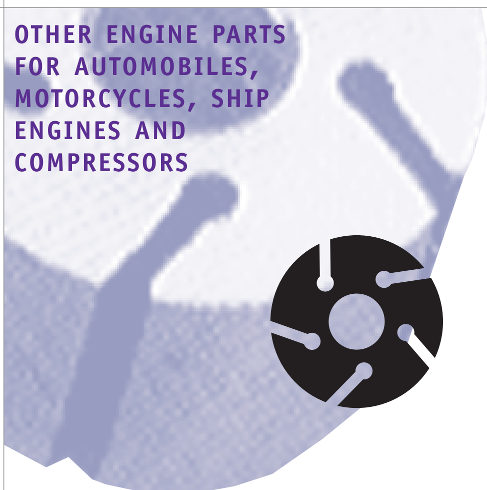


A core product since the Company's foundation, piston rings accounted for approximately 42% of total product sales for the fiscal year ended March 31, 2000. During the same period, sales in the Piston Rings division increased 4.5% to ¥26.5 billion as a result of robust sales for compact cars sold by our customers, although new vehicle production in Japan remained unchanged from the previous fiscal year. In particular, higher sales of piston rings for both OEM and after market supply, which are designed for domestically produced engines, contributed to the overall increase in volume. We received several new orders from such European automobile manufacturers as Bayerische Motoren Werke AG and Volkswagen AG, which includes Audi AG, raising prospects for expanding our presence in Europe.

The concentration of management resources in research and development is gradually showing results. In the current fiscal year, development is showing results in piston rings for diesel engines. We succeeded in the development of a low-cost gas nitrided diesel vent M (DVM) ring and a top ring for diesel engines that features multi-layered chrome plating, a new surface treatment technology. Demand for PEEK seal rings is increasing, and further growth is expected. To ensure continued technological superiority, Riken has concentrated efforts on quality management, obtaining QS-9000 certification in November 1999 following the acquisition of ISO 9001 certification in October 1997.

One of our priorities is to halve piston ring costs. To prosper amid global competition, we must cut cost of sales in half by enhancing production technology, improving production methods, conforming to changing standards and reducing procurement costs. In technological development, we have aggressively developed and commercialized technology for piston ring surface treatment, including chrome plating, spray coating with special metals and ceramics, composite electroplating and gas nitriding. Riken will devote energies to further research and development to respond to continuous advances in engine performance.

OTHER ENGINE PARTS FOR AUTOMOBILES, MOTORCYCLES, SHIP ENGINES AND COMPRESSORS

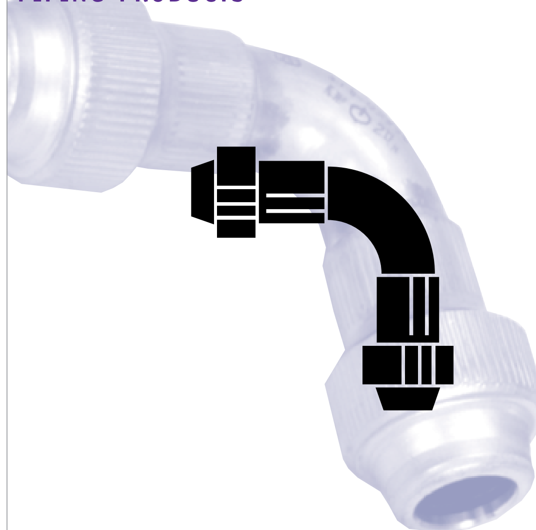


The Other Engine Parts division manufactures such engine parts as pistons, camshafts, valve seats, and chambers for automobiles, motorcycles, ships and construction machinery, as well as vanes and housings for air conditioners and power steering. In the fiscal year ended March 31, 2000, brisk sales of camshafts continued for the second consecutive year. In addition, overseas demand for home electronics and power steering vanes increased, resulting in a 7.1% increase in sales to ¥11.3 billion for the division.

New orders for camshafts from automakers seeking lighter cars have been rising since Toyota Motor Corporation introduced the ultra-light Profiled Inside Contour Type Hollow Camshaft in their new 1000 cc subcompact "Vitz" for the 21st century. In the fiscal year under review, sales of camshafts rose approximately 50%. Riken plans to expand its camshaft machining line in response to projections of new orders for machined hollow camshafts.

In other products, the development of materials with superior wear-resistance and machining qualities for exhaust valve seats of gasoline engines contributed to orders received for sintered valve seats used in the globally strategic automobiles of Ford Motor Company and Mazda Motor Corporation. In the future, we expect to see results in the development of aluminum vanes and high-performance lifters that employ low-cost materials. In this division, we acquired ISO 9001 certification for our Kumagaya and Kashiwazaki plants, and are focusing efforts on acquiring QS-9000 certification for the Other Engine Parts division.

PIPING PRODUCTS



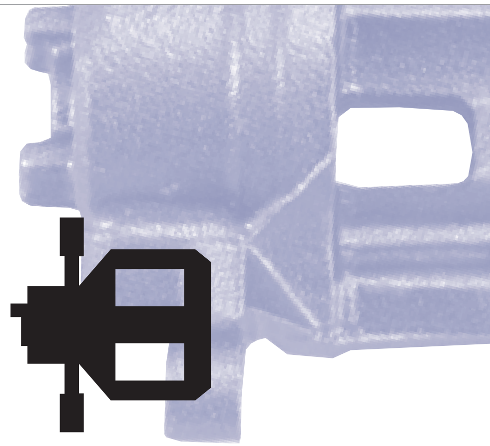
The Piping Products division manufactures and markets piping materials for use in homes, condominiums, office buildings and manufacturing facilities. Mainstay products include fittings for steel, vinyl chloride, polyethylene and stainless steel pipes.

In the fiscal year ended March 31, 2000, domestic housing starts increased 4.0% to 1.23 million units. As demand increases for non-cast-iron pipes, including stainless steel and copper pipes, year-on-year declines in sales of our core cast-iron screw pipe fittings are unavoidable. In addition, continued price competition is hampering sales. In the fiscal year under review, sales of this division edged up 0.6% to ¥5.5 billion, approximately the same as last year's figure, on account of sales growth in the first half of the term following a substantial decrease in sales in the previous year due to distribution inventory adjustments.

In the area of technology, we developed an LA Coupling that fastens pipes together without screws, corrosion-resistant fittings that eliminate rust problems and top joints that reduce labor required for sprinkler system installation. Beyond joints for fluids, in the fiscal year under review, we finished development and began marketing MCCP-Fix, a bayonet joint for cable protection pipes.

In this division, we aim to expand sales and promote an optimum allocation of production at domestic and overseas affiliates to reduce costs of existing products. At the same time, we will advance new product development focused on the high-value-added field of mechanical fittings.

HIGH-STRENGTH CAST-IRON PRODUCTS



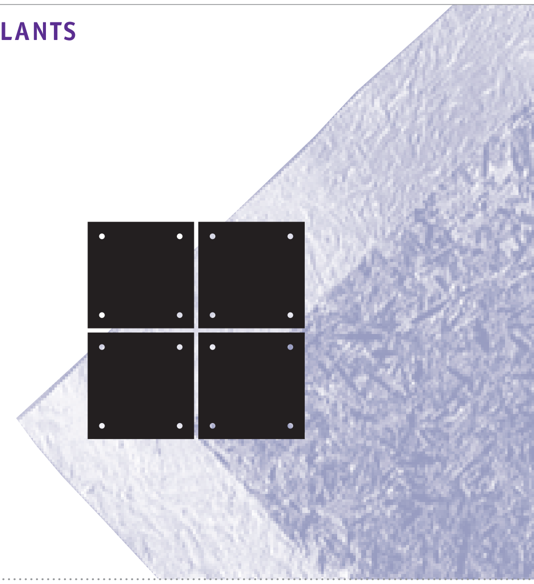
The High-Strength Cast-Iron Products division manufactures such high-strength products as malleable cast-iron and nodular graphite cast-iron parts used in automobiles and industrial machinery. Main products for automobiles include such transmission parts as differential cases and pinion shafts, as well as such suspension and brake parts as knuckles, damper forks and brake calipers.

In the fiscal year ended March 31, 2000, sales in this division rose 8.3% to ¥8.7 billion as demand increased in accordance with the release of compact cars that comply with new standards. A key factor behind the increase was higher sales of knuckles to Honda Motor Co., Ltd., one of Riken's principal customers. Exports of crankshafts to North America also rose substantially.

Although domestic demand is gradually recovering, the harsh operating environment is projected to continue. Since the increase in overseas sales during the fiscal year under review is unsustainable, we are committed to creating a production structure that can produce profits on sales below current levels. The division has worked to improve production efficiency by enhancing production technology through a variety of efforts. We now aim to increase labor productivity by establishing in-house core production processes and various post-casting processes.

Promising new products include the development of casting of front lower arms, which were previously fabricated from sheet metal. We aim to commercialize the new market by rapidly establishing production technology that meets customer demands for quality and costs. The Company will continue to advance its casting technology to develop new products related to thin, lightweight suspension parts.

INDUSTRIAL PLANTS AND OTHER PRODUCTS



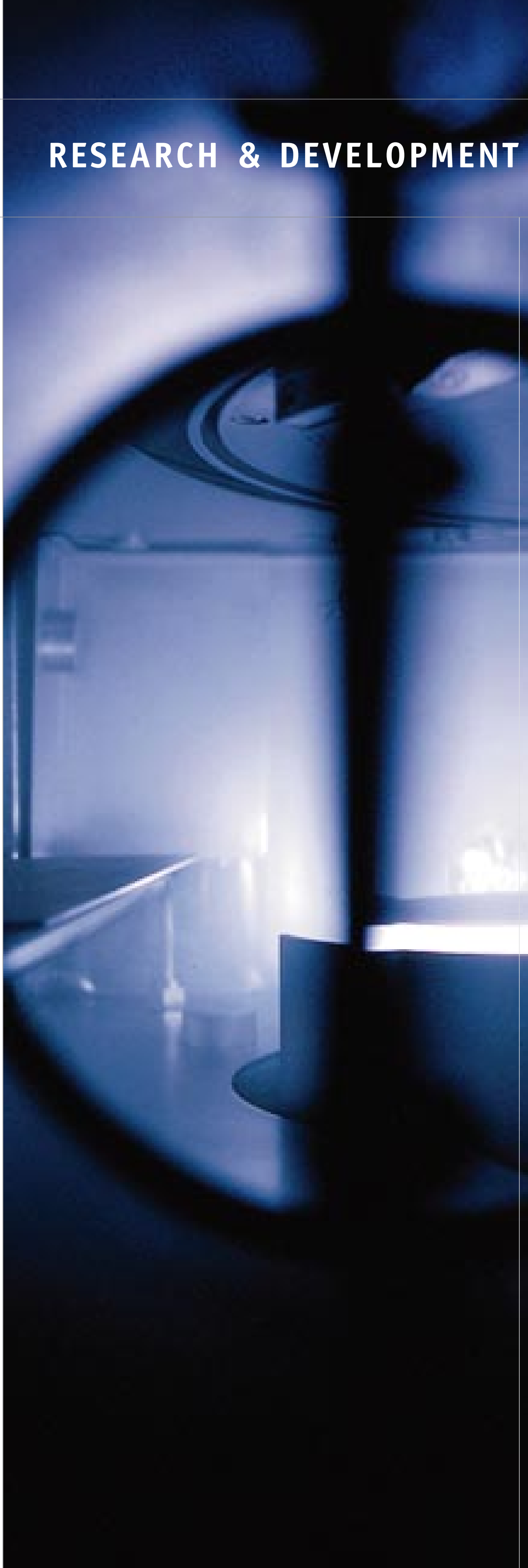
Products other than those handled by the four manufacturing divisions include furnaces for incinerating sewage and industrial waste, a variety of industrial furnaces, electric heating wire, shield rooms and anechoic chambers. Sales of this division fell 18.0% to ¥11.1 billion in the fiscal year ended March 31, 2000.

By product, sales of industrial furnaces fell 15%, the second consecutive year of declines, due to restricted capital investment in line with the downturn in the industrial furnace field. Riken aims to expand sales with material and thermal technologies, as an upswing in capital investment is expected in such new fields as information and communications as well as energy and the environment. Sales of incinerators edged up from last year, mainly due to upgrading existing incinerators to control dioxin emissions. We aim to expand sales on the back of stricter regulations on exhaust emissions, particularly for dioxins, flying ash and incinerator ash.

Shield rooms and anechoic chambers protect people and equipment from harmful electromagnetic radiation produced by electronic devices. Anechoic chambers recorded brisk sales due to the impact of EU regulations and product liability laws, and the necessity of addressing EMC at the component level. In the fiscal year under review, sales of new products fell 80% from restrained capital investment in the corporate sector and prolonged delays in orders received for buildings under construction and planned buildings. Riken possesses world-class technology, as shown by the Company's electromagnetic anechoic chamber for high frequencies, which utilizes a new pyramid ferrite element. We will work to expand sales by creating markets for our technology, especially in automobile-related industries.

Sales of shield rooms increased 20%, owing to increased magnetic shield construction stemming from heightened concerns around the world regarding the impact of low-frequency radio waves on the human body. As a result of inspections on magnetic and electromagnetic waves initiated by the Science and Technology Agency and the Ministry of Posts and Telecommunications, we expect orders for upgrades to such facilities as the substations and generator rooms of buildings. In this way, Riken provides products that contribute to society by advancing leading industries and supporting environmental preservation.

RESEARCH & DEVELOPMENT



Riken's research center develops cutting-edge products and technology in such advanced facilities as clean rooms and engine and analysis laboratories equipped with the latest equipment, including high-resolution scanning electron microscopes, calorimetric equipment and sputtering equipment that can produce films only microns thick. Making full use of these advanced tools, 35 researchers are engaged in the research and development of new production methods and equipment to dramatically advance tribology-related technologies and raise productivity in core businesses and existing products. In new fields, we are selectively developing such products as automobile NOx sensors and new materials related to EMC.

FINANCIAL SECTION

SIX-YEAR SUMMARY

For the years ended March 31

	Millions of yen					
	2000	1999	1998	1997	1996	1995
RESULT OF OPERATIONS						
Net sales	**¥63,274**	¥63,117	¥70,817	¥72,406	¥69,895	¥71,431
Domestic sales	**53,600**	53,453	60,162	63,361	61,592	64,740
Overseas sales	**9,674**	9,663	10,655	9,044	8,302	6,691
Operating expenses	**59,630**	62,353	68,427	68,871	66,748	68,526
Operating income	**3,644**	764	2,390	3,535	3,147	2,905
Other income	**1,297**	1,247	1,406	1,231	1,847	1,508
Other expenses	**2,190**	7,341	1,564	2,109	1,798	1,687
Income (Loss) before income taxes	**2,751**	(5,331)	2,232	2,657	3,196	2,726
Income taxes	**1,432**	21	1,198	1,583	1,793	1,639
Net Income (Loss)	**1,319**	(5352)	1,034	1,074	1,403	1,087
YEAR-END FINANCIAL POSITION						
Net income per share (yen)	**12.12**	(48.68)	9.41	9.80	13.92	10.90
Cash dividends per share (yen)	**5.00**	3.00	5.00	5.00	6.00	5.00
Total current assets	**45,089**	44,004	45,938	57,675	49,376	47,438
Total non-current assets	**28,545**	29,770	31,782	30,517	31,097	30,733
Total assets	**73,634**	73,774	77,720	88,192	80,473	78,171
Total current liabilities	**31,650**	25,805	36,285	39,633	30,712	34,668
Total long-term liabilities	**19,402**	27,673	15,209	22,808	25,727	23,756
Total shareholders’ equity	**22,582**	20,296	26,226	25,751	24,034	19,747
Total liabilities and shareholders’ equity	**73,634**	73,774	77,720	88,192	80,473	78,171
EQUITY RATIO						
Equity ratio	**30.7%**	27.5%	33.7%	29.2%	29.9%	25.3%
Number of shareholders	**13,324**	13,218	12,987	12,822	10,855	10,225
Number of employees	**1,698**	1,776	1,837	1,860	1,929	2,027
SALES BY DIVISION						
Piston rings	**¥26,536**	¥25,383	¥29,578	¥28,051	¥27,027	¥26,156
Other engine parts	**11,320**	10,574	10,895	11,503	11,986	12,394
Piping products	**5,549**	5,513	7,321	8,188	8,303	8,724
High-strength cast-iron products	**8,738**	8,068	9,621	10,248	9,639	9,716
Industrial plants and other products	**11,132**	13,578	13,400	14,416	12,939	14,441

NON-CONSOLIDATED FINANCIAL REVIEW

March 31, 2000 and 1999

NET SALES

In the fiscal year ended March 31, 2000, Riken Corporation recorded non-consolidated net sales of ¥63.3 billion, up 0.3% compared with the previous fiscal year. By division, net sales grew 4.5% in the Piston Rings division to ¥26.5 billion, with performance supported by strong sales of products for compact cars in Japan. Net sales rose 7.1% in the Other Engine Parts division to ¥11.3 billion, reflecting the third consecutive year of strong sales of camshafts and brisk overseas demand for home appliance products and power steering vanes. Net sales in the Piping Products division edged up 0.6% to ¥5.5 billion, as sales declines in cast-iron screw pipe fittings were offset by growth in non-cast-iron pipes. Net sales in High-Strength Cast-Iron Products division rose 8.3% to ¥8.7 billion, with strong demand for products used in compact cars for the domestic market despite an overall harsh operating environment. Growth in these divisions, however, was offset by an 18.0% decline in the Industrial Plants and Other Products division to ¥11.1 billion, amid weak private-sector capital investment in Japan.

NET INCOME

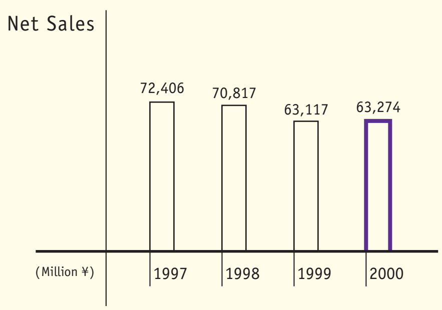
Companywide measures to reduce costs and streamline operations succeeded in reducing the cost of sales by 4.4% to ¥51.2 billion, or 80.9% of net sales, down 3.9 percentage points from the previous fiscal year. As a result, gross profit increased 26.0% to ¥12.1 billion, with a gross profit margin of 19.1%. Selling, general and administrative (SG&A) expenses declined 4.4% to ¥8.4 billion, and SG&A expenses as a percentage of net sales improved 0.7 percentage point to 13.3%.

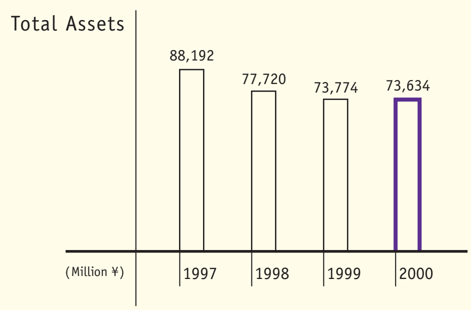
Owing to the above factors, operating income climbed 377.0%, or ¥2.9 billion, to ¥3.6 billion.

In other income and expenses, interest and dividend income declined ¥48 million to ¥189 million, and interest expense was reduced ¥137 million to ¥397 million. As a result, the Company's net interest expense declined ¥89 million to ¥208 million. In the previous fiscal year, the Company recorded sizeable other expenses to streamline its balance sheet and raise the quality of its asset base. In the fiscal year under review, the Company recorded a provision for loss on investments of ¥235 million, down ¥612 million from the previous fiscal year, a provision for loss on guarantees of indebtedness of ¥110 million, down ¥1.6 billion, and a loss on disposals and devaluation of fixed assets of ¥101 million, down ¥661 million.

Income before income taxes was ¥2.8 billion, compared with a loss before income taxes of ¥5.3 billion in the previous fiscal year. Effective the fiscal year under review, the Company adopted tax-effect accounting. The effective tax rate was 52.0%.

Net income was ¥1.3 billion, compared with a net loss of ¥5.4 billion in the previous fiscal year. Fully diluted net income per share was ¥10.71, and dividend payments were resumed, with cash dividends applicable to the period of ¥5.00 yen per share.





LIQUIDITY AND FINANCIAL POSITION

Net cash provided by operating activities was ¥3.5 billion, a year-on-year increase of ¥222 million. Depreciation and amortization declined ¥447 million to ¥3.3 billion.

Net cash provided by investing activities was ¥0.2 billion, compared with net cash used in investing activities of ¥2.4 billion in the previous fiscal year. The main reason for this change was a ¥1.6 billion decline in additions to property, plant and equipment to ¥1.9 billion, and a ¥1.0 billion decline in additions to marketable securities to ¥1.0 billion. Proceeds from sales of marketable securities provided cash of ¥2.6 billion.

Net cash used in financing activities was ¥2.1 billion, compared with net cash provided by financing activities of ¥1.9 billion in the previous fiscal year. In addition to repayments of short-term bank loans, net of proceeds, of ¥516 million and repayments of long-term bank loans of ¥440 billion, the Company used cash of ¥806 million for the acquisition of treasury stock and ¥329 million for cash dividends paid.

In aggregate, cash and cash equivalents at end of year increased ¥1.7 billion to ¥6.6 billion, leading to a ¥1.1 billion increase in total current assets to ¥45.1 billion. At the same time, total current liabilities rose ¥5.8 billion to ¥31.7 billion, mainly owing to a ¥6.5 billion increase in the current portion of long-term debt to ¥6.9 billion, including ¥5.0 billion in secured zero coupon convertible bonds with a convertible price of ¥349 per share.

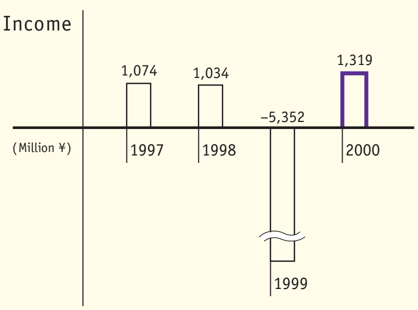
Property, plant and equipment, net of accumulated depreciation, edged down ¥156 million to ¥18.3 billion, and total non-current assets declined ¥1.2 billion to ¥28.5 billion.

Total assets declined 0.2%, or ¥140 million, to ¥73.6 billion.

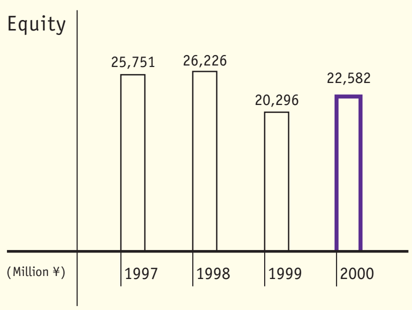
Interest-bearing debt (short-term bank loans, current portion of long-term debt and long-term debt) declined ¥865 million to ¥28.0 billion.

Total shareholders' equity increased 11.3%, or ¥2.3 billion, to ¥22.6 billion, and the shareholders equity ratio increased 3.2 percentage points to 30.7%.

Net Income



Total Shareholders' Equity



NON-CONSOLIDATED BALANCE SHEETS

March 31, 2000 and 1999

ASSETS	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 2) 2000
Current assets:			
Cash and cash equivalents	**¥ 6,645**	¥ 4,984	**$ 62,689**
Marketable securities (Note 3)	**11,439**	12,711	**107,915**
Notes and accounts receivable:			
Subsidiaries and affiliated companies	**4,709**	4,569	**44,425**
Trade	**16,659**	16,557	**157,160**
Less allowance for doubtful receivables	**(486)**	(524)	**(4,585)**
Inventories (Note 4)	**5,603**	5,275	**52,858**
Deferred tax assets (Notes 1(j) and 7)	**301**	—	**2,840**
Other current assets	**219**	432	**2,066**
Total current assets	**45,089**	44,004	**425,368**
Non-current assets:			
Property, plant and equipment, at cost (Notes 5 and 9):			
Land	**1,536**	1,429	**14,491**
Buildings	**17,032**	15,157	**160,679**
Machinery and equipment	**44,037**	44,111	**415,443**
Construction in progress	**297**	297	**2,802**
	62,902	60,994	**593,415**
Less accumulated depreciation	**(44,652)**	(42,588)	**(421,245)**
Property, plant and equipment, net	**18,250**	18,406	**172,170**
Investments in and advances to subsidiaries and affiliated companies	**6,336**	6,969	**59,773**
Investments in securities	**1,506**	1,539	**14,207**
Deferred tax assets (Notes 1(j) and 7)	**276**	—	**2,604**
Other non-current assets	**2,177**	2,856	**20,538**
Total non-current assets	**28,545**	29,770	**269,292**
Total assets	**¥ 73,634**	¥ 73,774	**$ 694,660**

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2000	1999	Thousands of U.S. dollars (Note 2) 2000
Current liabilities:			
Short-term bank loans (Note 6)	**¥ 9,191**	¥ 9,706	**$ 86,708**
Current portion of long-term debt (Note 9)	**6,915**	420	**65,236**
Notes and accounts payable:			
Subsidiaries and affiliated companies	**4,773**	5,600	**45,028**
Trade	**7,317**	7,026	**69,028**
Construction	**857**	640	**8,085**
Accrued income taxes	**26**	22	**245**
Accrued expenses and other current liabilities (Note 8)	**2,571**	2,391	**24,255**
Total current liabilities	**31,650**	25,805	**298,585**
Long-term liabilities:			
Long-term debt (Note 9)	**11,900**	18,745	**112,264**
Accrued severance indemnities (Note 10)	**5,616**	5,698	**52,981**
Accrual for loss on investments	**994**	1,325	**9,377**
Accrual for loss on guarantees of indebtedness	**892**	1,905	**8,415**
Total long-term liabilities	**19,402**	27,673	**183,037**
Shareholders' equity (Notes 11 and 17)**:**			
Common stock, ¥50 par value:			
Authorized —196,525,000 shares			
Issued and outstanding:			
—106,484,667 shares at March 31, 2000	**8,573**	—	**80,877**
—109,959,667 shares at March 31, 1999	—	8,573	—
Additional paid-in capital	**6,605**	6,605	**62,311**
Legal reserve	**1,345**	1,313	**12,689**
Retained earnings	**6,059**	3,805	**57,161**
Total shareholders' equity	**22,582**	20,296	**213,038**
Contingent liabilities (Note 12)			
Total liabilities and shareholders' equity	**¥73,634**	¥73,774	**$694,660**

NON-CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	**2000**
Net sales	**¥63,274**	¥63,117	**$596,924**
Cost of sales	**51,194**	53,528	**482,962**
Gross profit	**12,080**	9,589	**113,962**
Selling, general and administrative expenses	**8,436**	8,825	**79,585**
Operating income	**3,644**	764	**34,377**
Other income (expenses):			
Interest and dividend income	**189**	237	**1,783**
Interest expense	**(397)**	(534)	**(3,745)**
Loss on disposals and devaluation of fixed assets	**(101)**	(762)	**(953)**
Loss on sales of securities	—	(1,717)	—
Provision for loss on investments	**(235)**	(847)	**(2,217)**
Provision for loss on guarantees of indebtedness	**(110)**	(1,705)	**(1,038)**
Other, net	**(239)**	(767)	**(2,255)**
Income (loss) before income taxes	**2,751**	(5,331)	**25,952**
Income taxes (Notes 1(j) and 7)**:**			
Current	**73**	21	**689**
Deferred	**1,359**	—	**12,820**
	1,432	21	**13,509**
Net income (loss) (Note 16)	**¥ 1,319**	¥(5,352)	**$ 12,443**

The accompanying notes are an integral part of these statements.

NON-CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	**2000**
Common stock			
Beginning balance	**¥8,573**	¥ 8,573	**$80,877**
Ending balance	**¥8,573**	¥ 8,573	**$80,877**
Additional paid-in capital			
Beginning balance	**¥6,605**	¥ 6,605	**$62,311**
Ending balance	**¥6,605**	¥ 6,605	**$62,311**
Legal reserve			
Beginning balance	**¥1,313**	¥ 1,255	**$12,387**
Add:			
Transfer from retained earnings	**32**	58	**302**
Ending balance	**¥1,345**	¥ 1,313	**$12,689**
Retained earnings			
Beginning balance	**¥3,805**	¥ 9,793	**$35,896**
Add:			
Net income (loss)	**1,319**	(5,352)	**12,443**
Adjustments for adoption of tax-effect accounting and other (Note 1(j))	**2,086**	—	**19,678**
Deduct:			
Redemption and retirement of treasury stock	**(790)**	—	**(7,452)**
Cash dividends paid	**(329)**	(550)	**(3,103)**
Bonuses to directors and statutory auditors	**—**	(28)	**—**
Transfer to legal reserve	**(32)**	(58)	**(301)**
Ending balance	**¥6,059**	¥ 3,805	**$57,161**

The accompanying notes are an integral part of these statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
Operating activities			
Income (loss) before income taxes	**¥ 2,751**	¥ (5,331)	**$ 25,952**
Depreciation and amortization	**3,331**	3,778	**31,425**
Provision for severance indemnities, less payments	**(83)**	(104)	**(783)**
(Reversal of) provision for loss on investments	**(331)**	848	**(3,123)**
(Reversal of) provision for loss on guarantees of indebtedness	**(1,014)**	1,705	**(9,566)**
(Reversal of) provision for allowance for doubtful receivables	**(39)**	252	**(368)**
Gain on sales of securities	**(336)**	—	**(3,170)**
Loss on sales of securities	—	1,717	—
Loss on devaluation of securities	—	362	—
Gain on sales of fixed assets	**(29)**	(273)	**(274)**
Loss on disposals and devaluation of fixed assets	**101**	762	**953**
Decrease in notes and accounts receivable	**936**	1,025	**8,830**
(Increase) decrease in inventories	**(295)**	1,082	**(2,783)**
Decrease in notes and accounts payable	**(533)**	(621)	**(5,028)**
Decrease in notes receivable discounted	**(1,616)**	(710)	**(15,245)**
Other, net	**982**	(141)	**9,265**
	3,825	4,351	**36,085**
Interest received	**189**	237	**1,783**
Interest paid	**(408)**	(504)	**(3,849)**
Income taxes paid	**(69)**	(769)	**(651)**
Net cash provided by operating activities	**3,537**	3,315	**33,368**
Investing activities			
Additions to marketable securities	**(1,001)**	(2,001)	**(9,443)**
Proceeds from sales of marketable securities	**2,609**	3,152	**24,613**
Additions to property, plant and equipment	**(1,935)**	(3,560)	**(18,255)**
Proceeds from sales of property, plant and equipment	**623**	409	**5,877**
Other, net	**(96)**	(391)	**(905)**
Net cash provided by (used in) investing activities	**200**	(2,391)	**1,887**
Financing activities			
Proceeds from short-term bank loans	**2,200**	14,002	**20,755**
Repayments of short-term bank loans	**(2,716)**	(14,520)	**(25,623)**
Proceeds from long-term bank loans	—	10,500	—
Repayments of long-term bank loans	**(440)**	(87)	**(4,151)**
Redemption of convertible bonds	—	(7,396)	—
Acquisition of treasury stock	**(806)**	—	**(7,604)**
Cash dividends paid	**(329)**	(550)	**(3,103)**
Other, net	**15**	—	**141**
Net cash (used in) provided by financing activities	**(2,076)**	1,949	**(19,585)**
Net increase in cash and cash equivalents	**1,661**	2,873	**15,670**
Cash and cash equivalents at beginning of year	**4,984**	2,111	**47,019**
Cash and cash equivalents at end of year	**¥ 6,645**	¥ 4,984	**$ 62,689**

The accompanying notes are an integral part of these statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation
The accompanying financial statements have been prepared from the accounts maintained by Riken Corporation in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

(b) Foreign Currency Translation
Except for those assets and liabilities which are covered by forward exchange contracts, current monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the respective balance sheet dates. Other assets and liabilities denominated in foreign currencies are translated at historical rates.

Long-term debt denominated in foreign currencies and hedged by forward exchange contracts is translated into yen at the contracted exchange rates. The exchange difference arising from the translation of long-term debt at the historical rate and the contracted rate is recognized over the period from the date of a forward exchange contract to its maturity date.

Revenue and expense items denominated in foreign currencies are translated into yen at the rates of exchange prevailing when such transactions occur. Gains and losses on foreign exchange are credited or charged to income in the respective periods in which they are incurred.

(c) Cash Equivalents
The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(d) Marketable Securities
Marketable securities are stated at cost determined by the moving average method.

(e) Inventories
Inventories are stated at cost determined by the moving average method.

(f) Property, Plant and Equipment and Depreciation
Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment is computed by the declining-balance method, except for buildings acquired subsequent to March 31, 1998 on which depreciation is computed by the straight-line method, based on the estimated useful lives of the respective assets.

(g) Leases
Noncancelable lease transactions are accounted for as operating leases (whether such leases are classified as operating leases 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.

(h) Investments in and Advances to Subsidiaries and Affiliated Companies and Investments in Securities
Investments in subsidiaries and affiliated companies and investments in securities are generally stated at cost. The Commercial Code of Japan requires that such investments be written down where there has been persistent impairment in the value of the investments. Where considered necessary, the Company has written down its investments to reflect such impairment.

(i) Severance Indemnities and Pension Plans
The Company's employees are covered by an employees' severance indemnities plan. The plan provides for lump-sum severance payments to eligible employees which are determined by reference to their basic rate of pay, length of service and the conditions under which their services are terminated.

Employees who terminate their services with the Company at the normal retirement age are entitled to receive a portion of their benefits under the severance indemnities plan from a funded non-contributory pension plan. The Company follows the practice of funding the annual expense, which includes actuarially calculated current service cost, and prior service cost which is being amortized over a period of approximately 15 years.

Accrued severance indemnities at March 31, 2000 and 1999 are stated at 40 percent of the amount which would be required to be paid if all eligible employees covered by the severance indemnities plan voluntarily terminated their employment as of the respective balance sheet date.

In addition to the above two plans, the Company has adopted a welfare pension plan regulated by the Welfare Pension Law of Japan. This plan is funded by both the Company and its employees. The assets of the welfare pension plan at March 31, 1999, the date of the most recent statements available, were ¥15,587 million ($147,047 thousand), and the reserve required to be maintained under Article 85-2 of the Welfare Pension Law as of that date amounted to ¥14,010 million ($132,170 thousand). Prior service cost of the welfare pension plan is being amortized over a period of approximately 17 years.

(j) Income Taxes
In accordance with a new accounting standard for income taxes, deferred tax assets and liabilities have been initially recognized in the non-consolidated financial statements for the year ended March 31, 2000 with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse. Until the year ended March 31, 1999, tax-effect accounting had not been adopted by the Company.

The effect of this change in method of accounting was to increase total assets by ¥576 million ($5,434 thousand) and retained earnings by ¥810 million ($7,642 thousand) at March 31, 2000, and to decrease net income by ¥1,358 million ($12,811 thousand) for the year ended March 31, 2000.

(k) Research and Development Expenses
Research and development expenses are charged to income as incurred.

A new accounting standard for research and development expenses became effective the fiscal year ended March 31, 2000. The effect of the adoption of this new standard was to increase research and development expenses by ¥57 million ($538 thousand) for the year ended March 31, 2000.

(l) Appropriation of Retained Earnings
Under the Commercial Code, the appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial year. The accounts for that year do not, therefore, reflect such appropriation. See Note 17.

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 ¥106 = U.S.$1, the approximate rate of exchange on March 31, 2000. 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 MARKETABLE SECURITIES

The carrying amounts and related aggregate market values of marketable securities at March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Carrying amounts	**¥11,439**	¥12,711	**$107,915**
Aggregate market value	**16,853**	20,216	**158,990**
Net unrealized gains	**¥ 5,414**	¥ 7,505	**$ 51,075**

4 INVENTORIES

Inventories at March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Finished products	**¥2,872**	¥2,944	**$27,094**
Work in process	**2,220**	1,904	**20,943**
Raw materials and supplies	**511**	427	**4,821**
	¥5,603	¥5,275	**$52,858**

5 DEPRECIATION

Depreciation of property, plant and equipment for the years ended March 31, 2000 and 1999 amounted to ¥3,005 million ($28,349 thousand) and ¥3,465 million, respectively.

6 SHORT-TERM BANK LOANS

Short-term bank loans are primarily unsecured and generally represent notes maturing within one year. Interest rates applicable to the loans at March 31, 2000 and 1999 ranged principally from 0.61 percent to 1.625 percent and from 1.188 percent to 1.625 percent, respectively.

7 INCOME TAXES

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes, which, in the aggregate, resulted in statutory tax rates of 41.8 percent and approximately 47 percent for 2000 and 1999, respectively. The effective tax rate reflected in the accompanying non-consolidated statement of operations for the year ended March 31, 1999 differs from the statutory tax rate primarily due to the effect of timing differences in the recognition of certain income and expenses for tax and financial reporting purposes and the effect of expenses not deductible for income tax purposes.

The effective tax rate reflected in the non-consolidated statement of operations for the year ended March 31, 2000 differs from the statutory tax rate for the following reasons:

	2000
Statutory tax rate	**41.8%**
Effect of:	
Expenses not deductible for income tax purposes	**1.0**
Dividend income deductible for income tax purposes	**(0.9)**
Accrual for loss on investments	**8.9**
Other, net	**1.2**
Effective tax rate	**52.0%**

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2000 were as follows:

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets:		
Accrued bonuses	¥ 218	$ 2,057
Foreign tax credit	61	575
Accrued severance indemnities	398	3,755
Depreciation	78	736
Accrual for loss on investments	1,107	10,443
Other, net	57	538
	1,919	18,104
Valuation allowance	(1,107)	(10,443)
Total deferred tax assets	812	7,661
Deferred tax liabilities:		
Depreciation	231	2,179
Other, net	4	38
Total deferred tax liabilities	235	2,217
Net deferred tax assets	¥ 577	$ 5,444

8 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

At March 31, 2000 and 1999, accrued expenses and other current liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Accrued bonuses	**¥1,436**	¥1,244	**$13,547**
Other	**1,135**	1,147	**10,708**
	¥2,571	¥2,391	**$24,255**

9 LONG-TERM DEBT

At March 31, 2000 and 1999, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Secured loans from banks and insurance company, due through 2003 at interest rates ranging from 0.46 percent to 2.5 percent	**¥13,600**	¥14,000	**$128,302**
Unsecured loans from banks and others, rate ranging from 2.3 percent to 6.0 percent, due through 2024	**¥216**	¥166	**$2,038**
Secured zero coupon convertible bonds, in yen, due 2001	**4,999**	4,999	**47,160**
	18,815	19,165	**177,500**
Less current portion	**(6,915)**	(420)	**(65,236)**
	¥11,900	¥18,745	**$112,264**

The Zero coupon convertible bonds due 2001 are convertible at any time up to and including February 26, 2001, unless previously redeemed, into shares of common stock of the Company at the option of the holders at a conversion price of ¥349.00 per share. Under the terms of the issue, the conversion price is subject to adjustment in certain cases which include stock splits. Sufficient shares of common stock are reserved for the conversion of all outstanding convertible bonds.

Long-term debt payments subsequent to March 31, 2000 fall due as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2001	¥ 6,915	$ 65,236
2002	1,516	14,302
2003	16	151
2004 and thereafter	10,368	97,811
	¥18,815	$177,500

The assets (property, plant and equipment) pledged at March 31, 2000 as collateral for short-term bank loans and long-term debt amounted to ¥7,143 million ($67,387 thousand).

10 ACCRUED SEVERANCE INDEMNITIES AND PENSION COST

Charges to income for severance indemnities and pension cost for the years ended March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Charges to income for severance indemnities and pension cost	**¥1,619**	¥1,873	**$15,274**

The assets of the pension plan at March 31, 2000 were ¥346 million ($3,264 thousand).

11 LEGAL RESERVE

In accordance with the provisions of the Commercial Code, the Company has provided a legal reserve as an appropriation of retained earnings. The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to stated capital (common stock) by resolution of the Board of Directors.

12 CONTINGENT LIABILITIES

At March 31, 2000, the Company had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
As endorser of trade notes discounted	¥ 245	$ 2,311
As guarantor of indebtedness of affiliated companies and employees	889	8,387
	¥1,134	$10,698

In addition to the above, at March 31, 2000, the Company was committed to provide guarantees of indebtedness of affiliated companies in the aggregate amount of ¥1,300 million ($12,264 thousand) at the request of the lending banks.

13 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the year ended March 31, 2000 amounted to ¥1,167 million ($11,009 thousand).

14 LEASES

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased assets as of March 31, 2000 and 1999 which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance lease transactions currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Acquisition costs:			
Machinery and equipment	**¥1,188**	¥1,254	**$11,207**
Other assets	**276**	301	**2,604**
	¥1,464	¥1,555	**$13,811**
Accumulated depreciation:			
Machinery and equipment	**¥ 343**	¥ 340	**$ 3,235**
Other assets	**133**	130	**1,255**
	¥ 476	¥ 470	**$ 4,490**
Net book value:			
Machinery and equipment	**¥ 845**	¥ 914	**$ 7,972**
Other assets	**143**	171	**1,349**
	¥ 988	¥1,085	**$ 9,321**

Pro forma depreciation portion of lease payments relating to finance lease transactions accounted for as operating leases for the years ended March 31, 2000 and 1999 amounted to ¥224 million ($2,113 thousand) and ¥173 million, respectively, which were computed assuming the straight-line method over the lease terms of the leased assets.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2000 for finance lease transactions accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2001	¥160	$1,510
2002 and thereafter	828	7,811
Total	¥988	$9,321

15 DERIVATIVE TRANSACTIONS

The Company has entered into foreign exchange contracts to reduce its exposure to adverse fluctuations in foreign exchange rates relating to receivables and payables denominated in foreign currencies.

In addition, the Company has entered into interest rate swap agreements to reduce its exposure to adverse fluctuations in interest rates relating to long-term debt. At March 31, 2000 and 1999, the total notional principal amounts of these interest rate swap agreements whose terms extend more than one year after the balance sheet date were ¥3,500 million ($33,019 thousand) and ¥3,500 million, respectively.

Summarized below are the carrying amounts and estimated fair value of the Company's financial instruments at March 31, 2000 and 1999.

	Millions of yen				Thousands of U.S. dollars	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
	2000		1999		**2000**	
Interest rate swaps:						
Receive-fixed, pay-variable	**¥3,500**	**¥104**	¥3,500	¥163	**$33,019**	**$981**

The following methodologies and assumptions were used by the Company in estimating the fair value of its financial instruments:

Interest rate swaps:
2000 and 1999: Estimated fair value provided by financial institutions

16 AMOUNTS PER SHARE

The computation of basic net income (loss) per share is based on the weighted average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding each year after giving effect to the dilutive potential of common shares to be issued upon the conversion of convertible bonds.

Cash dividends per share represent dividends declared as applicable to the year.

Net assets per share are based on the number of shares outstanding at year end.

Amounts per share of net income (loss) and cash dividends for the years ended March 31, 2000 and 1999 were as follows:

	Yen		U.S. dollars
	2000	1999	**2000**
Net income (loss):			
Basic	**¥12.12**	¥(48.68)	**$0.114**
Diluted	**10.71**	—	**0.101**
Cash dividends	**5.00**	3.00	**0.047**

No diluted amount per share is presented for 1999 as a net loss was recorded.

Net assets per share at March 31, 2000 and 1999 were ¥212.08 ($2,001) and ¥184.57, respectively.

17 SUBSEQUENT EVENTS

a) On June 19, 2000, the Company entered into a retirement benefit trust agreement with a trust bank, and entrusted securities with an aggregate book value and market value of ¥11,002 million ($103,792 thousand) and ¥14,621 million ($137,934 thousand), respectively, to a trust account legally segregated from the Company's assets for the future payments of employees' retirement benefits. This action was taken to mitigate the impact on the Company's future operating results of a new accounting standard in Japan for employees' retirement benefits which will become effective the year ending March 31, 2001.

The gain arising from this trust transaction of ¥3,619 million ($34,142 thousand) will be recorded as other income. Amortization of the cumulative effect of the accounting change amounting to ¥14,621 million ($137,934 thousand), which is equivalent to the market value of the securities entrusted, will be recorded as other expense for the year ending March 31, 2001.

b) The following appropriations of retained earnings were approved at a meeting of the shareholders of the Company held on June 29, 2000:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥5.0 = $0.047 per share)	¥532	$5,019
Transfer to legal reserve	56	528

Century Ota Showa & Co.

Certified Public Accountants
Hibiya Kokusai Bldg.
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The Board of Directors and Shareholders
Riken Corporation

We have examined the non-consolidated balance sheets of Riken Corporation as of March 31, 2000 and 1999, and the related non-consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying non-consolidated financial statements, expressed in yen, present fairly the financial position of Riken Corporation at March 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 1 to the non-consolidated financial statements, Riken Corporation has adopted new accounting standards for research and development expenses and tax-effect accounting in the preparation of its non-consolidated financial statements for the year ended March 31, 2000.

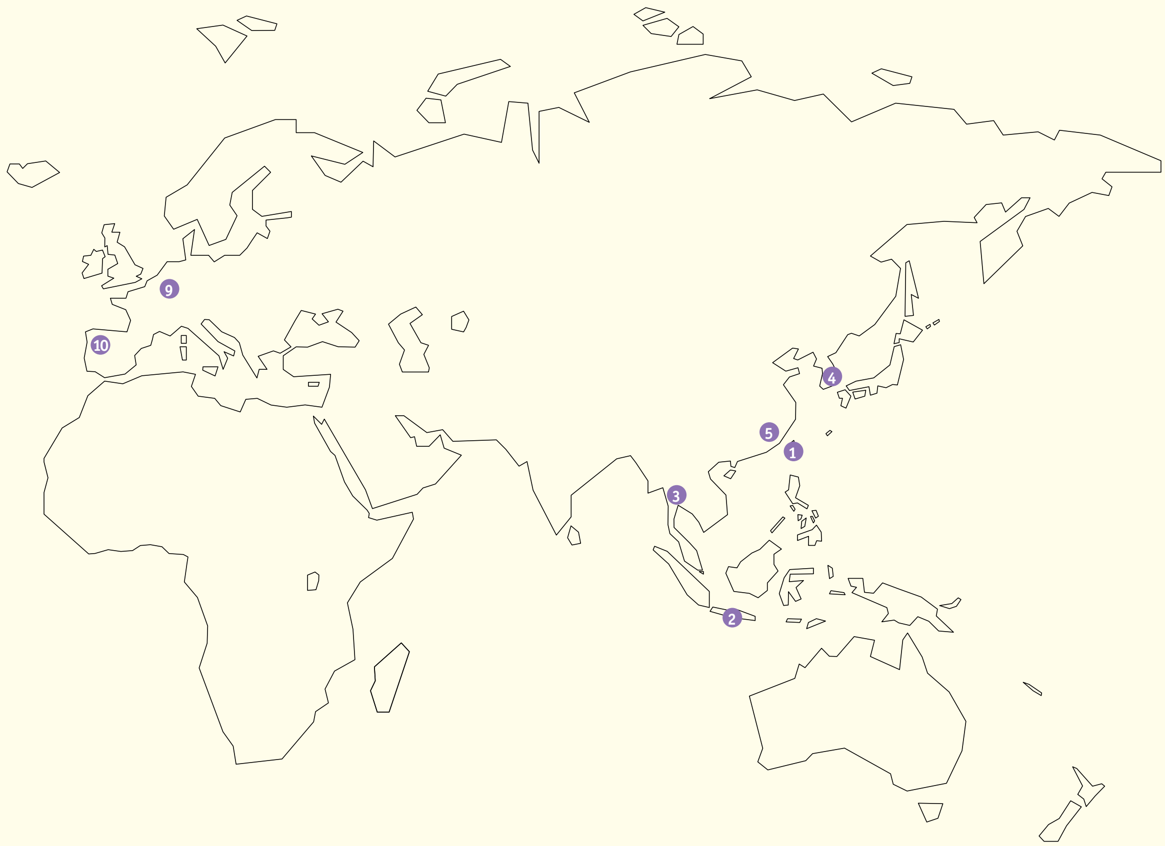
The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2000 are presented solely for convenience. Our examination also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the non-consolidated financial statements.

Century Ota Showa & Co.

June 29, 2000

See Note 1 to the non-consolidated financial statements which explains the basis of preparing the non-consolidated financial statements of Riken Corporation under Japanese accounting principles and practices.

OVERSEAS ACTIVITY



The beginning of Riken's full-scale expansion overseas can be traced back to the establishment of Taiwan Riken Ind. Co., Ltd. in 1968. Starting with the production and manufacture of piston rings through joint ventures with local business conglomerates, we have built production bases in countries including Korea and Thailand through joint ventures that use local capital. In line with expansion in Asia, we established wholly owned subsidiaries in the United States and Germany in the 1970s to address heightened interest in our products in Europe and North America, and began supplying automakers in various countries. Furthermore, we founded Allied Ring Corporation in the 1980s as a joint-venture company in response to local procurement by Japanese automakers, and to supply steel piston rings to the "Big Three" automakers. We are broadening technological tie-ups for piston rings in South America and studying the feasibility of establishing production bases in Europe.

Riken is also involved in fields beyond piston rings. In Indonesia, we manufacture high-grade cast-iron products through the joint venture company P.T. Pakarti Riken Indonesia, and engage in technological transfer of such products as knuckles and camshafts with local companies in Europe and North America. Riken currently has 10 subsidiaries and affiliates, excluding holding companies, and has established partnerships with five companies in capital and technological tie-ups. In addition to piston rings, Riken also provides a variety of products and technologies for automobile parts and piping equipment through its global network.

1 TAIWAN RIKEN IND. CO., LTD.
41, Chen-Tai Road Sec. 3, Wu-Ku Hsiang, Taipei Hsien, Taiwan
TEL: (886) 2-2291-4550
FAX: (886) 2-2291-5136

2 P.T. PAKARTI RIKEN INDONESIA
JI. Sukodono, Gedangan, Sidoarjo, 61254 Indonesia
TEL: (62) 31-891-2555
FAX: (62) 31-891-0088

3 SIAM RIKEN INDUSTRIAL CO., LTD.
61/2 K.M.21, Bangna-Trad Rd., Amphur Bangsaothong, Samutprakarn 10540 Thailand
TEL: (66) 2-740-0410
FAX: (66) 2-312-8505

4 RIKEN OF KOREA INC.
261, Seok bong-dong, Dea duk-ku, Taejeon, Korea
TEL: (82) 42-934-1500
FAX: (82) 42-931-2366

5 XIAMEN RIKEN IND. CO., LTD.
No.12 Xibin Road Xinglin District, Xiamen, 361022, China
TEL: (86) 592-621-9076
FAX: (86) 592-621-3134

6 RIKEN OF AMERICA, INC.
4709 Golf Road, Suite 807, Skokie, Illinois, 60076 U.S.A.
TEL: (1) 847-673-1400
FAX: (1) 847-673-1457

7 RIKEN METAL PRODUCTS CORP.
4709 Golf Road, Suite 807, Skokie, Illinois, 60076 U.S.A.
TEL: (1) 847-673-1400
FAX: (1) 847-673-1457

8 ALLIED RING CORPORATION
916, West State Street, St. Johns, Michigan, 48879 U.S.A.
TEL: (1) 517-224-2384
FAX: (1) 517-224-3280

9 EURO-RIKEN GMBH
Schiess Strasse, 58, 40549, Dusseldorf, Germany
TEL: (49) 211-5990636
FAX: (49) 211-5961180

10 RIKEN ESPAÑA, S.A.
Poligono Industrial de Constanti (Tarragona), Spain
TEL: (34) 977-52-0506
FAX: (34) 977-52-2306

Capital and Technological Tie-ups

SHRIRAM PISTONS & RINGS LIMITED
23 Kasturba Gandhi Marg, New Delhi, 110001 India
TEL: (91) 11-3315941
FAX: (91) 11-3311203

EISENGIESSEREI MONFORTS GMBH & CO.
Schwalmstrasse 301 D-41238 Monchengladbach, Germany
TEL: (49) 2161-401447
FAX: (49) 2161-401466

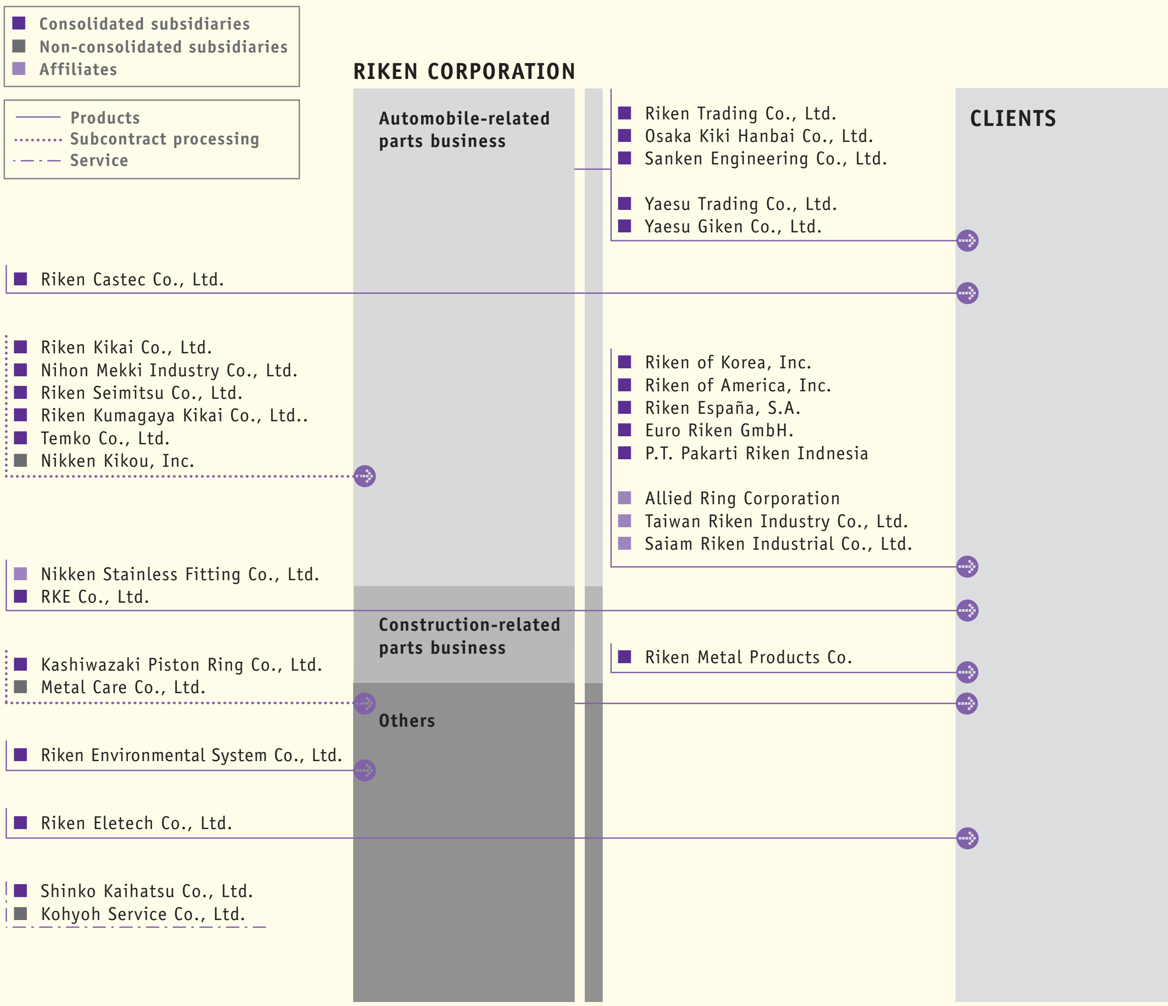
GREDE FOUNDIES, INC.
9898 W.Bluemound Rd. Milwaukee, Wisconsin 53226-0499 U.S.A.
TEL: (1) 414-257-3600
FAX: (1) 414-256-9229

INTERMET CORPORATION
5445 Corporate Drive Suite 260 Troy, Michigan 48098-2683 U.S.A.
TEL: (1) 810-952-2500
FAX: (1) 810-952-2501

DANA ALBARUS S.A. INDÚSTRIA E COMÉRCIO
Rua Ricardo Bruno Albarus, 201
Distrito Industrial PO Box 104
Gravatai-Rs 94000-970 Brazil
TEL: (55) 51-489-1144
FAX: (55) 51-489-1265

CORPORATE DIRECTORY

As of September 11, 2000



HEAD OFFICE

13-5, Kudan-kita 1-chome, Chiyoda-ku, Tokyo 102-8202, Japan
TEL: (03) 3230-3911
FAX: (03) 3230-3431
http://www.riken.co.jp/

DOMESTIC SALES

SAPPORO SALES OFFICE

5-39, Chuo-2 joh 1-chome, Shiroishi-ku, Sapporo 003-0012, Japan
TEL: (011) 832-6690
FAX: (011) 832-6681

SENDAI SALES OFFICE

4-18, Tsutsujigaoka 3-chome, Miyagino-ku, Sendai, Miyagi 983-0852, Japan
TEL: (022) 256-5101
FAX: (022) 256-5103

KANAGAWA SALES OFFICE

3-9, Naka-machi 3-chome, Atsugi, Kanagawa 243-0018, Japan
TEL: (0462) 25-7110
FAX: (0462) 25-7118

HAMAMATSU SALES OFFICE

319-28, Kaji-cho, Hamamatsu, Shizuoka 430-0933, Japan
TEL: (0534) 57-1155
FAX: (0534) 54-1453

NAGOYA SALES OFFICE

17-13, Nishiki 1-chome, Naka-ku, Nagoya 460-0003, Japan
TEL: (052) 201-8681
FAX: (052) 201-5057

OSAKA SALES OFFICE

9-3, Tanimachi 2-chome, Chuo-ku, Osaka 540-0012, Japan
TEL: (06) 6944-1291
FAX: (06) 6944-1339

HIROSHIMA SALES OFFICE

9-28, Hikarimachi 1-chome, Higashi-ku, Hiroshima 730-0052, Japan
TEL: (082) 506-2455
FAX: (082) 506-2457

FUKUOKA SALES OFFICE

1-9, Sumiyoshi 1-chome, Hakata-ku, Fukuoka 812-0018, Japan
TEL: (092) 281-1071
FAX: (092) 291-1183

DOMESTIC MANUFACTURING

KASHIWAZAKI PLANT

1-37, Hokuto-cho, Kashiwazaki, Niigata 945-8555, Japan
TEL: (0257) 23-3113
FAX: (0257) 24-3309

KUMAGAYA PLANT

14-1 , Suehiro 4-chome, Kumagaya, Saitama 360-8522, Japan
TEL: (0485) 21-3511
FAX: (0485) 24-8110

INVESTOR INFORMATION

As of March 31, 2000

REESTABLISHED
December 1, 1949

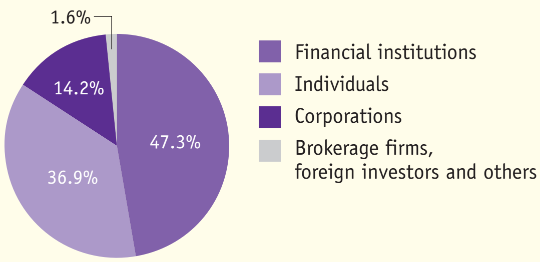
COMMON SHARES ISSUED
106,484,667

CAPITAL
¥8.5 billion

NUMBER OF SHAREHOLDERS
13,324

EMPLOYEES
1,698

DISTRIBUTION OF SHAREHOLDERS



BOARD OF DIRECTORS

As of June 29, 2000

PRESIDENT

Kunihiko Oguchi

VICE PRESIDENT

Seiji Nemoto

MANAGING DIRECTORS

Masa Maezawa
Tetsuo Kodama
Fumio Kiyota
Masaki Munakata

DIRECTORS

Koichi Yamazaki
Junji Shirogane
Satoshi Hoshihara
Michio Furuta
Michiru Furuichi
Noritada Okano

AUDITORS

Junshichi Nakao
Takio Shibano
Takashi Ishitani
Shigekazu Kamiki

From left:
Kunihiko Oguchi, PRESIDENT
Seiji Nemoto, VICE PRESIDENT

RIKEN CORPORATION

13-5, Kudan-kita 1-chome,
Chiyoda-ku, Tokyo 102-8202, Japan
TEL: (03) 3230-3911
FAX: (03) 3230-3431

Printed in Japan