RYOBI

ANNUAL REPORT 2001

FOR THE YEAR ENDED 31ST MARCH 2001

PROFILE

Ryobi Limited is a world-class manufacturer of die castings with a lineup of finished products that includes printing equipment, power tools, builders' hardware and sporting goods. Global capabilities in product development, production and sales and marketing support strong customer satisfaction throughout the world. With a strategic emphasis on profitability, the Company is refocusing on the strengths of each business line to target growth in both die castings and finished products.

V6 CYLINDER BLOCK

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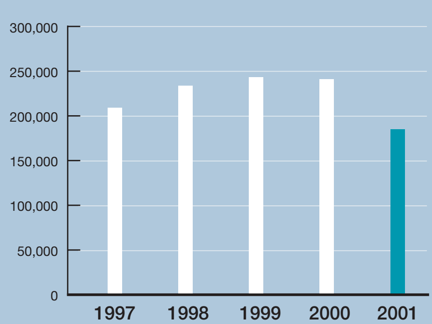
RYOBI 686

(For the years ended 31st March 2001, 2000 and 1999)

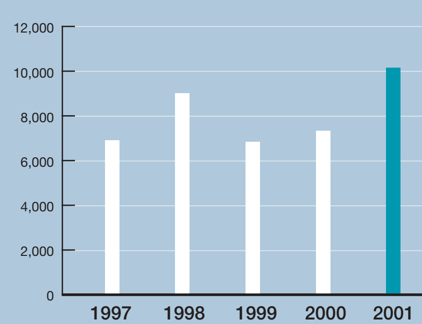
	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2001	2000	1999	**2001**
For the fiscal period:				
Net sales	**¥184,282**	¥240,074	¥242,774	**$1,487,345**
Operating income	**10,139**	7,303	6,817	**81,832**
Net income (loss)	**2,907**	2,831	(3,086)	**23,462**
As at fiscal year-end:				
Total assets	**¥193,001**	¥238,080	¥233,654	**$1,557,716**
Total shareholders' equity	**29,501**	33,360	32,540	**238,103**
	Yen			U.S. Dollars (Note 2)
Per share data:				
Net income (loss)—Primary	**¥ 17.04**	¥ 16.59	¥ (18.02)	**$ 0.138**
Cash dividends	**—**	—	3.75	**—**

Notes: 1. Net income (loss) per share figures are based on the weighted average number of shares outstanding each year.
2. Yen amounts have been translated into U.S. dollars, solely for the convenience of the reader at ¥123.90=US$1 the exchange rate prevailing on 31st March 2001.

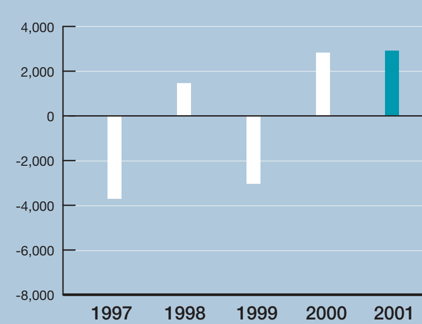
Net sales (Millions of yen)



Operating income (Millions of yen)



Net income (loss) (Millions of yen)

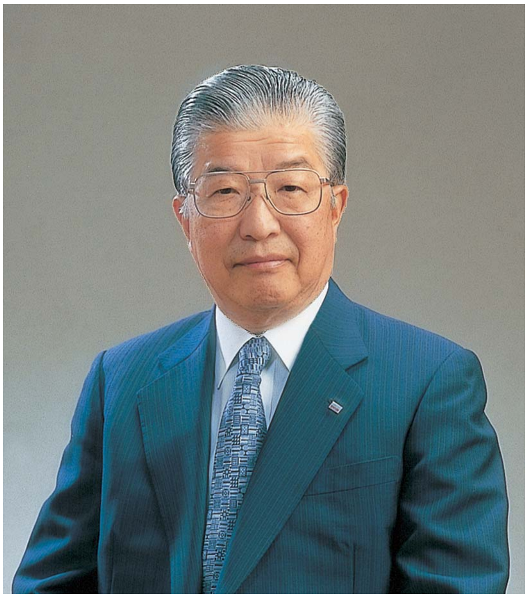


aiming for a sound and dynamic corporation

Ryobi Limited aggressively promotes marketing activities in each of its businesses and advances a variety of measures to develop new products that match customer needs, reduce costs, lower expenses and raise business efficiency. During fiscal year 2001, ended 31st March 2001, consolidated net sales decreased 23.2% to ¥184.3 billion compared with the previous fiscal year. Although domestic net sales showed a slight increase to ¥118.2 billion, overseas net sales declined 45.8% to ¥66.1 billion due to the sale of power tool business in North America. Operating income rose 38.8% to ¥10.1 billion and net income rose 2.7% to ¥3.0 billion. Although net sales decreased owing to the sale of our North American power tool business and fishing tackle business, income increased and the Company recorded an extraordinary loss of ¥6.6 billion in accordance with the sale of the fishing tackle business and the planned sale of sales subsidiaries of power tools in Europe and Oceania.

Ryobi has made concerted efforts to optimize the scale and reinforce the structure of each of its businesses to promote a high earnings structure. The Company is undertaking a sweeping review of its businesses and earnings structures in line with the Sound Management Plan, which was announced on 29th March, 2000.

The objective of the plan is to build a



stable, high earnings structure through a decisive review of unprofitable businesses while considering such measures as sale businesses. Consequently, the scope of the review covers our power tool and fishing tackle businesses and is basically proceeding as planned.

Ryobi will continue to maximize the allocation of management resources in its fields of strength—die casting and printing equipment businesses.

In our die casting business, we aim to strengthen and expand relationships with automobile manufacturers by utilizing our know-how as a world-leading die casting manufacturer and our three-region structure of Japan, the United States and Europe. We will also aggressively work to expand sales in other fields such as electronics and communications.

In printing equipment, we will further reinforce our solid reputation in world markets by advancing high precision multicolor and functions. By responding to advancements in information technology (IT) and digitization, as well as by expanding from small-size printing presses to medium-size printing presses, we are developing a total printing system from prepress to press.

To further solidify reforms made to business and earnings structures in fiscal 2001 we will make concerted efforts in the current fiscal year to improve results and strengthen the management structure based on the Sound Management Plan. We will make every effort to be a "Sound and Dynamic Corporation" to meet the expectations of our shareholders, customers and business associates.

Thank you for your continued support.

June 2001

Hiroshi Urakami
President

SOUND MANAGEMENT PLAN

We initiated the Sound Management Plan, which was announced on 29th March 2000, to undertake the sweeping review of unprofitable businesses and to maximize management resources in such fields of strength as die casting and printing equipment businesses. Other measures include bolstering efforts to reduce interest-bearing debt, and lower costs and increase business efficiency, and establishing a stable, high earnings structure. The plan progressed roughly on schedule in fiscal 2001. A summary and progress report of the plan is described below.

SWEEPING REVIEW OF UNPROFITABLE BUSINESSES

Sale of Power Tool Business in North America

In August 2000, we completed the sale of power tool business to TechTronic Industries Co., Ltd., of Hong Kong. Although the Company is not directly involved in manufacturing and marketing, the Ryobi brand of products continue to exist through TechTronic Industries.

Review of Power Tool Business Outside North America

We have entered into negotiations after deciding to sell to a third party four overseas sales subsidiaries in the United Kingdom, France, Australia and New Zealand.

In domestic power tool business, Ryobi aims to boost profitability and improve competitiveness by strengthening management across Group companies, streamlining the organization, reducing personnel as well as transferring production to a manufacturing subsidiary in Dalian, China, and unifying and eliminating models. In March 2001, to drastically restructure our domestic sales subsidiary, we increased its capital and discharging of our account receivables from the domestic sales subsidiary.

Sale of Fishing Tackle Business

In September 2000, we completed the sale of the fishing tackle business to Johshuya Co., Ltd. While the Company no longer manufactures and sells fishing tackle, the Ryobi brand name continues to be used at Johshuya.

CONCENTRATE MANAGEMENT RESOURCES IN FIELDS OF STRENGTH

We will maximize the allocation of management resources in such fields of expertise as die castings and printing equipment and are working to further increase competitiveness and earnings power. As a result, these two businesses accounted for 71.0% of net sales in fiscal 2001, compared with 53.6% in fiscal 2000, a step closer to the fiscal 2004 target of 78.0%.

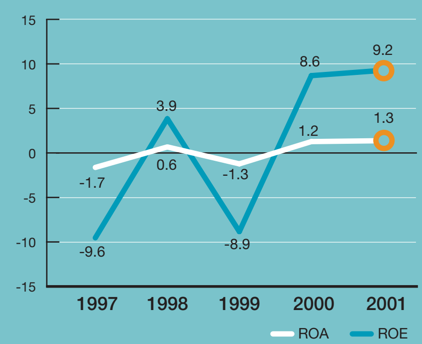
REDUCE INTEREST-BEARING DEBT

The Company sold a portion of its marketable securities and real estate, and sold in June 2000, North American lawn and garden equipment business, a relatively strong business, to MTD Products Inc, of the United States to reduce interest-bearing debt and partially offset losses incurred from the sale of power tool business in North America. As a result, interest-bearing debt reduced 24.0% to ¥96.9 billion in fiscal 2001 from ¥127.0 billion in fiscal 2000. We plan to further reduce interest-bearing debt to ¥65.7 billion in fiscal 2004.

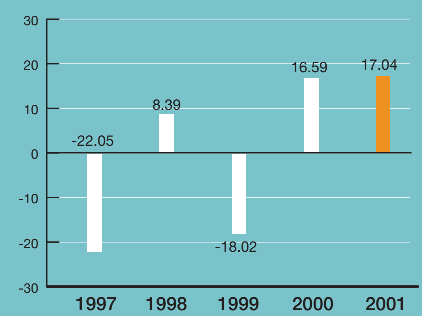
REDUCE COSTS AND IMPROVE BUSINESS EFFICIENCY

Ryobi promoted overall cost reductions by implementing such measures as reducing personnel as a part of its sweeping review of unprofitable businesses. Since fiscal 2000, Group personnel have decreased approximately 22.6%, or 1,945 employees, to 6,679 employees in fiscal 2001.

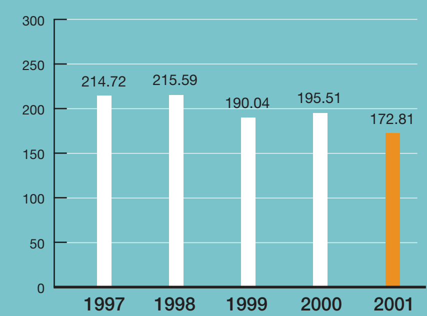
ROE & ROA (%)



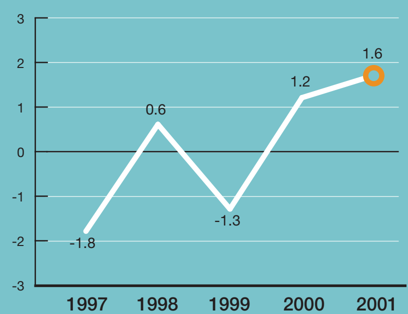
Net income (loss) per share (Yen)



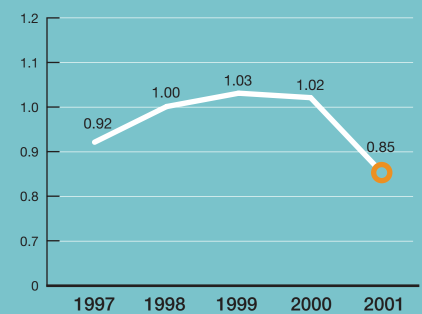
Net asset per share (Yen)



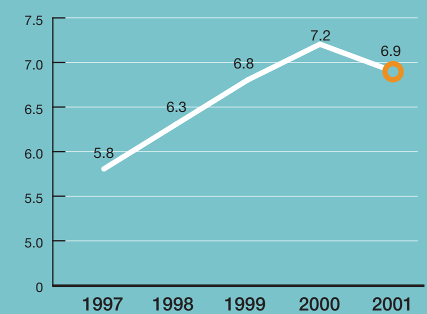
Return on sales (%)



Asset turnover (Times)



Financial leverage (Times)



Regarding financial and management indices for the fiscal year ended 31st March 2001, in the first year of the Sound Management Plan, ROE improved 0.6 percentage point compared with the previous fiscal year to 9.2% and ROA increased 0.1 percentage point to 1.3%. ROS improved 0.4 percentage point to 1.6%.

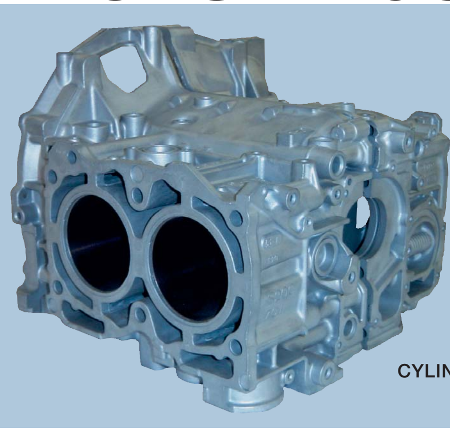
Asset turnover was 0.85 times, compared with 1.02 times last year, owing to a decrease in net sales resulting from the sale of unprofitable businesses. Financial leverage declined 0.3 to 6.9 times due to reductions in interest-bearing debt. Financial leverage has improved as a result of progress made through the Sound Management Plan, reversing the previous slide.

aiming for ***target*** *indices*

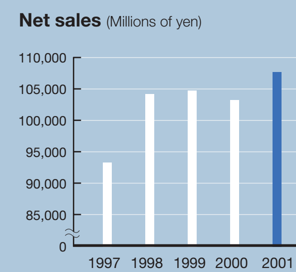
in the fiscal year ending 31st March 2004

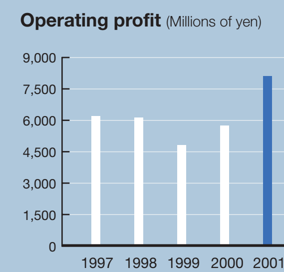
ROA** and **ROS**: **3.2%

DIE CASTINGS



CYLINDER BLOCK





the earnings pillar driving growth at Ryobi

REVIEW As one of the world's leading die casting manufacturer, Ryobi supplies die casting products to a variety of fields including automobile, home appliance and industrial machinery. Our die casting products for automobiles, including cylinder blocks and transmission cases, are employed in approximately 2,000 parts of more than 100 automobile models in Japan and overseas. Moreover, our aluminum die casting products contribute to energy consumption and resource conservation due to their light weight and recyclable qualities. In addition to aluminum die casting products, Ryobi is focusing efforts on even lighter weight magnesium die casting products.

The secret behind our die castings, highly evaluated for their technological capabilities and high quality, lies in our integrated manufacturing system, from die design and fabrication to casting, machining and assembly, which allows a rapid and precise response to customer needs. We are concentrating efforts on making new die casting products and increasing the quality of die casting various functional products through such innovative technology as Ryobi New Casting (RNC), a new die casting production system that enables the manufacture of high-strength and high-quality die casting products.

PERFORMANCE In the fiscal year ended 31st March 2001, net sales in die castings increased 4.4 % to ¥107.8 billion, and operating income surged 41.2% to ¥8.1 billion. The ratio of operating income to net sales was 7.5% compared with 5.6% in the previous fiscal year. Sales increased due to strong exports of domestic automobile manufacturers to North America and Asia in the first half of the fiscal year. Additionally, we integrated the plants of our manufacturing subsidiary in the United States.

OUTLOOK We will maximize the allocation of management resources in our competitive die casting business, reinforcing our primary source of earnings. We aim to strengthen and expand relationships with automobile manufacturers by utilizing our know-how as a world-leading die casting manufacturer and our three-region structure of Japan, the United States and Europe. We will also aggressively work to expand sales in other fields such as electronics and communications.

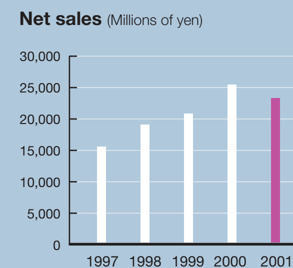
Ryobi Aluminium Casting (UK), Limited Receives U.K.'s Best Factory Award

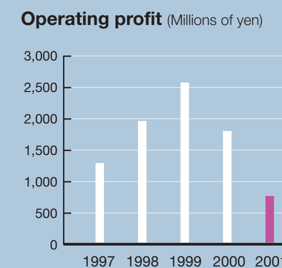
Ryobi Aluminium Casting (UK), Limited [RAC(UK)] received a high commendation at the U.K.'s Best Factory award in the Best Engineering Factory category, presented to top performing manufacturers in the United Kingdom. RAC(UK) received the award based on an evaluation of Ryobi's high-quality products and technology. This marks the second time for RAC(UK) to receive the award, with the first one in 1994.

Ryobi Aluminium Casting (UK), Limited

PRINTING EQUIPMENT

RYOBI 3404DI
Received Distinctive Merit at 31st Machinery and Industrial Design Awards





aiming to increase revenues by expanding new fields

REVIEW Ryobi already boasts the largest share of the market for small offset presses. We provide high-quality, easy-to-use products as a comprehensive manufacturer of printing systems by participating in the market for medium-size offset presses and digital presses and developing prepress systems.

Advancing product development with an emphasis on increasing speed, automation and labor-saving functions, our offset presses have received high appraisal mainly in Europe and the United States. In prepress systems, we respond to demands in the printing industry through the development of high-performance multi-function editing workstations and original fonts.

Ryobi has established systems for quality management , quality assurance and environmental preservation with the acquisition of ISO 9001 certification for the design, development and manufacture of offset presses and prepress systems and ISO 14001 certification for environmental management for its business activities and products.

PERFORMANCE In the fiscal year ended 31st March 2001, net sales of printing equipment decreased 8.8% to ¥23.2 billion and operating income fell 58.2% to ¥0.7 billion compared with fiscal 2000. The ratio of operating income to net sales was 3.2%, compared with 7.0% in the previous fiscal year. Exports from Japan declined, adversely affected by such factors as the strong yen against the euro, and intensified price competition in Japan resulted in lowered net sales and income. However, domestic sales of our A3-size landscape format offset presses were strong. We also announced a next-generation digital offset press to favorable reviews.

OUTLOOK As with die casting business, Ryobi will maximize the allocation of management resources in printing equipment business to expand our primary source of earnings. We will further reinforce our solid reputation in world markets by advancing high precision multicolor and functions. By responding to advancements in information technology (IT) and digitization, as well as by expanding from small-size printing presses to medium-size printing presses, we are developing a total printing system from prepress to press.

RYOBI 680 Series Receives Minister of International Trade and Industry Award in the 30th Machinery and Industrial Design Awards

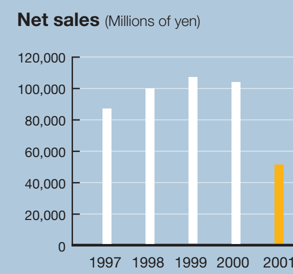
The RYOBI 680 series of medium-size offset presses was awarded the Minister of International Trade and Industry (presently called the Minister of Economy, Trade and Industry) Award, the top honor of the 30th annual Machinery and Industrial Design Awards presented by a Japanese newspaper focusing on business and technology, *the Nikkan Kogyo Shimbun*. Ryobi received favorable evaluations for its technological strengths and advanced designs.

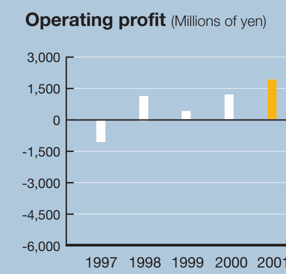
RYOBI 686

POWER TOOLS

ROTARY HAMMER
ED-450E

DOOR CLOSER
B3000V





building a structure that creates steady profits

REVIEW Our Power Tools boast a variety of equipment powered by corded, cordless, engines and compressed air. The wide range of models from large to small are widely used and appreciated by professionals and do-it-yourself types alike. Ryobi aims for higher performance, lightness, compactness, safety and ease of use in product development that closely matches the needs of the times.

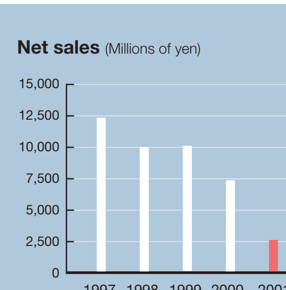
In Builders' Hardware, the other field in this segment, we develop and sell our mainstay door closers that are compatible with a diverse range of doors for residences and buildings, as well as such architecture hardware as floor hinges, contributing to the safety and comfort of living environments.

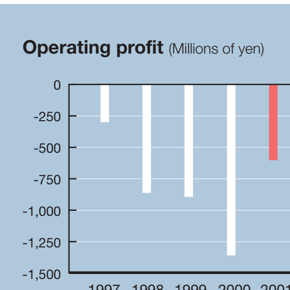
PERFORMANCE In the fisical year ended 31st March 2001, net sales fell 51.2% to ¥50.8 billion while operating income rose 61.7% to ¥1.9 billion. The ratio of operating income to net sales was 3.7%, compared with 1.1% in the previous fiscal year. Although net sales decreased owing to the sale of our North American power tool business, income increased.

OUTLOOK We aim to improve profitability through the development of unique products and the manufacture of cost-competitive products by taking advantage of strengths in overseas manufacturing, including our subsidiary in Dalian, China. Furthermore, we plan to restructure our domestic sales subsidiary of power tools. In Builders' Hardware, in addition to our mainstay door closers, we are working to expand and boost other products for residential environments, including air conditioning controllers and aluminum roofs.

OTHERS

VIGOROUS FM





aiming for a prompt return to profitability with thorough streamlining

REVIEW Utilizing its development capabilities, Ryobi engages in production of such sporting goods as golf clubs. We develop and provide highly original clubs, including woods and irons, and offer a new category of utility club that fits into neither category.

PERFORMANCE In the fiscal year ended 31st March 2001, net sales decreased 65.4% to ¥2.5 billion, and an operating loss of ¥0.6 billion was recorded. Net sales declined due to the sale of our fishing tackle business.

OUTLOOK The Company will continue to strengthen revenue capabilities by expanding and boosting the highly original VIGOROUS series of golf clubs.

FISCAL PERIOD COMPARATIVE SUMMARY

RYOBI LIMITED AND CONSOLIDATED SUBSIDIARIES

(For the years ended 31st March)

	Millions of Yen					
	2001	2000	1999	1998	1997	1996
For the fiscal period:						
Net sales	**¥184,282**	¥240,074	¥242,774	¥232,997	¥208,198	¥196,417
Cost of sales	**144,567**	190,214	200,494	189,916	169,568	164,081
Gross profit	**39,715**	49,860	42,280	43,081	38,630	32,336
Selling, general and administrative expenses	**29,576**	42,557	35,463	34,082	31,743	30,462
Operating income	**10,139**	7,303	6,817	8,999	6,887	1,874
Income taxes	**(1,150)**	(11,231)	1,719	3,066	3,421	2,857
Net income (loss)	**2,907**	2,831	(3,086)	1,437	(3,775)	(4,166)
As at fiscal year-end:						
Total assets	**¥193,001**	¥238,080	¥233,654	¥239,219	¥225,504	¥227,006
Total shareholders' equity	**29,501**	33,360	32,540	36,916	36,767	41,789
	Yen					
Per share data:						
Net income (loss)—Primary	**¥ 17.04**	¥ 16.59	¥ (18.02)	¥ 8.39	¥ (22.05)	¥ (24.35)
Cash dividends	**—**	—	3.75	7.50	7.50	7.50

Notes: 1. Net income (loss) per share figures are based on the weighted average number of shares outstanding each year.
2. Cash dividends per share are the amounts applicable to the respective years, including dividends to be paid after the end of the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATING PERFORMANCE

Consolidated net sales for the fiscal year ended 31st March 2001, declined 23.2% to ¥ 184,282 million. Of this, domestic sales rose slightly to ¥118,182 million, while overseas sales decreased 45.8% to ¥66,100 million. A major factor of the sales decline was the sale of the North American power tool businesses and fishing tackle business.

Net sales and operating income by segment are discussed below.

Die Castings

Net sales in the Die Castings segment increased 4.3% to ¥107,754 million, while its operating income increased 41.2% to ¥8,099 million. Our sales were supported by the increase of automobile exports by domestic automobile manufacturers to the North America and Asian markets.

Printing Equipment

Net sales in the Printing Equipment segment decreased 8.8% to ¥23,173 million, while its operating income also decreased 58.2% to ¥743 million. The continued strong yen against Euro currency led the decline of export sales and the increased price competition in the domestic market.

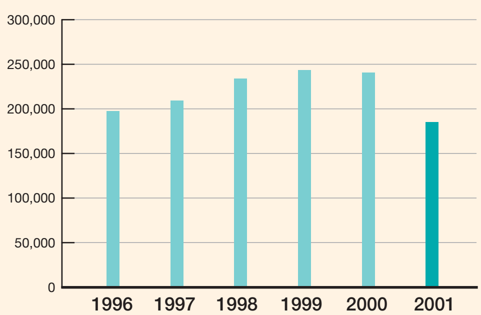
Power Tools

Net sales in the Power Tools segment decreased 51.2% to ¥50,834 million, reflecting the sale of North American power tool businesses. However, operating income improved and rose 61.7% to ¥1,866 million.

Other

Net sales in other segments fell 65.4% to ¥2,521 million, with an operating loss of ¥ 602 million. The significant sales decline was due to the sale of the fishing tackle business.

Net sales (Millions of yen)



Operating income grew 38.8% to ¥10,139 million, resulting in a 2.5% improvement of the operating income ratio.

An extraordinary loss of ¥5,709 million was added during the year due to the sale of fishing tackle business and expected sale of the European and Oceanic power tool sales subsidiaries.

LIQUIDITY AND FINANCIAL POSITION

Net cash provided by operating activities increased ¥814 million to ¥14,774 million.

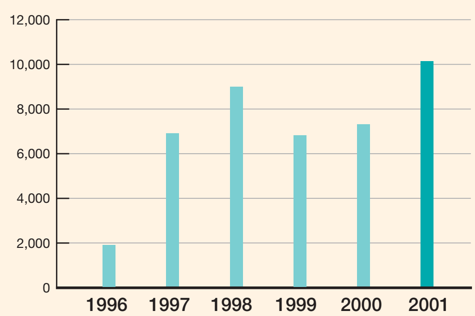
Net cash provided by investing activities increased ¥11,993 million to ¥13,258 million. This includes the proceeds of ¥18,645 million from the sale of the North American power tool businesses.

Net cash used in financing activities increased ¥25,230 million to ¥32,598 million, by the repayment of interest-bearing debts. In aggregate, the Ryobi Group recorded a net decrease in cash and cash equivalents of ¥4,413 million. After adjustment for exchange rate changes, cash and cash equivalents at the end of fiscal year totaled ¥18,669 million.

Total assets decreased 18.9% to ¥193,001 million. A major factor in this decrease was the sale of North American power tool businesses and fishing tackle business.

Total shareholders' equity decreased 11.6% to ¥29,501 million. As a result, the equity ratio rose to 15.3% from 14.0% a year earlier.

Operating income (Millions of yen)



CONSOLIDATED BALANCE SHEETS

RYOBI LIMITED AND CONSOLIDATED SUBSIDIARIES

(As at 31st March 2001 and 2000)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2001**	2000	**2001**
Current assets			
Cash and cash equivalents	**¥ 18,669**	¥ 23,082	**$ 150,678**
Time deposits (Note 5)	**2,561**	2,453	**20,670**
Marketable securities (Notes 3 and 5)	**—**	629	**—**
Notes and accounts receivable (Note 5)			
Trade	**44,764**	49,004	**361,291**
Unconsolidated subsidiaries and affiliates	**301**	308	**2,429**
Other	**2,236**	2,779	**18,047**
Allowance for doubtful accounts	**(413)**	(430)	**(3,333)**
Inventories (Note 4)	**34,226**	44,873	**276,239**
Deferred tax assets (Note 9)	**1,187**	3,717	**9,580**
Prepaid expenses and other	**929**	1,235	**7,498**
Total current assets	**104,460**	127,650	**843,099**
Property, plant and equipment (Note 5)			
Land	**20,661**	21,356	**166,755**
Buildings and structures	**38,680**	42,862	**312,187**
Machinery and equipment	**86,634**	101,858	**699,225**
Construction in progress	**1,169**	2,266	**9,435**
Total	**147,144**	168,342	**1,187,602**
Accumulated depreciation	**(86,191)**	(95,989)	**(695,649)**
Net property, plant and equipment	**60,953**	72,353	**491,953**
Investments and other assets			
Investments in securities (Notes 3 and 5)	**10,922**	6,697	**88,152**
Investments in and advances to unconsolidated subsidiaries and affiliates	**617**	790	**4,980**
Intangible fixed assets	**2,253**	12,069	**18,184**
Deferred tax assets (Note 9)	**10,556**	6,955	**85,198**
Other	**4,218**	4,264	**34,043**
Allowance for doubtful accounts	**(978)**	(770)	**(7,893)**
Total investments and other assets	**27,588**	30,005	**222,664**
Adjustments on foreign currency statement translation	**—**	8,072	**—**
Total	**¥ 193,001**	¥238,080	**$ 1,557,716**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2001
Current liabilities			
Short-term borrowings (Note 5)	¥ 34,440	¥ 61,581	$ 277,966
Current portion of long-term debt (Note 5)	23,959	13,273	193,374
Notes and accounts payable			
Trade	37,317	40,231	301,186
Unconsolidated subsidiaries and affiliates	421	491	3,398
Other	2,350	2,715	18,967
Accrued expenses	7,909	6,371	63,834
Income taxes payable	133	285	1,073
Accrued loss on disposal of business segment	1,810	12,625	14,609
Other current liabilities	7,428	6,367	59,952
Total current liabilities	115,767	143,939	934,359
Long-term liabilities			
Long-term debt (Note 5)	39,594	53,340	319,564
Accrued severance indemnities (Note 7)	4,116	3,897	33,220
Other long-term liabilities (Note 6)	3,090	2,696	24,940
Total long-term liabilities	46,800	59,933	377,724
Minority interests	933	848	7,530
Commitments and contingent liabilities (Note 12)			
Shareholders' equity (Notes 5 and 8)			
Common stock, par value ¥50 per share:			
Authorised: 500,000,000 shares			
Issued: 171,230,715 shares	18,472	18,472	149,088
Additional paid-in capital	23,517	23,517	189,806
Deficits	(5,652)	(8,555)	(45,617)
Unrealised gain on available-for-sale securities	2,229	—	17,990
Adjustments on foreign currency statement translation	(9,001)	—	(72,647)
Treasury stock (521,337 shares in 2001, 600,169 shares in 2000)	(64)	(74)	(517)
Total shareholders' equity	29,501	33,360	238,103
Total	¥ 193,001	¥238,080	$ 1,557,716

CONSOLIDATED STATEMENTS OF INCOME

RYOBI LIMITED AND CONSOLIDATED SUBSIDIARIES

(For the years ended 31st March 2001 and 2000)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	2001
Net sales	¥ 184,282	¥240,074	$ 1,487,345
Cost of sales	144,567	190,214	1,166,804
Gross profit	39,715	49,860	320,541
Selling, general and administrative expenses	29,576	42,557	238,709
Operating income	10,139	7,303	81,832
Other income			
Interest and dividends	460	378	3,713
Gain on sales of investment securities	660	3,261	5,327
Foreign exchange gain	736	—	5,940
Other	1,294	2,881	10,444
Total other income	3,150	6,520	25,424
Other expenses			
Interest	3,677	5,003	29,677
Amortisation of intangible fixed assets	39	614	315
Loss on disposal of business segment (Note 11)	5,709	12,625	46,077
Other	2,073	4,044	16,732
Total other expenses	11,498	22,286	92,801
Income (loss) before income taxes and other items	1,791	(8,463)	14,455
Income taxes (Note 9)			
Current	278	587	2,244
Deferred	(1,428)	(11,818)	(11,526)
Total income taxes	(1,150)	(11,231)	(9,282)
Minority interests	(34)	63	(275)
Net income	¥ 2,907	¥ 2,831	$ 23,462
	Yen		U.S. Dollars (Note 1)
Per share of common stock			
Net income	¥ 17.04	¥ 16.59	$ 0.138
Fully diluted net income	15.72	16.19	0.127
Cash dividends applicable to the year	—	—	—

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

RYOBI LIMITED AND CONSOLIDATED SUBSIDIARIES

(For the years ended 31st March 2001 and 2000)

	Number of Shares of Common Stock (Thousands)	Millions of Yen					
		Common Stock	Additional Paid-in Capital	Deficits	Unrealised gain on available-for-sale securities	Adjustments on foreign currency statement translation	Treasury stock
Balance at 31st March 1999	171,231	¥18,472	¥23,517	¥(9,448)	¥ —	¥ —	¥ (1)
Net income	—	—	—	2,831	—	—	—
Decrease due to adoption of deferred tax accounting	—	—	—	(1,414)	—	—	—
Deficit of unconsolidated subsidiary previously not accounted for under the equity method	—	—	—	(523)	—	—	—
Bonuses to directors and statutory auditors	—	—	—	(1)	—	—	—
Treasury stock increased, net (594,771 shares)	—	—	—	—	—	—	(73)
Balance at 31st March 2000	171,231	18,472	23,517	(8,555)	—	—	(74)
Net income	—	—	—	2,907	—	—	—
Bonuses to directors and statutory auditors	—	—	—	(4)	—	—	—
Unrealised gain on available-for-sale securities increased	—	—	—	—	2,229	—	—
Adjustments on foreign currency statement translation decreased	—	—	—	—	—	(9,001)	—
Treasury stock decreased, net (78,832 shares)	—	—	—	—	—	—	10
Balance at 31st March 2001	**171,231**	**¥18,472**	**¥23,517**	**¥(5,652)**	**¥2,229**	**¥(9,001)**	**¥(64)**

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Additional Paid-in Capital	Deficits	Unrealised gain on available-for-sale securities	Adjustments on foreign currency statement translation	Treasury stock
Balance at 31st March 2000	$149,088	$189,806	$(69,047)	$ —	$ —	$(597)
Net income	—	—	23,462	—	—	—
Bonuses to directors and statutory auditors	—	—	(32)	—	—	—
Unrealised gain on available-for-sale securities increased	—	—	—	17,990	—	—
Adjustments on foreign currency statement translation decreased	—	—	—	—	(72,647)	—
Treasury stock decreased, net (78,832 shares)	—	—	—	—	—	80
Balance at 31st March 2001	**$149,088**	**$189,806**	**$(45,617)**	**$17,990**	**$(72,647)**	**$(517)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

RYOBI LIMITED AND CONSOLIDATED SUBSIDIARIES

(For the years ended 31st March 2001 and 2000)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	**2001**
Operating activities			
Income (loss) before income taxes and other items	¥ 1,791	¥ (8,463)	$ 14,455
Adjustments for :			
Income taxes-returned (paid)	130	(1,565)	1,049
Depreciation and amortisation	8,052	10,111	64,988
Loss on disposal of business segment	5,709	12,625	46,077
Loss (gain) on sales or disposals of property, plant and equipment	344	(796)	2,776
Gain on sale of investments in securities	(660)	(3,261)	(5,327)
Changes in assets and liabilities			
Decrease (increase) in notes and accounts receivable	(809)	3,727	(6,529)
Decrease (increase) in inventories	(456)	5,335	(3,680)
Increase (decrease) in notes and accounts payable	181	(1,400)	1,461
Decrease in accrued expenses	(620)	(136)	(5,004)
Other, net	1,112	(2,217)	8,975
Net cash provided by operating activities	14,774	13,960	119,241
Investing activities			
Payments for purchase of property, plant and equipment	(5,322)	(7,766)	(42,954)
Proceeds from sale of property, plant and equipment	794	2,891	6,409
Payments for purchase of intangible fixed assets	(55)	(376)	(444)
Proceeds from sale of marketable securities	—	719	—
Proceeds from sale of investments in securities	878	4,196	7,086
Proceeds from disposal of business segment	18,645	—	150,484
Payments for disposal business segment	(1,516)	—	(12,236)
Other	(166)	1,601	(1,339)
Net cash provided by investing activities	13,258	1,265	107,006
Financing activities			
Proceeds from long-term debt	16,677	7,254	134,600
Repayments of long-term debt	(20,314)	(13,495)	(163,955)
Decrease in short-term borrowings	(28,666)	(817)	(231,364)
Other	(295)	(310)	(2,380)
Net cash used in financing activities	(32,598)	(7,368)	(263,099)
Foreign currency translation adjustments on cash and cash equivalents	153	(396)	1,235
Net increase (decrease) in cash and cash equivalents	(4,413)	7,461	(35,617)
Cash and cash equivalents at beginning of year	23,082	13,146	186,295
Cash and cash equivalents increased by newly consolidated companies	—	2,475	—
Cash and cash equivalents at end of year	¥ 18,669	¥ 23,082	$ 150,678
Additional cash flow information			
Interest paid	¥ 4,063	¥ 5,669	$ 32,793

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RYOBI LIMITED AND CONSOLIDATED SUBSIDIARIES

FOR THE YEARS ENDED 31ST MARCH 2001 AND 2000

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Ryobi Limited ("the Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥123.90 to $1, the approximate rate of exchange at 31st March 2001. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries ("the Ryobi Group"). Under the control or influence concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Ryobi Group has the ability to exercise significant influence are accounted for by the equity method.

(i) Consolidated subsidiaries

The major consolidated subsidiaries are listed below:

Tokyo Light Alloy Co., Ltd. (Japan)
Ryobi North America, Inc. (U.S.A.)
Ryobi Die Casting (U.S.A.), Inc.

(ii) Affiliate

The major affiliate accounted for under the equity method is listed below:

Ryobi - Tech Corporation (Taiwan)

The number of consolidated subsidiaries and affiliates accounted for under the equity method as at 31st March 2001 and 2000 was as follows:

	2001	2000
Consolidated subsidiaries	20	28
Affiliates	3	3

The accounts of certain subsidiaries of the Company are excluded from consolidation in the accompanying consolidated financial statements as total assets, net sales, net income and retained earnings of those subsidiaries, in the aggregate, are not material.

The investments in such unconsolidated subsidiaries and affiliates not accounted for under the equity method are carried at cost.

The number of unconsolidated subsidiaries and affiliates not accounted for under the equity method as at 31st March 2001 and 2000 was as follows:

	2001	2000
Unconsolidated subsidiaries	6	7
Affiliates	0	0

For the purpose of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealised profits among the companies have been eliminated, and the portion thereof attributable to minority interests is charged to minority interests.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortised over a period of 5 years.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks and financial institutions which are unrestricted as to withdrawal or use, and which have original maturities of three months or less.

(c) Inventories

Inventories are valued at cost for the Company and domestic subsidiaries and the lower of cost or market for foreign subsidiaries. Cost is determined by methods according to the classification of inventories as follows:

(i) Finished products and work in process

Inventories held by the Company and domestic subsidiaries:

Die castings .... Selling price method
Dies .... Specific identification method
Printing equipment .... Average method

Mainly first-in first-out method for foreign subsidiaries.

(ii) Raw materials, supplies and purchased goods

Last purchase invoice price method for the Company and domestic subsidiaries.

Mainly first-in first-out method for foreign subsidiaries.

(d) Marketable securities and investments in securities

Prior to 1st April 2000, marketable securities and investment securities listed on stock exchanges were stated at the lower of cost, determined by the moving-average method, or market. Other securities were principally stated at cost which was determined by the moving-average method.

Effective 1st April 2000, the Ryobi Group adopted a new accounting standard for financial instruments, including marketable and investment securities. The standard requires applicable securities to be classified and accounted for, depending on management's intent, as follows:

i) trading securities, which are held for the purpose of earning capital gains in near term are reported at fair value, and the related unrealised gains and losses are included in the income, ii) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortised cost, and iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealised gains and losses ,net of applicable taxes, reported in a separate component of shareholders' equity.

The effect of adoption of the new standard was to increase income before income taxes and other items by ¥393 million ($3,172 thousand). Marketable securities classified as current assets decreased by ¥629 million ($5,077 thousand) and investment securities increased by the same amount as at 1st April 2000.

(e) Depreciation and amortisation

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is principally applied to the property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is from 3 to 50 years for buildings and structures, and from 2 to 20 years for machinery and equipment.

Amortisation of intangible fixed assets, which consists of mainly goodwill for foreign subsidiaries, is computed by the straight-line method, over a period ranging from 5 to 40 years.

(f) Accrued severance indemnities and pension plan

Prior to 1st April 2000, the policy for the non-contributory and contributory trusteed pension plans for employees is to fund and charge to operations normal costs as accrued on the basis of an accepted actuarial method plus prior service costs for the pension plans amortised. In addition, the Company and certain subsidiaries have unfunded retirement benefit plans and have established a liability for retirement allowances at 40% of the amount which would be required if all employees voluntarily terminated their employment at each balance sheet date, less amounts funded by a contributory or non-contributory pension funds.

Effective 1st April 2000, the Ryobi Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The amount of the transitional obligation of ¥9,092 million ($73,382 thousand), determined as at the beginning of this fiscal year, is amortised over ten years. Unrecognised net actuarial loss will be amortised from next fiscal year by using straight-line method over employees' remaining service period or shorter period (ranging from 11 to 16 years).

As a result, net periodic benefit costs, as compared with prior method, decreased and income before income taxes and other items increased by ¥269 million ($2,171 thousand).

(g) Accrued loss on disposal of business segment

A liability for allowance is established at the amount which would be accounted as a loss on disposal of foreign power tool business segment.

(h) Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalised, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalised" information is disclosed in the notes to the lessee's financial statements.

(i) Income taxes

The Company and its domestic subsidiaries adopted an accounting method for interperiod allocation of income taxes based on the asset and liability method.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognised for financial reporting purposes and such amounts recognised for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(j) Appropriation of retained earnings

Appropriations of retained earnings at each year end are reflected in the financial statements for the following year upon shareholder's approval.

(k) Translation of foreign currency accounts

Prior to 1st April 2000, current receivables and payables denominated in foreign currencies were translated into yen at the exchange rates in effect at the respective balance sheet dates. Non-current receivables and payables denominated in foreign currencies were translated into yen at the historical exchange rates.

Effective 1st April 2000, the Ryobi Group adopted a revised accounting standard for foreign currency translations. In accordance with the revised standard, all current and non-current receivables and payables denominated in foreign currencies were translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translations are recognised in the income statement to the extent that they are not hedged by forward exchange contracts.

(l) Translation of foreign currency financial statements (accounts of foreign subsidiaries)

The balance sheet accounts of the consolidated overseas subsidiaries are translated into yen at the current exchange rates as at the balance sheet date except for shareholders' equity, which is translated at the historical exchange rate. Prior to 1st April 2000, differences arising from such translation were shown as "Adjustments on foreign currency statement translation" as assets or liabilities in the accompanying consolidated balance sheets. Effective 1st April 2000, such differences are shown as "Adjustments on foreign currency statement translation" in a separate component of shareholders' equity in accordance with the revised accounting standard for foreign currency translations.

Revenue and expense accounts of the consolidated overseas subsidiaries are translated into yen at the average exchange rate.

(m) Derivative and Hedging Activities

The Ryobi Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency swaps and interest rate swaps are utilised by the Ryobi Group to reduce foreign currency exchange and interest rate risks. The Ryobi Group does not enter into derivatives for trading or speculative purposes.

Effective 1st April 2000, the Ryobi Group adopted a new accounting standard for derivative financial instruments and a revised accounting standard for foreign currency translations. These standards require that : a) all derivatives be recognised as either assets or liabilities and measured at fair value, and gains or losses on derivative translations are recognised in the income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transaction.

Long-term debt denominated in foreign currencies for which currency swaps are used to hedge the foreign currency fluctuations are translated at the contracted rate if the currency swaps qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognised and included in interest expenses or income.

The effect of adopting the new accounting standard on income before income taxes and other items was immaterial.

(n) Per share information

The computation of net income (loss) per share is based on the weighted average number of shares of common stock outstanding during each year. The average number of common shares used in the computation, excluding treasury stock, was 170,639 thousands shares and 170,659 thousands shares for 2001 and 2000, respectively.

Fully diluted net income per share of common stock assumes full conversion of the outstanding convertible notes at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. Marketable Securities and Investments in Securities

Information regarding each category of the securities classified as trading, held-to-maturity and available-for-sale at 31st March 2001 was as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	2001				2001			
	Cost	Unrealised Gain	Unrealised Loss	Fair value	Cost	Unrealised Gain	Unrealised Loss	Fair value
Trading	—	—	—	—	—	—	—	—
Held-to-maturity	—	—	—	—	—	—	—	—
Available-for-sale								
Corporate shares	¥ 5,690	¥ 4,252	¥ (397)	¥ 9,545	$ 45,924	$ 34,318	$ (3,204)	$ 77,038
Bonds	34	—	(3)	31	274	—	(24)	250
Total	¥ 5,724	¥ 4,252	¥ (400)	¥ 9,576	$ 46,198	$ 34,318	$ (3,228)	$ 77,288

Available-for-sale securities whose fair value was not readily determinable as at 31st March 2001 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2001	2001
Available-for-sale		
Corporate shares	¥1,346	$10,864

Proceeds from sales of available-for-sale securities for the years ended 31st March 2001 were ¥878 million ($7,086 thousand). Gross realised gains on these sales, computed on the moving-average cost basis, were ¥632 million ($5,101 thousand).

The book value of bonds by contractual maturity for securities classified as available-for-sale as at 31st March 2001 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2001	2001
Due in one year or less	—	—
Due after one year through five years	¥31	$250
Due after five years through ten years	—	—
Due after ten years	—	—
Total	¥31	$250

Market value information of the applicable portion of the short-term marketable securities and investments in securities as at 31st March 2000 was as follows:

	Millions of Yen		
	2000		
	Book value	Market value	Gain (loss)
Marketable securities:			
Market value available:			
Corporate shares	¥ 595	¥1,610	¥1,015
Bonds	34	31	(3)
	¥ 629	¥1,641	¥1,012
Investments in securities:			
Market value available:			
Corporate shares	¥5,314	¥9,670	¥4,356
Market value not available	1,383		
	¥6,697		

4. Inventories

Inventories as at 31st March 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Finished products and purchased goods	¥18,578	¥25,910	$149,944
Work in process	10,384	12,070	83,809
Raw materials and supplies	5,264	6,893	42,486
Total	¥34,226	¥44,873	$276,239

5. Short-term Borrowings and Long-term Debt

The annual average interest rates applicable to short-term borrowings were 2.3% and 3.3%, as at 31st March 2001 and 2000, respectively.

Short-term borrowings included commercial paper totaling ¥2,183 million ($17,619 thousand) and ¥7,702 million, as at 31st March 2001 and 2000, respectively.

Long-term debt at 31st March 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Loans principally from banks and insurance companies with interest rates ranging from 0.69% to 7.38%:			
Secured	¥ 1,617	¥ 1,803	$ 13,051
Unsecured	39,290	33,608	317,111
Floating-rate guaranteed notes in Deutsche marks due 2003	6,880	6,880	55,529
2.45% unsecured notes in yen due 2001	—	8,000	—
2.8% convertible notes in yen due 2002	14,672	14,956	118,418
Other	1,094	1,366	8,829
Total	63,553	66,613	512,938
Less: Current portion	(23,959)	(13,273)	(193,374)
Long-term debt, less current portion	¥39,594	¥53,340	$319,564

The aggregate annual maturities of long-term debt at 31st March 2001 were as follows:

Years Ending 31st March	Millions of Yen	Thousands of U.S. Dollars
2002	¥23,959	$193,374
2003	22,195	179,136
2004	10,259	82,801
2005	4,711	38,023
2006	1,788	14,431
2007 and thereafter	641	5,173
Total	¥63,553	$512,938

The assets of the Ryobi Group pledged as collateral for short-term loans and long-term debt with banks and other financial institutions at 31st March 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Net book value of property:			
Buildings and structures	¥3,129	¥2,003	$25,254
Machinery and equipment	2,037	2,569	16,441
Land	960	1,010	7,748
Time deposits	4	4	32
Notes and accounts receivable	546	611	4,407
Marketable securities	—	88	—
Investments in securities	445	167	3,592
Total	¥7,121	¥6,452	$57,474

Additional information with respect to convertible notes outstanding at 31st March 2001 was as follows:

	Principal Amount at Issue (Millions)	Issued in	Current Conversion or Exercise Price per Share
2.8% convertible notes in yen due March 2002	¥15,000	March 1995	¥484.00

The convertible notes outstanding at 31st March 2001 were convertible into 30,314 thousand shares of common stock of the Company. The conversion prices of the convertible notes are subject to adjustments in certain circumstances.

Under the terms of indenture for the 2.8% convertible notes due March 2002 , the Company's cash dividend payments are restricted from exceeding the amount equivalent to accumulated ordinary income minus income taxes during the years for which the notes have been outstanding plus ¥4,000 million, on a cumulative basis.

In this case, interim cash dividends may be regarded as the prior year's cash dividends.

6. Other Long-term Liabilities

In applying the equity method, the Company recognises negative net assets of affiliates, if any, in total and such negative equity in investees is recorded as an allowance for investee losses. Such allowance amounted to ¥435 million ($ 3,511 thousand) and ¥452 million at 31st March 2001 and 2000, respectively, and is included in the “Other long-term liabilities” in the accompanying balance sheets.

7. Accrued Severance Indemnities and Pension Plan

The Company and its certain consolidated subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liabilities (assets) for employees’ retirement benefits at 31st March 2001 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Projected benefit obligation	¥(53,109)	$(428,644)
Fair value of plan assets	32,328	260,920
Unrecognised prior service cost	—	—
Unrecognised actuarial loss	8,558	69,072
Unrecognised transitional obligation	8,276	66,796
Prepaid pension cost	(169)	(1,364)
Net liabilities	¥ (4,116)	$ (33,220)

The components of net periodic benefit costs for the year ended 31st March 2001 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service Cost	¥1,603	$12,938
Interest Cost	1,561	12,599
Expected return on plan assets	(1,151)	(9,290)
Amortisation of prior service cost	—	—
Recognised actuarial loss	—	—
Amortisation of transitional obligation	799	6,449
Net periodic benefit costs	¥2,812	$22,696

Assumptions used for the year ended 31st March 2001 were set forth as follows:

Discount rate	3.0%
Expected rate of return on plan assets	3.5%
Recognised period of actuarial gain / loss	11~16 years
Amortisation period of transitional obligation	10 years

8. Shareholders’ Equity

The Japanese Commercial Code (the “Code”) requires at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

The Code also requires companies to appropriate from retained earnings to a legal reserve an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings until such reserve equals to 25% of stated capital. This reserve amount, which is included in deficits, totals ¥172 million ($1,388 thousand) and ¥2,873 as at 31st March 2001 and 2000, respectively, and is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

The Company may transfer portions of additional paid-in capital to stated capital by resolution of the Board of Directors. The Company may also transfer portions of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code. Year-end dividends are reflected in the consolidated statements of shareholders’ equity when authorised.

9. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rates of 40.9% for the years ended 31st March 2001 and 2000.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at 31st March 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Deferred tax assets:			
Accrued loss on disposal of business segment	**¥ 740**	¥ —	**$ 5,973**
Accrued severance cost	**572**	490	**4,617**
Tax loss carryforwards	**32,934**	20,460	**265,811**
Other	**2,044**	1,002	**16,497**
Valuation allowance	**(22,750)**	(9,510)	**(183,616)**
Deferred tax assets	**¥13,540**	¥12,442	**$109,282**
Deferred tax liabilities:			
Unrealised gain on available-for-sale securities	**¥ (1,575)**	¥ —	**$ (12,712)**
Land revaluation difference	**(707)**	(707)	**(5,706)**
Other	**(746)**	(1,063)	**(6,021)**
Deferred tax liabilities	**(3,028)**	(1,770)	**(24,439)**
Net deferred tax assets	**¥ 10,512**	¥10,672	**$ 84,843**

Reconciliation between the normal effective statutory tax rate for the years ended 31st March 2001 and 2000 and the actual effective tax rates reflected in the accompanying consolidated statement of income was as follows:

	2001	2000
Normal effective statutory tax rate	40.9%	40.9%
Valuation allowance	(74.3)	(83.8)
Revaluation loss on investments in subsidiaries	(31.2)	180.9
Taxation on per capita basis	2.9	(2.5)
Other, net	(2.5)	(2.8)
Actual effective tax rate	(64.2)%	132.7%

10. Research and Development Costs

Research and development costs were ¥2,279 million ($18,394 thousand) and ¥3,816 million for the years ended 31st March 2001and 2000, respectively.

11. Loss on Disposal of Business Segment

Loss on disposal of business segments was recognised principally for the sale of power tool businesses in Europe and Oceania, and fishing tackle business in 2001, and for the sale of power tool business in North America in 2000.

12. Leases and Contingent Liabilities

(1) Contingent liabilities

The Ryobi group had the following contingent liabilities as at 31st March 2001 and 2000.

	Millions of Yen		Thousands of U.S. dollars
	2001	2000	2001
Trade notes discounted	¥2,196	¥1,302	$17,724
Guarantees and similar items:			
Bank loans	294	336	2,373
Lease	1,570	1,659	12,672
Total	¥4,060	¥3,297	$32,769

(2) Leases

Future minimum lease payments of the Ryobi Group as at 31st March 2001 and 2000 under noncancelable finance leases that do not transfer ownership of leased assets to the lessee were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2001	2000	2001
Current	¥ 389	¥ 244	$ 3,140
Non-current	1,849	1,236	14,923
Total	¥2,238	¥1,480	$18,063

Lease expenses on such finance lease contracts without ownership transfer amounted to ¥294 million ($2,373 thousand), ¥203 million, for the years ended 31st March 2001 and 2000, respectively.

As at 31st March 2001 and 2000, summarised information showing the assumed figures of acquisition cost, accumulated depreciation and net book value, which include the portion interest thereon, of the leased properties and other assets under finance leases without ownership transfer were as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2001			2000			2001		
	Acquisition Cost	Accumulated Depreciation	Net Book Value	Acquisition Cost	Accumulated Depreciation	Net Book Value	Acquisition Cost	Accumulated Depreciation	Net Book Value
Buildings and structures	¥ 4	¥ 3	¥ 1	¥ 4	¥ 2	¥ 2	$ 32	$ 24	$ 8
Machinery and equipment	2,772	832	1,940	2,015	570	1,445	22,373	6,715	15,658
Other assets	351	54	297	58	25	33	2,833	436	2,397
Total	¥ 3,127	¥ 889	¥ 2,238	¥ 2,077	¥ 597	¥ 1,480	$ 25,328	$ 7,175	$ 18,063

Depreciation expense and interest expense, which are not reflected in the accompanying statement of income, computed by the straight-line method and the interest method were ¥294 million ($2,373 thousand) and ¥203 million for the years ended 31st March 2001 and 2000, respectively.

Future minimum lease payments of the Ryobi Group as at 31st March 2001 and 2000 under noncancelable operating leases are as follows:

	Millions of Yen		Thousands of U.S. dollars
	2001	2000	2001
Current	¥ 841	¥ 957	$ 6,788
Non-current	3,009	3,827	24,286
Total	¥3,850	¥4,784	$31,074

13. Related Party Transactions

Transactions of the Ryobi Group with relative of directors for the year ended 31st March 2001 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Sales of land and buildings	¥85	$686

14. Derivatives

The Ryobi Group enters into foreign exchange forward contracts, currency swaps and interest rate swaps to hedge risk and reduce exposure to fluctuations in market values of foreign exchange rates and interest rates associated with certain assets and liabilities.

All derivative transactions are related to qualified hedges of interest and foreign currency exposures incorporated with its business. Market risk of these derivatives is basically offset by opposite movements in the value of hedged assets. The Ryobi Group does not hold or issue derivatives for speculative or trading purposes.

Market risk is the exposure created by potential fluctuations in market conditions, including interest or foreign exchange rates. The Ryobi Group does not anticipate any losses arising from credit risk because the counterparties to these derivatives are limited to major international financial institutions.

The execution of derivatives is controlled by the Finance Department of the Company, and by the Finance Division of consolidated subsidiaries. Derivative transactions have been made in accordance with internal policies which regulate the authorisation and credit limit amounts.

The Ryobi Group had the following derivatives contracts outstanding as at 31st March 2001 and 2000.

	Millions of Yen				Thousands of U.S. Dollars	
	2001		2000		2001	
	Contract or notional amount	Fair value	Contract or notional amount	Fair value	Contract or notional amount	Fair value
Forward exchange contracts:						
Buying US dollar	¥ —	¥ —	¥ 108	¥ 106	$ —	$ —
Currency swap:						
Buying Deutsche mark	—	—	6,880	5,002	—	—
Interest swap:						
Fixed rate payment, floating rate receipt	¥ —	¥ —	¥ 4,848	¥ (55)	$ —	$ —

Note: Derivatives which qualify for hedge accounting were excluded from the market value information in 2001.

15. Segment Information

The segment information classified by industry and geographical market area is presented below with respect to the years ended 31st March 2001 and 2000.

(1) Industry segment information

The Ryobi Group operates in four industry segments according to the product groups which are:

—Die castings (“Die castings”)

—Printing equipment (“Printing equipment”)

—Electric and petro engine tools (“Power tools”)

—Other products such as fishing tackle, golf equipment, etc. (“Other”)

	Millions of Yen					
	2001					
	Die castings	Printing equipment	Power tools	Other	Eliminations / corporate	Consolidated
Net sales:						
Unaffiliated customer	¥ 107,754	¥ 23,173	¥ 50,834	¥ 2,521	¥ —	¥ 184,282
Intersegment	447	—	59	—	(506)	—
Total	108,201	23,173	50,893	2,521	(506)	184,282
Operating costs and expenses	100,102	22,430	49,027	3,123	(539)	174,143
Operating income (loss)	¥ 8,099	¥ 743	¥ 1,866	¥ (602)	¥ 33	¥ 10,139
Total Assets	¥ 90,226	¥ 25,282	¥ 40,060	¥ 1,004	¥ 36,429	¥ 193,001
Depreciation	4,743	721	1,511	27	—	7,002
Capital expenditure	3,263	498	655	125	—	4,541

	Millions of Yen					
	2000					
	Die castings	Printing equipment	Power tools	Other	Eliminations / corporate	Consolidated
Net sales:						
Unaffiliated customer	¥ 103,284	¥ 25,403	¥ 104,094	¥ 7,293	¥ —	¥ 240,074
Intersegment	783	—	16	—	(799)	—
Total	104,067	25,403	104,110	7,293	(799)	240,074
Operating costs and expenses	98,331	23,625	102,956	8,648	(789)	232,771
Operating income (loss)	¥ 5,736	¥ 1,778	¥ 1,154	¥ (1,355)	¥ (10)	¥ 7,303
Total Assets	¥ 87,542	¥ 23,016	¥ 73,599	¥ 7,542	¥ 46,381	¥ 238,080
Depreciation	4,946	487	3,720	339	—	9,492
Capital expenditure	3,717	2,506	2,112	337	—	8,672

	Thousands of U.S. Dollars					
	2001					
	Die castings	Printing equipment	Power tools	Other	Eliminations / corporate	Consolidated
Net sales:						
Unaffiliated customer	$ 869,685	$ 187,030	$ 410,283	$ 20,347	$ —	$ 1,487,345
Intersegment	3,608	—	476	—	(4,084)	—
Total	873,293	187,030	410,759	20,347	(4,084)	1,487,345
Operating costs and expenses	807,926	181,033	395,698	25,206	(4,350)	1,405,513
Operating income (loss)	$ 65,367	$ 5,997	$ 15,061	$ (4,859)	$ 266	$ 81,832
Total Assets	$ 728,216	$ 204,052	$ 323,325	$ 8,104	$ 294,019	$ 1,557,716
Depreciation	38,281	5,819	12,195	218	—	56,513
Capital expenditure	26,336	4,019	5,287	1,009	—	36,651

The amounts of corporate assets as at 31st March 2001 and 2000 included in the "Eliminations or corporate assets" were, respectively, ¥36,451 million ($294,197 thousand), ¥46,534 million, which mainly consist of surplus assets in the Company (cash and securities) and long-term investment assets (investments in securities).

(2) Geographical segment information

	Millions of Yen				
	2001				
	Japan	North America	Other overseas	Eliminations / corporate	Consolidated
Net sales:					
Unaffiliated customer	¥ 133,306	¥ 33,933	¥ 17,043	¥ —	¥ 184,282
Intersegment	5,728	858	4,321	(10,907)	—
Total	139,034	34,791	21,364	(10,907)	184,282
Operating costs and expenses	131,216	33,805	20,103	(10,981)	174,143
Operating income	¥ 7,818	¥ 986	¥ 1,261	¥ 74	¥ 10,139
Total Assets	¥ 120,875	¥ 19,010	¥ 21,573	¥ 31,543	¥ 193,001

	Millions of Yen				
	2000				
	Japan	North America	Other overseas	Eliminations / corporate	Consolidated
Net sales :					
Unaffiliated customer	¥ 137,247	¥ 86,618	¥ 16,209	¥ —	¥ 240,074
Intersegment	6,356	2,085	4,246	(12,687)	—
Total	143,603	88,703	20,455	(12,687)	240,074
Operating costs and expenses	138,853	86,962	19,708	(12,752)	232,771
Operating income	¥ 4,750	¥ 1,741	¥ 747	¥ 65	¥ 7,303
Total Assets	¥ 124,756	¥ 52,850	¥ 20,260	¥ 40,214	¥ 238,080

	Thousands of U.S. Dollars				
	2001				
	Japan	North America	Other overseas	Eliminations / corporate	Consolidated
Net sales :					
Unaffiliated customer	$1,075,916	$ 273,874	$ 137,555	$ —	$ 1,487,345
Intersegment	46,231	6,925	34,875	(88,031)	—
Total	1,122,147	280,799	172,430	(88,031)	1,487,345
Operating costs and expenses	1,059,048	272,841	162,252	(88,628)	1,405,513
Operating income	$ 63,099	$ 7,958	$ 10,178	$ 597	$ 81,832
Total Assets	$ 975,585	$ 153,430	$ 174,116	$ 254,585	$ 1,557,716

The amounts of corporate assets as at 31st March 2001 and 2000 included in the "Eliminations or corporate assets" were ¥36,451 million ($294,197 thousand) and ¥46,534 million, respectively, which mainly comprise surplus assets in the Company (cash and securities) and long-term investment assets (investments in securities).

(3) Export sales and sales by overseas subsidiaries

Export sales of the companies (i.e., export amounts made by the Company and its domestic subsidiaries) plus the sales by overseas consolidated subsidiaries for the years ended 31st March 2001 and 2000 are presented below:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Exports sales and sales by overseas subsidiaries:			
North America	¥38,772	¥ 92,098	$ 312,930
Other	27,328	29,848	220,565
Total	¥66,100	¥121,946	$ 533,495
Percentage of such sales against consolidated net sales:			
North America	21.1%	38.4%	
Other	14.8	12.4	
Total	35.9%	50.8%	

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Deloitte Touche Tohmatsu

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ryobi Limited:

We have examined the consolidated balance sheets of Ryobi Limited and consolidated subsidiaries as of 31st March 2001 and 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese 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 consolidated financial statements referred to above present fairly the financial position of Ryobi Limited and consolidated subsidiaries as of 31st March 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As discussed in Note 2, effective 1st April 2000, the consolidated financial statements have been prepared in accordance with the new accounting standards for employees' retirement benefits and financial instruments and a revised accounting standard for foreign currency transactions.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

28th June 2001

BOARD OF DIRECTORS

President
Hiroshi Urakami

Senior Vice President
Tsuyoshi Mifune

Vice Presidents
Hiroyuki Harada
Susumu Yoshikawa
Takao Tanaka
Takashi Yokoyama
Mikio Kamura
Shiro Muroya

Standing Auditor
Shozo Kobayashi

Corporate Auditors
Hiroshi Fukano
Takuomi Matsumoto
Hiroshi Toriyama

CORPORATE DIRECTORY

(As of 31st March 2001)

Company Name (Country)	Principal Business
Major Consolidated Subsidiaries	
Ryobi Imagix Co. (Japan)	Printing equipment and related product sales
Ryobi Sales Co. (Japan)	Power tool and lawn and garden equipment sales
Ryobi Mirasaka Co. (Japan)	Die casting manufacturing
Ryobi Mitsugi Co. (Japan)	Die casting manufacturing
Tokyo Light Alloy Co. Ltd. (Japan)	Cast aluminum and die casting manufacturing and sales
Ikuno Co. (Japan)	Secondary aluminum alloy bullion manufacturing and sales
Ryobi Power Tool Co. (Japan)	Power tool and lawn and garden equipment manufacturing
Ryobi Die Casting (USA), Inc. (U.S.A.)	Die casting manufacturing and sales
Ryobi Finance Corporation (U.S.A.)	Financial operations
Ryobi Australia Pty. Ltd. (Australia)	Power tool, lawn and garden equipment, and builders' hardware sales
Ryobi New Zealand Limited (New Zealand)	Power tool, lawn and garden equipment, and builders' hardware sales
Ryobi Dalian Machinery Co., Ltd. (P.R.C.)	Power tool and builders' hardware manufacturing
Ryobi Aluminium Casting (UK), Limited (U.K.)	Die casting manufacturing and sales
Ryobi Europe S.A. (France)	Power tool and lawn and garden equipment sales
Ryobi Power Equipment (UK) Limited (U.K.)	Power tool and lawn and garden equipment sales

CORPORATE DATA

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Established
16th December 1943

Number of Shares Issued
171,230,715

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Continental Depositary Receipts—Frankfurt

Transfer Agent
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