RYOBI

ANNUAL REPORT 2003

FOR THE YEAR ENDED 31ST MARCH 2003

PROFILE

Ryobi Limited was founded in December 1943 as a die casting manufacturer, and since then has accumulated innovative technologies in die casting components for a broad range of industries, including automobiles, electronics and communications. Backed by these technologies and expertise, the Company has diversified into the fields of printing equipment, power tools and builders' hardware.

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Cautionary Notes : Forward-Looking Statements

This annual report contains information about forward-looking statements related to such matters as the Company's plans, strategies and business results. These forward-looking statements represent judgments made by the Company based on information available at present and are inherently subject to a variety of risks and uncertainties. The Company's actual activities and business results could differ significantly from the forward-looking statements due to changes including, but not limited to, those in the economic environment, business environment, demand and exchange rates.

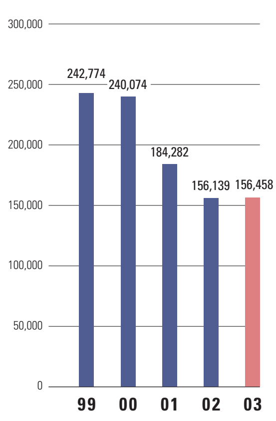
CONSOLIDATED FINANCIAL HIGHLIGHTS

(For the years ended 31st March 2003, 2002 and 2001)

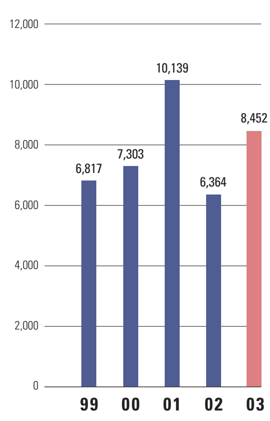
	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2003	2002	2001	**2003**
For the fiscal period:				
Net sales	**¥156,458**	¥156,139	¥184,282	**$1,301,647**
Operating income	8,452	6,364	10,139	70,316
Net income	4,471	2,081	2,907	37,196
As at fiscal year-end:				
Total assets	**¥165,487**	¥165,401	¥193,001	**$1,376,764**
Total shareholders' equity	38,366	33,379	29,501	319,185
	Yen			U.S. Dollars (Note 2)
Per share data:				
Net income—Primary	**¥ 26.26**	¥ 12.19	¥ 17.04	**$ 0.218**
Cash dividends	**—**	—	—	**—**

Notes: 1. Net income 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 ¥ 120.20=US$1, the exchange rate prevailing on 31st March 2003.

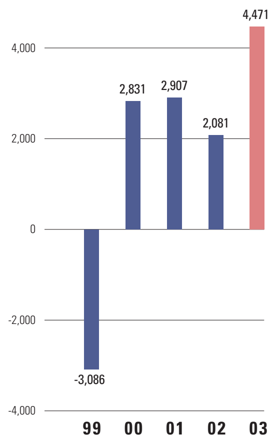
NET SALES
(Millions of yen)



OPERATING INCOME
(Millions of yen)



NET INCOME (LOSS)
(Millions of yen)



MESSAGE FROM THE MANAGEMENT

Create a sound and dynamic corporation through technology, trust and challenge.

Guided by its corporate philosophy, "Create a sound and dynamic corporation through technology, trust and challenge," Ryobi seeks to respond to the needs of its customers and society at large with innovative, top-quality products and services, and thereby become an indispensable company.

Ryobi is exerting its utmost efforts to ensure that everyone connected with the Company in any capacity—not only customers, but also shareholders, business associates and employees—regards their association with us to be rewarding.

We are advancing our Sound Management Plan, which began in the fiscal year ended 31st March 2001, in an aim to build a high-earnings structure by optimizing the scale and reinforcing the structure of each of our businesses. The operating environment has changed significantly, becoming more challenging since the inception of the plan. We have implemented measures in line with the plan, however, and are producing results by restructuring our businesses, and reducing interest-bearing debt and personnel.

In fiscal 2003, ended 31st March 2003, there remained little prospect for recovery in the Japanese economy. Business conditions continued to be extremely severe, with escalating deflation, slower consumer spending, tougher price competition, and a drop in stock prices. Although the U.S. economy showed signs of recovery, the future is increasingly uncertain owing to the bankruptcies of large corporations, low-priced stocks and the Iraq war, putting a damper on consumer spending and flattening the economic recovery.

Under these circumstances, Ryobi aggressively engaged in marketing activities while implementing various measures, including the development of new products in line with user needs, the reduction of costs and expenses, and enhancements in operational efficiency.

In fiscal 2003, Ryobi recorded year-on-year gains in both sales and profits. Consolidated net sales rose 0.2% compared with the previous fiscal year, to ¥156.5 billion. Domestic net sales increased 5.8% to ¥109.9 billion, while overseas net sales decreased 10.9% to ¥46.5 billion.

Operating income climbed 32.8% to ¥8.5 billion, and net income was ¥4.5 billion, an increase of 114.9% from the previous fiscal year.

The overall increase in sales was due mainly to higher sales in the die castings business to automobile manufacturers in Japan and the United States, despite a considerable decline resulting from the sale of four overseas sales subsidiaries in the power tools business.

Profits increased as a result of higher sales in the die castings business, positive effects from the Sound Management Plan, and cost reductions. The Company posted a new record high for net income.

We request the continued understanding and support of our shareholders, customers and business associates as we optimize the scale and strengthen the structure of our businesses. Ryobi will continually endeavor to improve performance, and to achieve the objectives of the Sound Management Plan.

June 2003

Hiroshi Urakami
President

Sound management plan

The Sound Management Plan, which Ryobi announced on 29th March 2000, aims to undertake a sweeping review of unprofitable businesses and to maximize the allocation of management resources in such fields of strength as die castings and printing equipment businesses. Other measures include bolstering efforts to reduce interest-bearing debt, lower costs and increase business efficiency, in order to establish a stable, high-earnings structure. The direction and progress of each business segment is explained as follows.

DIE CASTINGS

In our die castings 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. Our aluminum die castings are lightweight, have excellent durability and are superior in terms of recyclability. In addition to the automobile field, these die castings have attracted attention in fields such as electronics and communications as an effective technology for the protection of the environment, including the conservation of energy and resources.

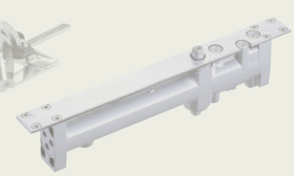
PRINTING EQUIPMENT

In its printing equipment business, the Company is striving to increase the precision of multicolor rendering, offer increasingly advanced functionality, and further consolidate its reputation in world markets. To achieve these goals, Ryobi is pressing forward with the development of new products, the enhancement of production capacity and the strengthening of marketing capabilities. Through the development of products in response to advancements in information technology (IT) and digitization, as well as creating environmentally friendly products, we are working to expand our product lineup in line with market needs.

POWER TOOLS

We have carried out a sweeping review of operations in our power tools business and our lawn and garden equipment business, including the sale of subsidiaries in North America, Europe and Oceania. In Japan, we have raised profitability through such measures as strengthening our cross-sectional Group management, streamlining our organization, reducing staff and consolidating and eliminating models. In addition, we aim to further strengthen competitiveness by focusing efforts on bolstering product development and marketing capabilities and improving the productivity of a manufacturing subsidiary in Dalian, China.

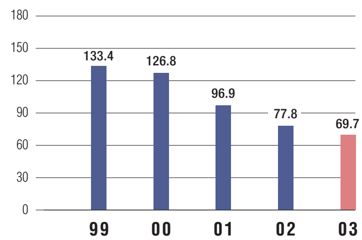
In our builders' hardware business, we produce door closers — a mainstay product — at our manufacturing subsidiary in Dalian and affiliate in Taiwan. We aim to improve profitability by focusing on developing unique products, reducing costs through productivity enhancements, and reinforcing price competitiveness.



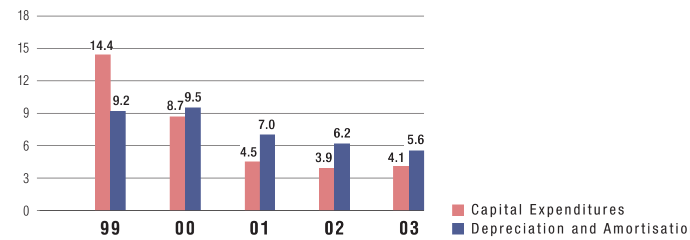
OTHERS

We have sold our fishing tackle business and discontinued manufacturing and sales in our sporting goods business.

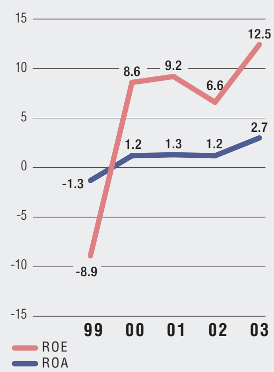
INTEREST-BEARING DEBT
(CONSOLIDATED)
(Billions of yen)



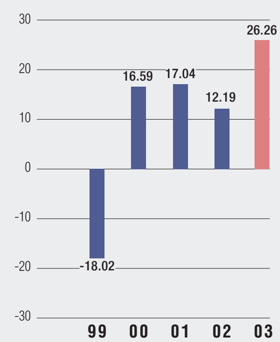
CAPITAL EXPENDITURES &
DEPRECIATION AND AMORTISATION
(CONSOLIDATED)
(Billions of yen)



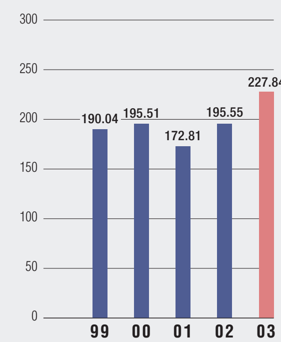
ROE & ROA
(%)



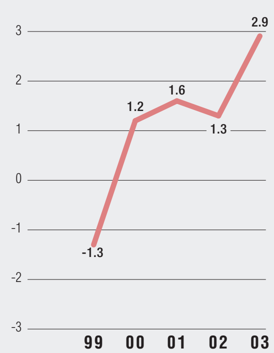
NET INCOME (LOSS) PER SHARE
(Yen)



NET ASSETS PER SHARE
(Yen)

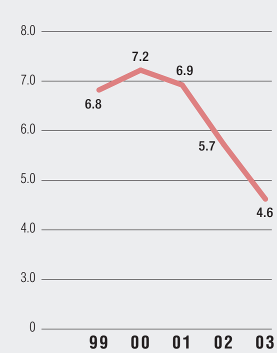


RETURN ON SALES
(%)



ASSET TURNOVER
(Times)

FINANCIAL LEVERAGE
(Times)



Examining the financial and management indicators for the fiscal year ended 31st March 2003, which was the third year of our Sound Management Plan, total consolidated assets increased slightly as the result of an increase in accounts receivable accompanying the rise in net sales, despite a decline in property, plant and equipment. Meanwhile, shareholders' equity increased approximately 15% from the end of the previous fiscal year. Profits increased as a result of higher sales in the die castings business, positive effects from the Sound Management Plan and cost reductions. Accordingly, return on equity (ROE), return on assets (ROA), and return on sales (ROS) figures increased considerably compared with the previous fiscal year.

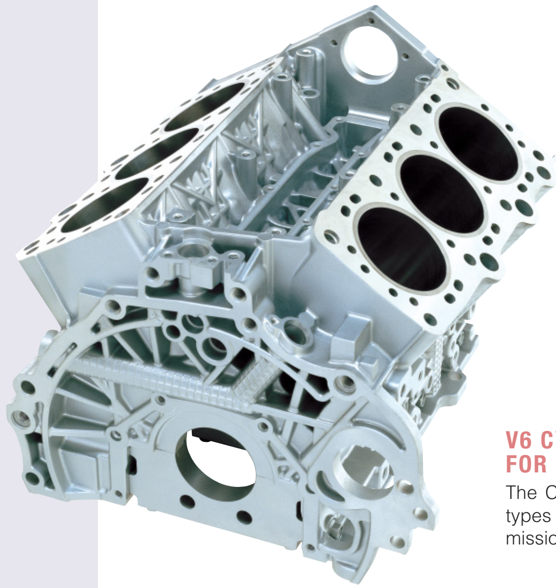
Net assets per share improved ¥32.29 to ¥227.84. Financial leverage decreased 1.1 times year-on-year to 4.6 times on account of reductions in interest-bearing debt and increases in retained earnings.

To achieve the goals of the Sound Management Plan, the Company continues to optimize the scale and strengthen the structure of each of its business operations, with a focus on improved performance.

Aiming for *target* indices in the fiscal year ending 31st March 2004

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

DIE CASTINGS



V6 CYLINDER BLOCK FOR AUTOMOBILE DIESEL ENGINES

The Company's die casting products are employed in numerous types of components for automobiles, including engines and transmissions, to improve fuel economy through lighter-weight vehicles.

REVIEW

As one of the world's leading die casting manufacturers, Ryobi supplies die casting products to a variety of fields including automobiles, electronics and communications. 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.

Our aluminum die castings are lightweight, have excellent durability and are superior in terms of recyclability. These die castings have also attracted attention in various fields as an effective technology for the protection of the environment, including the conservation of energy and resources. 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, with the three-region structure of Japan, the United States and Europe, and our quality assurance structure, which is based on international standards such as the ISO 9000 series. As a result, we are able to rapidly and precisely respond to customer needs. We are concentrating efforts on making new die casting products, and increasing the quality of various functional die casting products through innovative technologies and a new die casting production system that enables the manufacture of high-strength and high-quality die casting products.

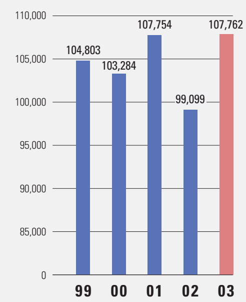
Ryobi has acquired ISO 14001 certification, the international standard for environmental management systems, which demonstrates the comprehensiveness and effectiveness of the Company's systems. We are working aggressively to reduce environmental impact, develop applications for aluminum die casting products and make inroads into fields with requirements for high recyclability.

PERFORMANCE

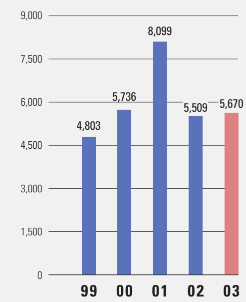
In the fiscal year ended 31st March 2003, net sales in die castings were ¥107.8 billion, up 8.7% from a year earlier. Operating income rose 2.9% to ¥5.7 billion, while the ratio of operating income to net sales fell from 5.6% in the previous term to 5.3%.

Although sales increased in the mainstay automobile field, mainly in Japan and the United States, customers demanded price reductions, dampening growth in profits.

NET SALES
(Millions of yen)



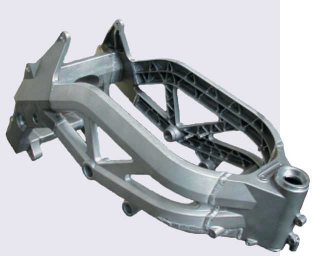
OPERATING INCOME
(Millions of yen)



OUTLOOK

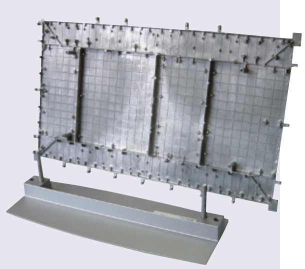
Ryobi is using the knowledge and expertise accumulated through its businesses as one of the world's top manufacturers of die casting products, as well as its three-region structure of Japan, the United States and Europe, to broaden and deepen ties with the world's automobile manufacturers. The Company is strengthening development of high-vacuum, super-high speed die casting technologies and new magnesium alloys to increase its employment in automobile parts and promote even lighter-weight die casting products. Moreover, through thin-wall, precise and high-quality die casting products, the Company is making concerted efforts to expand sales in non-automobile industries, including large-screen plasma television frames and projector components in the electronics and communications fields, as well as for highway lights and office furniture.

We believe demand for die casting products will grow in the future as an effective technology that contributes to environmental protection as well as resource and energy conservation, which are important global concerns.



MOTORCYCLE FUEL TANK FRAMES

Using its advanced die casting technologies, Ryobi succeeded in creating a die casting product for motorcycle fuel tank frames. The new product is well regarded for its cost reductions and design qualities.



CHASSIS AND STAND FOR LARGE-SCREEN PLASMA TELEVISIONS

Ryobi is expanding the range of applications for its die casting products in fields other than automobiles. The Company's products are employed in the frames of large-screen plasma televisions.

Ryobi Aluminium Casting (UK), Limited Receives Award from Visteon Corporation

Ryobi Aluminium Casting (UK), Limited received an award from its customer Visteon Corporation, a global automotive supplier, in recognition of its contributions in 2002 and the excellence of its technologies and quality.

Visteon Corporation presented the prestigious award to excellent suppliers from around the world. The award ceremony took place in Dearborn, Michigan in the United States. The award reaffirms the high quality of the Company's products and technologies.

PRINTING EQUIPMENT

RYOBI 3404DI

The RYOBI 3404DI digital offset printing press allows the imaging of print data directly to the printing plate mounted in the press for printing.

REVIEW

Ryobi already is a top-ranked manufacturer in the market for small offset printing 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 printing presses and digital offset printing presses and developing prepress systems.

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

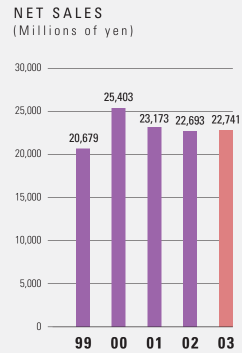
We have acquired ISO 14001 certification, the international standard for environmental management systems, and engage in environmental protection activities in all facets of our operations. The Company develops printing equipment while conducting a life cycle assessment. We also respond to needs in the printing industry for environmentally friendly printing equipment by reducing the volume of ink, organic solvents, water and trial paper in the printing process through our original labor-saving, automated devices.

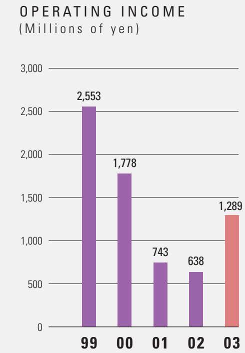
All production facilities in this segment have achieved ISO 9000 series certification, the international standard for quality control and quality assurance systems, through which we provide high-quality products.

PERFORMANCE

In the fiscal year ended 31st March 2003, net sales of printing equipment grew 0.2% to ¥22.7 billion, and operating income climbed 102.1% to ¥1.3 billion compared with fiscal 2002. The ratio of operating income to net sales expanded to 5.7% from 2.8% in the previous fiscal year.

Growth in net sales was hindered by slow capital investment, which was affected by sluggish economic conditions domestically and abroad, and by tighter price competition. Profits improved on the back of efforts to shorten product lead times and slash costs. By product, demand grew for medium-size offset printing presses (B2 and A2 sizes), and declined for small-size offset printing presses (A3 size).





OUTLOOK

As with the die castings business, the Company will expand the printing equipment business into a primary source of earnings. Against a backdrop of rising demand for high-value-added printing systems, Ryobi is strengthening the development of new markets and products for its medium-size offset printing presses and digital offset printing presses—growth areas in which Ryobi is competitive. We also aim to enhance user support, including technological support services. The Company aims to increase profitability by seeking further reductions in costs through productivity improvements and higher overseas procurement.

RYOBI 755P (TYPE 5-A1)

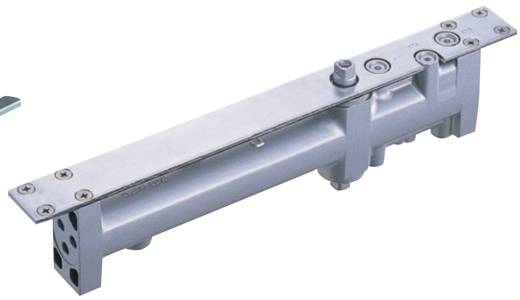
The RYOBI 750 series of B2-Size Multi-Color Offset Presses incorporates many automatic mechanisms and offers profitability gains while maintaining high printing quality. In 2003, we added new models to this series that automatically convert between single-sided and double-sided printing.

RYOBI 750 Series Receives the Red Dot Design Award

The RYOBI 750 series of medium-size offset printing presses has received the "red dot award : product design 2003", one of the most prestigious design awards in the world, from the Design Zentrum Nordrhein Westfalen in Germany. The award is in recognition of the superior design and functionality of the RYOBI 750 series.

POWER TOOLS

PRECISION CIRCULAR SAW DW-191
The precision circular saw DW-191 for professionals is easy to use and incorporates an LED light for more efficient work under poorly lighted conditions.



CO SERIES OF CONCEALED-IN DOOR CLOSERS
This series of door closers offers superior durability and uses a high-silicon aluminum die cast alloy (R14) developed by Ryobi for housings.

REVIEW

Ryobi boasts a comprehensive lineup of power tools and lawn and garden equipment powered by electrical current (corded), batteries (cordless), engines and compressed air. The Company's products are widely used and appreciated by professionals and amateurs alike. Our product development is geared toward meeting user needs. We create products that are highly functional and durable, products that are light and compact to ease physical exertion, products that encourage ecology by decomposing and reusing garden waste such as fallen leaves and small branches, and products that are safe and easy to use.

The segment is also engaged in the field of builders' hardware, marketing its mainstay door closers for a wide range of residential and office buildings, as well as hinges and a broad lineup of other architecture hardware. We also contribute to the safety and comfort of both residential and business environments through the development of air-conditioning controllers that contribute to energy conservation, and door closers that are easy for the elderly, children and disabled persons to use comfortably and safely.

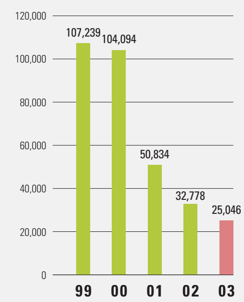
Most of the Company's facilities for power tools and builders' hardware have acquired ISO 9000 series certification, the international standard for quality control and quality assurance systems, as well as ISO 14001 certification, the international standard for environmental management systems. We are engaging in environmental protection activities, including promoting recycling by labeling the quality of materials on parts and packaging, and the collection of used batteries.

PERFORMANCE

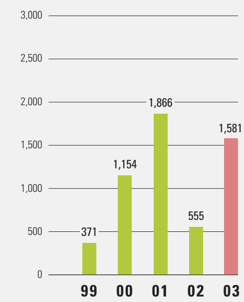
In the fiscal year ended 31st March 2003, net sales in power tools dropped 23.6% to ¥25.0 billion, but operating income climbed 184.5% to ¥1.6 billion. The ratio of operating income to net sales increased to 6.3% compared with 1.7% in the previous fiscal year.

The difference in year-on-year net sales for this segment is partially due to the sale of four overseas sales subsidiaries in fiscal 2002. In addition, the domestic market environment continues to be harsh due to a decline in housing construction. Profits improved on account of cost reduction and positive effects from the Sound Management Plan.

NET SALES
(Millions of yen)



OPERATING INCOME
(Millions of yen)



OUTLOOK

The power tools business is improving profitability by reviewing and restructuring its domestic and overseas business structure. We aim to strengthen competitiveness by concentrating efforts on boosting marketing in the development and sale of products, and increasing productivity at our manufacturing subsidiary in Dalian, China.

Further, the builders' hardware business is producing door closers, its principal product, at a manufacturing subsidiary in Dalian, China and at an affiliate company in Taiwan. We aim to expand profits by working to reduce costs with productivity enhancements and focusing sales activities on profitability.

Leveraging their strengths in overseas production, both businesses are developing products that are competitive on pricing and have attractive features.

RESV-800

PSV-600

HOT-SELLING BLOWER VACUUMS

Our blower vacuums are popular for their easy switching from blower to vacuuming functions. In 2002, we added the lightweight and compact Portable Blower Vacuum PSV-600 as an ideal companion to cleaning around home entrances and car interiors.

Door Closer D-1650 Acquires ANSI Grade 1, the Highest Standard in the U.S.

Our D-1650 door closer meets the strictest standard in the U.S. (ANSI Grade 1) for durability. The product is a high-grade model that features both durability and compactness.

Environmental efforts

Based on the corporate philosophy, "Create a sound and dynamic corporation through technology, trust and challenge," Ryobi is committed to creating products that help create a higher standard of living and better quality of life.

Ryobi has positioned as an important management priority the preservation of the environment and the reduction of environmental impact in its business activities. The Company established the Ryobi Group Environmental Preservation Committee in September 1990 with the president as committee chairman, and since then Ryobi and domestic Group companies have made aggressive efforts to contribute to environmental preservation, resource conservation, energy reduction and other activities that benefit society.

Acquisition of ISO 14001 Certification

The Ryobi Group has acquired ISO 14001 certification, the international standard for environmental management systems, at 18 facilities of 14 companies (as of June 2003). Each company and facility considers environmental impact by setting environmental targets and objectives, and then working to conserve resources, lower energy consumption, reduce waste and increase recycling.

Ryobi Environmental Policy

In its environmental management system, Ryobi sets targets and objectives and conducts reviews in an aim to continuously improve on its efforts to reduce the impact of its business activities, products and services on the environment within the range of technological and economical feasibility.

Through these activities, Ryobi aims to achieve the targets in its management plan and contribute to the advancement of society.

1. *Establish and execute policies in line with ISO 14001 standards*
2. *Strictly observe laws, regulations and agreements related to the environment, and prevent environmental pollution*
3. *Work to conserve energy, reduce waste and increase recycling*
4. *Implement preventative measures and training to limit the significant impact of oils and chemical substances on the environment during emergencies*
5. *Offer training and educational opportunities to improve employees' awareness of the environment*
6. *Contribute to local communities through activities to preserve the environment*
7. *Disclose information on the Ryobi Enviromental Policy to employees and people outside the Company*

Environmental Preservation Activities

The Ryobi Group is strongly encouraging campaigns to clean up roads, rivers and beaches near its premises, and to recycle aluminum cans. Our aluminum can recycling activities began in February 1991, and profits on the sale of aluminum cans are donated toward the purchase of wheelchairs and service cars at local welfare facilities. Through activities like these, we are contributing to local communities.

FISCAL PERIOD COMPARATIVE SUMMARY

RYOBI LIMITED AND CONSOLIDATED SUBSIDIARIES

(For the years ended 31st March)

	Millions of Yen					
	2003	2002	2001	2000	1999	1998
For the fiscal period:						
Net sales	**¥156,458**	¥156,139	¥184,282	¥240,074	¥242,774	¥232,997
Cost of sales	**126,536**	126,113	144,567	190,214	200,494	189,916
Gross profit	**29,922**	30,026	39,715	49,860	42,280	43,081
Selling, general and administrative expenses	**21,470**	23,662	29,576	42,557	35,463	34,082
Operating income	**8,452**	6,364	10,139	7,303	6,817	8,999
Income taxes	**1,504**	2,188	(1,150)	(11,231)	1,719	3,066
Net income (loss)	**4,471**	2,081	2,907	2,831	(3,086)	1,437
As at fiscal year-end:						
Total assets	**¥165,487**	¥165,401	¥193,001	¥238,080	¥233,654	¥239,219
Total shareholders' equity	**38,366**	33,379	29,501	33,360	32,540	36,916
	Yen					
Per share data:						
Net income (loss)—Primary	**¥ 26.26**	¥ 12.19	¥ 17.04	¥ 16.59	¥ (18.02)	¥ 8.39
Cash dividends	**—**	—	—	—	3.75	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 2003 moderately increased by 0.2% from previous year, resulting in ¥156,458 million. Of this, domestic sales increased 5.8% to ¥109,911 million, while overseas sales declined 10.9% to ¥46,547 million. A significant portion of the decline in overseas revenues is owing to the sales of power tool sales companies both in Europe and Australia. However, the total net sales remained slight increase from previous year performance with the sales increase in the die castings businesses mainly for automobile industry.

Operating income increased 32.8% to ¥8,452 million, resulting in the improvement in operating income ratio by 1.3%, as compared with prior year performance.

Net sales and operating income by business segment are discussed below.

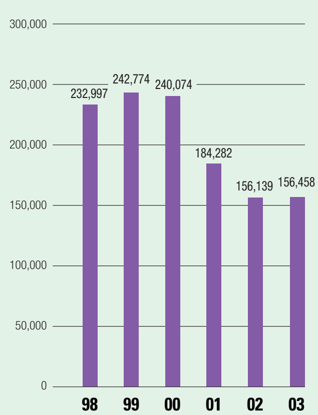
Die Castings

Net sales in the Die Castings segment increased 8.7% to ¥107,762 million, with operating income of ¥5,670 million, 2.9% increase from prior year performance. In spite of sales increase in the main product area for automobile industry, operating income did not rise as the rate of sales growth due to the intensive pressure of price reductions.

Printing Equipment

Net sales in the Printing Equipment segment slightly increased to ¥22,741 million, with a significant improvement of operating income during this fiscal year. With various efforts to reduce costs operating income for this segment has doubled to ¥1,289 million from prior year performance.

NET SALES
(Millions of yen)



Power tools

Net sales in the Power Tools segment was slipped 23.6% to ¥25,046 million, with a significant improvement of operating income during this fiscal year. The decline of sales level during this fiscal year is mainly because power tools sales companies in Europe and Australia were sold during previous year. Operating income has tripled to ¥1,581 million as compared with prior year performance, owing to the effect of implementation of Sound Management Plan and various efforts to reduce costs.

Other

Net sales in Other business segment dropped 42.1% to ¥909 million, with operating loss of ¥89 million. The decline of sales level during this fiscal year is because Ryobi ceased the manufacture and sale of golf equipments in May 2002.

LIQUIDITY AND FINANCIAL POSITION

Net cash generated from operating activities during this fiscal year increased ¥2,022 million to ¥15,159 million.

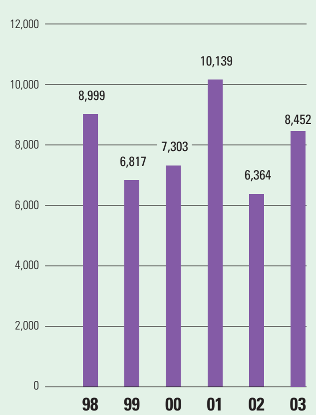
Net cash used in investing activities was ¥3,132 million mainly for the purchases of property, plant and equipment.

Net cash used in financing activities was ¥8,024 million mainly for the repayment of bank borrowings and other interest-bearing debts.

In the aggregate, the consolidated cash flow of the Ryobi Group recorded a net increase in cash and cash equivalents of ¥3,966 million and resulted in ¥17,845 million at the end of this fiscal year, after making necessary adjustments of exchange rate changes.

Total assets slightly increased to ¥165,487 million. Total shareholders' equity improved by 14.9% to ¥38,366 million. Consequently, the equity ratio rose to 23.2% from 20.2% a year earlier.

OPERATING INCOME
(Millions of yen)



CONSOLIDATED BALANCE SHEETS

RYOBI LIMITED AND CONSOLIDATED SUBSIDIARIES

(As at 31st March 2003 and 2002)

ASSETS	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 1) 2003
Current assets			
Cash and cash equivalents	¥ 17,845	¥ 13,879	$ 148,461
Time deposits (Note 7)	2,636	2,715	21,930
Notes and accounts receivable (Note 7)			
Trade	33,933	31,625	282,304
Unconsolidated subsidiaries and affiliates	63	78	524
Other	1,598	1,509	13,294
Allowance for doubtful accounts	(116)	(113)	(965)
Inventories (Note 5)	29,169	30,026	242,671
Deferred tax assets (Note 10)	3,424	2,018	28,486
Prepaid expenses and other	634	988	5,275
Total current assets	89,186	82,725	741,980
Property, plant and equipment (Notes 6 and 7)			
Land	20,111	20,137	167,313
Buildings and structures	38,744	38,906	322,329
Machinery and equipment	82,608	85,737	687,255
Construction in progress	450	744	3,744
Total	141,913	145,524	1,180,641
Accumulated depreciation	(86,134)	(86,895)	(716,589)
Net property, plant and equipment	55,779	58,629	464,052
Investments and other assets			
Investments in securities (Notes 4 and 7)	10,709	10,876	89,093
Investments in and advances to unconsolidated subsidiaries and affiliates	313	342	2,604
Intangible fixed assets	1,794	2,109	14,925
Deferred tax assets (Note 10)	4,913	7,594	40,874
Other	3,177	3,494	26,431
Allowance for doubtful accounts	(384)	(368)	(3,195)
Total investments and other assets	20,522	24,047	170,732
Total	¥165,487	¥165,401	$1,376,764

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2003	2002	Thousands of U.S. Dollars (Note 1) 2003
Current liabilities			
Short-term borrowings (Note 7)	¥ 28,088	¥ 28,963	$ 233,677
Current portion of long-term debt (Note 7)	13,505	22,297	112,354
Notes and accounts payable			
Trade	30,737	29,616	255,716
Unconsolidated subsidiaries and affiliates	334	260	2,779
Other	4,213	1,573	35,050
Accrued expenses	4,145	5,392	34,484
Income taxes payable	658	205	5,474
Other current liabilities	6,509	7,122	54,151
Total current liabilities	88,189	95,428	733,685
Long-term liabilities			
Long-term debt (Note 7)	28,519	27,202	237,263
Accrued severance indemnities (Note 8)	5,912	5,111	49,185
Other long-term liabilities (Note 7)	3,867	3,658	32,171
Total long-term liabilities	38,298	35,971	318,619
Minority interests	634	623	5,275
Commitments and contingent liabilities (Note 13)			
Shareholders' equity (Note 9)			
Common stock			
Authorised: 500,000,000 shares			
Issued : 171,230,715 shares	18,472	18,472	153,677
Capital surplus	23,517	23,517	195,649
Retained earnings (deficits)	365	(4,106)	3,037
Land revaluation reserve (Note 6)	626	610	5,208
Unrealised gain on available-for-sale securities	3,666	2,641	30,499
Foreign currency translation adjustments	(7,843)	(7,689)	(65,249)
Treasury stock (2,844,418 shares in 2003, 532,672 shares in 2002)	(437)	(66)	(3,636)
Total shareholders' equity	38,366	33,379	319,185
Total	¥165,487	¥165,401	$1,376,764

CONSOLIDATED STATEMENTS OF INCOME

RYOBI LIMITED AND CONSOLIDATED SUBSIDIARIES

(For the years ended 31st March 2003 and 2002)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Net sales	¥156,458	¥156,139	$1,301,647
Cost of sales	126,536	126,113	1,052,712
Gross profit	29,922	30,026	248,935
Selling, general and administrative expenses	21,470	23,662	178,619
Operating income	8,452	6,364	70,316
Other income			
Interest and dividends	224	323	1,864
Foreign exchange gain	8	424	66
Gain on sales of investments in securities	3	753	25
Gain on exemption from future pension obligation (Note 8)	619	—	5,150
Other	1,674	1,421	13,927
Total other income	2,528	2,921	21,032
Other expenses			
Interest	1,480	2,379	12,313
Loss on disposal of property, plant and equipment	369	678	3,070
Loss on disposal of business segment	—	205	—
Loss on devaluation of investments in securities	1,762	350	14,659
Early retirement benefits	570	565	4,742
Other	786	1,152	6,539
Total other expenses	4,967	5,329	41,323
Income before income taxes and minority interests	6,013	3,956	50,025
Income taxes (Note 10)			
Current	831	281	6,914
Deferred	673	1,907	5,599
Total income taxes	1,504	2,188	12,513
Minority interests	38	(313)	316
Net income	¥ 4,471	¥ 2,081	$ 37,196
	Yen		U.S. Dollars (Note 1)
Per share of common stock			
Net income	¥ 26.26	¥ 12.19	$ 0.218
Fully diluted net income	—	11.59	—
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 2003 and 2002)

		Millions of Yen						
	Number of Shares of Common Stock (Thousands)	Common Stock	Capiatal Surplus	Retained Earnings (Deficits)	Land Revaluation Reserve	Unrealised Gain on Available-for -Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
Balance at 31st March 2001	171,231	¥18,472	¥23,517	¥(5,652)	¥ —	¥2,229	¥(9,001)	¥ (64)
Net income	—	—	—	2,081	—	—	—	—
Bonuses to directors and statutory auditors	—	—	—	(5)	—	—	—	—
Transfer to land revaluation reserve	—	—	—	(530)	—	—	—	—
Land revaluation reserve	—	—	—	—	610	—	—	—
Unrealised gain on available-for-sale securities increased	—	—	—	—	—	412	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	1,312	—
Treasury stock increased, net (11,335 shares)	—	—	—	—	—	—	—	(2)
Balance at 31st March 2002	171,231	18,472	23,517	(4,106)	610	2,641	(7,689)	(66)
Net income	—	—	—	**4,471**	—	—	—	—
Increase due to change in normal effective statutory tax rates	—	—	—	—	**16**	—	—	—
Unrealised gain on available-for-sale securities increase	—	—	—	—	—	**1,025**	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	**(154)**	—
Treasury stock increase, net (2,311,746 shares)	—	—	—	—	—	—	—	**(371)**
Balance at 31st March 2003	**171,231**	**¥18,472**	**¥23,517**	**¥ 365**	**¥626**	**¥3,666**	**¥(7,843)**	**¥(437)**

	Thousands of U.S. Dollars (Note 1)						
Balance at 31st March 2002	$153,677	$195,649	$(34,159)	$5,075	$21,972	$(63,968)	$ (549)
Net income	—	—	**37,196**	—	—	—	—
Increase due to change in normal effective statutory tax rates	—	—	—	**133**			
Unrealised gain on available-for-sale securities increase	—	—	—	—	**8,527**	—	—
Foreign currency translation adjustments	—	—	—	—	—	**(1,281)**	—
Treasury stock increase, net (2,311,746 shares)	—	—	—	—	—	—	**(3,087)**
Balance at 31st March 2003	**$153,677**	**$195,649**	**$ 3,037**	**$5,208**	**$30,499**	**$(65,249)**	**$(3,636)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

RYOBI LIMITED AND CONSOLIDATED SUBSIDIARIES

(For the years ended 31st March 2003 and 2002)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Operating activities			
Income before income taxes and minority interests	¥ 6,013	¥ 3,956	$ 50,025
Adjustments for:			
Income taxes—paid	(375)	(118)	(3,120)
Depreciation and amortisation	5,721	6,195	47,596
Loss on disposal of business segment	—	205	—
Loss on sales or disposals of property, plant and equipment	243	498	2,022
Gain on sales of investments in securities	1	(750)	8
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	(2,727)	10,443	(22,687)
Decrease in inventories	667	1,115	5,549
Increase (decrease) in notes and accounts payable	3,752	(5,667)	31,215
Decrease in accrued expenses	(1,230)	(1,920)	(10,233)
Other, net	3,094	(820)	25,740
Net cash provided by operating activities	15,159	13,137	126,115
Investing activities			
Purchase of property, plant and equipment	(3,857)	(4,020)	(32,088)
Proceeds from sale of property, plant and equipment	545	1,295	4,534
Proceeds from sale of investments in securities	33	1,134	274
Proceeds from disposal of business segment	—	750	—
Payments for disposal of business segment	—	(247)	—
Other	147	535	1,223
Net cash used in investing activities	(3,132)	(553)	(26,057)
Financing activities			
Proceeds from long-term debt	15,041	10,616	125,133
Repayments of long-term debt	(22,119)	(24,421)	(184,018)
Decrease in short-term borrowings, net	(234)	(3,381)	(1,947)
Acquisition of treasury stock	(399)	—	(3,319)
Other	(313)	(484)	(2,604)
Net cash used in financing activities	(8,024)	(17,670)	(66,755)
Foreign currency translation adjustments on cash and cash equivalents	(37)	296	(308)
Net increase (decrease) in cash and cash equivalents	3,966	(4,790)	32,995
Cash and cash equivalents at beginning of year	13,879	18,669	115,466
Cash and cash equivalents at end of year	¥ 17,845	¥ 13,879	$ 148,461
Additional cash flow information			
Interest paid	¥ 1,507	¥ 2,405	$ 12,537

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RYOBI LIMITED AND CONSOLIDATED SUBSIDIARIES

For the years ended 31st March 2003 and 2002

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 which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 ¥120.20 to $1, the approximate rate of exchange at 31st March 2003. 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.

Certain reclassifications have been made in the 2002 consolidated financial statements to conform to the classifications used in 2003.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries ("the Ryobi Group"). Under the control or influence concept, those companies in which the Company, 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 2003 and 2002 were as follows:

	2003	2002
Consolidated subsidiaries	15	15
Affiliates	3	3

The number of unconsolidated subsidiaries and affiliates not accounted for under the equity method as at 31st March 2003 and 2002 were as follows:

	2003	2002
Unconsolidated subsidiaries	3	4
Affiliates	0	0

The investments in such unconsolidated subsidiaries and affiliates not accounted for under the equity method are carried at cost. If the equity method of accounting had been applied to the investment in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant inter-company transactions, account balances and unrealised profits among the companies have been eliminated.

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

The average method for the Company and domestic subsidiaries.
Foreign subsidiaries mainly adopt first-in first-out method.

(ii) Raw materials, supplies and purchased goods

Die castings .... Average method
Others .... Last purchase invoice price method

Foreign subsidiaries mainly adopt first-in first-out method.

Effective 1st April 2002, the Company and certain domestic subsidiaries changed their cost determination method of inventories (see Note 3).

(d) Marketable securities and investments in securities

Marketable and investment securities are classified, 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 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.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realisable value by a charge to income.

(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.

Effective 1st April 2002, foreign subsidiaries in North America adopted Statement of Financial Accounting Standards No. 142 (SFAS 142) "Goodwill and Other Intangible Assets". Under SFAS 142, goodwill is no longer amortised, but rather will be tested for impairment on an annual basis and between annual test if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount. Prior to the adoption of SFAS 142, goodwill was amortised by the straight-line method, over a period ranging from 5 to 40 years.

No impairment loss on goodwill was recognized for the year ended 31st March 2003. As a result, the effect on the adoption of SFAS 142, was not material.

(f) Accrued severance indemnities and pension plan

The Company and domestic consolidated subsidiaries have a contributory or a non-contributory funded pension plan and unfunded pension plans, which cover substantially all of their employees. Certain foreign consolidated subsidiaries have defined benefit pension plans.

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 ($75,641 thousand), determined as at the beginning of this fiscal year, is amortised over ten years. Unrecognised prior service cost is amortised at the beginning of this fiscal year by using straight-line method over employees' remaining service period or shorter period (ranging from 11 to 16 years). Unrecognised net actuarial loss is amortised from next fiscal year by using straight-line method over employees' remaining service period or shorter period (ranging from 11 to 16 years).

(g) 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.

(h) Income taxes

The Ryobi Group 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.

(i) 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.

(j) Translation of foreign currency accounts

All current and non-current receivables and payables denominated in foreign currencies are 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.

(k) 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. Differences arising from such translation are shown as "Foreign currency translation adjustments" 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.

(l) 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.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: 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 of maturity of the hedged transaction.

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 expense or income.

(m) Per share information

Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period, retroactively for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds 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.

Diluted net income per share is not disclosed because no dilutive instruments were issued and outstanding for the year ended 31st March 2003.

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

3. Accounting Change

Prior to 1st April 2002, costs of finished products and work in process were determined by the retail method, costs of raw materials were determined by last purchase invoice price method, both of which were held by the Company and certain domestic subsidiaries in the Die castings segment. Effective 1st April 2002, the Company and certain domestic subsidiaries changed their methods of accounting for such costs of inventories to the average cost method.

The effect of this change was to increase inventories by ¥27 million ($225 thousand) and decrease cost of sales and increase income before income taxes and other items by the same.

4. 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 2003 and 2002 was as follows:

	Millions of Yen								Thousands of U.S.Dollars			
	2003				2002				2003			
	Cost	Unrealised Gain	Unrealised Loss	Fair value	Cost	Unrealised Gain	Unrealised Loss	Fair value	Cost	Unrealised Gain	Unrealised Loss	Fair value
Available-for-sale												
Corporate shares	¥3,366	¥6,264	¥(159)	¥9,471	¥5,083	¥5,456	¥(939)	¥9,600	$28,003	$52,113	$(1,322)	$78,794
Bonds	—	—	—	—	34	—	(4)	30	—	—	—	—
Others	10	1	—	11	—	—	—	—	83	8	—	91
Total	¥3,376	¥6,265	¥(159)	¥9,482	¥5,117	¥5,456	¥(943)	¥9,630	$28,086	$52,121	$(1,322)	$78,885

Available-for-sale securities whose fair value was not readily determinable as at 31st March 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S.Dollars
	2003	2002	2003
Available-for-sale			
Corporate shares	¥1,226	¥1,245	$10,200
Bonds	1	1	8
Total	¥1,227	¥1,246	$10,208

Proceeds from sales of available-for-sale securities for the years ended 31st March 2003 and 2002 were ¥33 million ($274 thousand) and ¥1,134 million, respectively. Gross realised gains and losses on these sales, computed on the moving-average cost basis, were ¥3 million ($25 thousand) and ¥4 million ($33 thousand), respectively, for the years ended 31st March 2003 and ¥753 million and ¥2 million, respectively, for the years ended 31st March 2002.

The book value of bonds by contractual maturity for securities classified as available-for-sale as at 31st March 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S.Dollars
	2003	2002	2003
Due in one year or less	¥ —	¥ 30	$ —
Due after one year through five years	1	1	8
Total	¥ 1	¥ 31	$ 8

5. Inventories

Inventories as at 31st March 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S.Dollars
	2003	2002	2003
Finished products and purchased goods	¥13,785	¥14,680	$114,684
Work in process	10,181	9,980	84,701
Raw materials and supplies	5,203	5,366	43,286
Total	¥29,169	¥30,026	$242,671

6. Land Revaluation

Under the "Law of Land Revaluation", a subsidiary elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as at 31st March 2002.

The resulting land revaluation excess represents unrealised appreciation of land and is stated, net of income taxes, as a component of shareholders' equity. There is no effect on the statements of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities.

The details of the one-time revaluation as at 31st March 2002 were as follows:

	Millions of Yen	Thousands of U.S.Dollars
Land before revaluation	¥ 275	$ 2,288
Land after revaluation	1,981	16,481
Land revaluation reserve, net of income taxes of ¥700 million ($5,824 thousand) and attribution of minority interest of ¥394 million ($3,278 thousand)	¥ 610	$ 5,075

During the year ended 31st March 2003, land revaluation reserve increased due to a change in the normal effective statutory tax rate (see Note 10).

As at 31st March 2003, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥167 million ($1,389 thousand).

7. Short-Term Borrowings and Long-Term Debt

The annual weighted average interest rates applicable to short-term borrowings were 1.3%, as at 31st March 2003 and 2002, respectively.

Commercial paper included short-term borrowings totaling ¥2,263 million ($18,827 thousand) and ¥2,492 million, as at 31st March 2003 and 2002, respectively.

Long-term debt at 31st March 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S.Dollars
	2003	2002	2003
Loans principally from banks and insurance companies with interest rates ranging from 0.78% to 7.26% :			
Secured	¥ 1,665	¥ 1,991	$ 13,852
Unsecured	39,977	39,929	332,587
Floating-rate guaranteed notes in Euro due 2003	—	6,880	—
Other	382	699	3,178
Total	42,024	49,499	349,617
Less: Current portion	(13,505)	(22,297)	(112,354)
Long-term debt less current portion	¥28,519	¥ 27,202	$ 237,263

The aggregate annual maturities of long-term debt at 31st March 2003 were as follows:

Years Ending 31st March	Millions of Yen	Thousands of U.S.Dollars
2004	¥13,505	$112,354
2005	10,528	87,587
2006	10,269	85,433
2007	5,640	46,922
2008	1,758	14,626
2009 and thereafter	324	2,695
Total	¥42,024	$349,617

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 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S.Dollars
	2003	2002	2003
Net book value of property:			
Buildings and structures	¥ 3,434	¥ 3,256	$28,569
Machinery and equipment	1,465	1,696	12,188
Land	2,859	2,858	23,785
Time deposit	108	108	899
Notes and accounts receivable	3,815	4,209	31,739
Investments in securities	—	83	—
Total	¥11,681	¥12,210	$97,180

8. 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 for employees' retirement benefits at 31st March 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S.Dollars
	2003	2002	2003
Projected benefit obligation	¥ 34,946	¥ 54,289	$ 290,732
Fair value of plan assets	(14,484)	(31,676)	(120,499)
Unrecognised prior service cost	212	1,804	1,764
Unrecognised actual loss	(10,274)	(12,120)	(85,474)
Unrecognised transitional obligation	(4,488)	(7,186)	(37,338)
Net liabilities	¥ 5,912	¥ 5,111	$ 49,185

The components of net periodic retirement benefit costs for the years ended 31st March 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S.Dollars
	2003	2002	2003
Service cost	¥ 1,631	¥ 1,799	$13,569
Interest cost	1,495	1,517	12,438
Expected return on plan assets	(1,036)	(1,061)	(8,619)
Amortisation of prior service cost	(111)	(45)	(923)
Recognised actual loss	787	663	6,547
Amortisation of transitional obligation	869	1,086	7,230
Gain on exemption from future pension obligation	(619)	—	(5,150)
Net periodic retirement benefit costs	¥ 3,016	¥ 3,959	$25,092

The Company and certain domestic subsidiaries have two types of pension plans for employees; a non-contributory and a contributory funded defined benefit pension plan. The contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company. According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Company obtained an approval of exemption from future obligation by the Ministry of Health, Labor and Welfare on 1st March 2003. As a result of this exemption, the Company and certain subsidiaries recognized a gain on exemption from future pension obligation of the governmental program in the net amount of ¥619 million ($5,150 thousand) in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended 31st March 2003.

The substitutional portion of the plan assets which will be transferred to the government in the subsequent year is measured to be approximately ¥13,786 million ($114,692 thousand) as at 31st March 2003.

Assumptions used for the years ended 31st March 2003 and 2002 were set forth as follows:

	2003	2002
Discount rate	2.5%	2.7%~3.0%
Expected rate of return on plan assets	3.5%	3.5%
Amortisation of prior service cost	11~16 years	11~16 years
Recognition period of actuarial gain / loss	11~16 years	11~16 years
Amortisation of transitional obligation	10 years	10 years

9. Shareholders' Equity

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from 1st October 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts. The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning 1st April 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings and capital surplus available for dividends under the Code was ¥4,407 million ($36,664 thousand) as at 31st March 2003, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

10. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of 40.9% for the years ended 31st March 2003 and 2002.

As at 31st March 2003, a tax reform law concerning local enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from 40.9% to 39.5%, effective for years beginning on or after 1st April 2004. The effect of this change was to decrease deferred tax assets—non-current and deferred tax liabilities—non-current by ¥142 million ($1,181 thousand) and ¥5 million ($42 thousand), respectively, increase income taxes—deferred by ¥218 million ($1,814 thousand), and increase unrealised gain on available-for-sale securities by ¥81 million ($674 thousand) in the consolidated financial statements for the year ended 31st March 2003.

In addition to the above, deferred tax liability concerning land revaluation decreased ¥26 million ($216 thousand), land revaluation reserve and minority interests increased ¥16 million ($133 thousand) and ¥10 million ($83 thousand), respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at 31st March 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S.Dollars
	2003	2002	2003
Deferred tax assets:			
Accrued severance cost	¥ 1,647	¥ 1,071	$ 13,702
Tax loss carryforwards	30,483	35,905	253,602
Other	2,742	1,947	22,812
Valuation allowance	(23,015)	(27,438)	(191,472)
Deferred tax assets	¥11,857	¥11,485	$ 98,644
Deferred tax liabilities:			
Unrealised gain on available-for-sale securities	¥ (2,417)	¥ (1,855)	$ (20,108)
Other	(1,882)	(832)	(15,657)
Deferred tax liabilities	¥ (4,299)	¥ (2,687)	$ (35,765)
Net deferred tax assets	¥ 7,558	¥ 8,798	$ 62,879

Reconciliation between the normal effective statutory tax rate for the years ended 31st March 2003 and 2002 and the actual effective tax rates reflected in the accompanying consolidated statements of income was as follows:

	2003	2002
Normal effective statutory tax rate	40.9%	40.9%
Expenses not deductible for income tax purposes	2.1	6.4
Valuation allowance	(28.1)	6.4
Unrealised gain in excess of taxable income of the sales entities	1.8	—
Effect of tax rate reduction	3.7	—
Undistributed earnings of foreign subsidiaries	3.2	—
Other, net	1.4	1.6
Actual effective tax rate	25.0%	55.3%

11. Research and Development Costs

Research and development costs were ¥1,589 million ($13,220 thousand) and ¥1,771million for the years ended 31st March 2003 and 2002, respectively.

12. Leases

Lease expenses on such finance lease contracts without ownership transfer amounted to ¥789 million ($6,564 thousand) and ¥550 million, for the years ended 31st March 2003 and 2002, respectively.

As at 31st March 2003 and 2002, 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		
	2003			2002			2003		
	Acquisition Cost	Accumulated Depreciation	Net Leased Property	Acquisition Cost	Accumulated Depreciation	Net Leased Property	Acquisition Cost	Accumulated Depreciation	Net Leased Property
Buildings and structures	¥ —	¥ —	¥ —	¥ 4	¥ 4	¥ 0	$ —	$ —	$ —
Machinery and equipment	3,991	1,281	2,710	3,416	960	2,456	33,203	10,657	22,546
Other assets	1,685	535	1,150	1,652	240	1,412	14,018	4,451	9,567
Total	¥5,676	¥1,816	¥3,860	¥5,072	¥1,204	¥3,868	$47,221	$15,108	$32,113

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 ¥789 million ($6,564 thousand) and ¥550 million for the years ended 31st March 2003 and 2002, respectively.

Future minimum lease payments of the Ryobi Group as at 31st March 2003 and 2002 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
	2003	2002	2003
Current	¥ 841	¥ 727	$ 6,997
Non-current	3,019	3,141	25,116
Total	¥3,860	¥3,868	$32,113

Future minimum lease payments of the Ryobi Group as at 31st March 2003 and 2002 under noncancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S.Dollars
	2003	2002	2003
Current	¥ 722	¥ 867	$ 6,007
Non-current	1,648	2,614	13,710
Total	¥2,370	¥3,481	$19,717

13.Contingent Liabilities

The Ryobi Group had the following contingent liabilities as at 31st March 2003 and 2002.

	Millions of Yen		Thousands of U.S.Dollars
	2003	2002	2003
Trade notes discounted	¥ 840	¥1,398	$ 6,988
Guarantees and similar items			
Bank loans	228	259	1,897
Leases	1,853	1,603	15,416
Total	¥2,921	¥3,260	$24,301

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 2003 and 2002.

	Million of Yen				Thousands of U.S.Dollars	
	2003		2002		2003	
	Contract or Notional Amount	Fair Value	Contract or Notional Amount	Fair Value	Contract or Notional Amount	Fair Value
Interest swap:						
Fixed rate payment, floating rate receipt	¥100	¥(5)	¥100	¥(2)	$832	$(42)

Note: Derivatives which qualify for hedge accounting were excluded from the market value information in 2003 and 2002.

15. Segment Information

The segment information classified by industry and geographical market area is presented below with respect to the years ended 31st March 2003 and 2002.

(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 office equipment manufacturing, etc. ("Other")

	Millions of Yen					
	2003					
	Die castings	Printing equipment	Power tools	Other	Eliminations / corporate	Consolidated
Net sales						
Unaffiliated customer	¥107,762	¥22,741	¥25,046	¥ 909	¥ —	¥156,458
Intersegment	249	—	13	—	(262)	—
Total	108,011	22,741	25,059	909	(262)	156,458
Operating costs and expenses	102,341	21,452	23,478	998	(263)	148,006
Operating income (loss)	¥ 5,670	¥ 1,289	¥ 1,581	¥ (89)	¥ 1	¥ 8,452
Total Assets	¥83,813	¥24,547	¥26,527	¥ 926	¥29,674	¥165,487
Depreciation	4,068	627	912	24	—	5,631
Capital expenditure	3,369	401	344	3	—	4,117

	Millions of Yen					
	2002					
	Die castings	Printing equipment	Power tools	Other	Eliminations / corporate	Consolidated
Net sales						
Unaffiliated customer	¥99,099	¥22,693	¥32,778	¥1,569	¥ —	¥156,139
Intersegment	387	—	7	—	(394)	—
Total	99,486	22,693	32,785	1,569	(394)	156,139
Operating costs and expenses	93,977	22,055	32,230	1,911	(398)	149,775
Operating income (loss)	¥ 5,509	¥ 638	¥ 555	¥ (342)	¥ 4	¥ 6,364
Total Assets	¥83,249	¥25,449	¥28,765	¥1,395	¥26,543	¥165,401
Depreciation	4,321	733	1,090	54	—	6,198
Capital expenditure	3,075	441	418	9	—	3,943

	Thousands of U.S.Dollars					
	2003					
	Die castings	Printing equipment	Power tools	Other	Eliminations / corporate	Consolidated
Net sales						
Unaffiliated customer	$896,523	$189,193	$208,369	$ 7,562	$ —	$1,301,647
Intersegment	2,071	—	108	—	(2,179)	—
Total	898,594	189,193	208,477	7,562	(2,179)	1,301,647
Operating costs and expenses	851,423	178,469	195,324	8,303	(2,188)	1,231,331
Operating income (loss)	$ 47,171	$ 10,724	$ 13,153	$ (741)	$ 9	$ 70,316
Total Assets	$697,280	$204,218	$220,690	$ 7,704	$246,872	$1,376,764
Depreciation	33,844	5,216	7,587	200	—	46,847
Capital expenditure	28,028	3,336	2,862	25	—	34,251

The amounts of corporate assets as at 31st March 2003 and 2002 included in the "Eliminations or corporate assets" were, respectively, ¥29,708 million ($247,155 thousand) and ¥26,571 million, which mainly consist of cash, securities and long-term investment assets (investments in securities).

The effect of the change in the accounting for the cost determination methods of inventories described in Note 3 was to increase operating income of the Die castings segment, for the year ended 31st March 2003, by ¥27 million ($225 thousand) in comparison to the prior year.

(2) Geographical segment information

	Millions of Yen				
	2003				
	Japan	North America	Other overseas	Eliminations / corporate	Consolidated
Net sales:					
Unaffiliated customer	¥125,889	¥24,441	¥ 6,128	¥ —	¥156,458
Intersegment	3,575	—	4,502	(8,077)	—
Total	129,464	24,441	10,630	(8,077)	156,458
Operating costs and expenses	122,334	23,842	9,770	(7,940)	148,006
Operating income	¥ 7,130	¥ 599	¥ 860	¥ (137)	¥ 8,452
Total Assets	¥107,417	¥17,115	¥12,810	¥28,145	¥165,487

	Millions of Yen				
	2002				
	Japan	North America	Other overseas	Eliminations / corporate	Consolidated
Net sales:					
Unaffiliated customer	¥119,428	¥21,393	¥15,318	¥ —	¥156,139
Intersegment	4,033	2	3,571	(7,606)	—
Total	123,461	21,395	18,889	(7,606)	156,139
Operating costs and expenses	118,551	21,095	18,007	(7,878)	149,775
Operating income	¥ 4,910	¥ 300	¥ 882	¥ 272	¥ 6,364
Total Assets	¥109,206	¥19,229	¥11,969	¥24,997	¥165,401

	Thousands of U.S.Dollars				
	2003				
	Japan	North America	Other overseas	Eliminations / corporate	Consolidated
Net sales:					
Unaffiliated customer	$1,047,329	$203,336	$ 50,982	$ —	$1,301,647
Intersegment	29,742	—	37,454	(67,196)	—
Total	1,077,071	203,336	88,436	(67,196)	1,301,647
Operating costs and expenses	1,017,754	198,353	81,281	(66,057)	1,231,331
Operating income	$ 59,317	$ 4,983	$ 7,155	$ (1,139)	$ 70,316
Total Assets	$893,652	$142,388	$106,572	$234,152	$1,376,764

The amounts of corporate assets as at 31st March 2003 and 2002 included in the "Eliminations or corporate assets" were ¥29,708 million ($247,155 thousand) and ¥26,571 million, respectively, which mainly comprise cash, securities and long-term investment assets (investments in securities).

The effect of the change in the accounting for cost determination methods of inventories described in Note 3 was to increase operating income in Japan, for the year ended 31st March 2003, by ¥27 million ($225 thousand) in comparison to the prior year.

(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 2003 and 2002 are presented below:

	Millions of Yen		Thousands of U.S.Dollars
	2003	2002	2003
Exports sales and sales by overseas subsidiaries			
North America	¥29,156	¥26,498	$242,562
Europe	12,625	15,590	105,033
Other	4,766	10,143	39,651
Total	¥46,547	¥52,231	$387,246
Percentage of such sales against consolidated net sales			
North America	18.6%	17.0%	
Europe	8.1	10.0	
Other	3.1	6.5	
Total	29.8%	33.5%	

16. Subsequent Event

At general shareholders' meeting held on June 27 2003, the Company's shareholders approved that the Company repurchases treasury stock, at management discretion, of up to 4 million shares or ¥1,200 million ($9,983 thousand) during the period ending next general shareholders' meeting.

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Deloitte
Touche
Tohmatsu

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Ryobi Limited:

We have audited the accompanying consolidated balance sheets of Ryobi Limited and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ryobi Limited and consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

As discussed in Note 3 to the consolidated financial statements, the Company and certain domestic consolidated subsidiaries changed their method of accounting for inventories.

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

June 27, 2003

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
Satoshi Ohoka
Hiroaki Takahashi

CORPORATE DIRECTORY

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 Aluminium Casting (UK), Limited (U.K.)	Die casting manufacturing and sales
Ryobi Dalian Machinery Co., Ltd. (P.R.C.)	Power tool, lawn and garden equipment and builders' hardware manufacturing
Ryobi Finance Corporation (U.S.A.)	Financial operations

CORPORATE DATA

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16th December 1943

Number of Shares Issued
171,230,715

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