

**RYOBI**

**ANNUAL REPORT**

For the year ended December 31, 2018

**2018/12**



# CONSOLIDATED BALANCE SHEET

RYOBI LIMITED AND ITS CONSOLIDATED SUBSIDIARIES

(As of December 31, 2018)

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018/12	2018/3	2018/12
<b>Current assets</b>			
Cash and cash equivalents (Note 19).....	¥ 19,632	¥ 21,931	\$ 176,864
Short-term investments (Note 19).....	1,930	1,930	17,390
Notes and accounts receivable (Note 19)			
Trade.....	58,350	63,229	525,677
Unconsolidated subsidiaries and affiliates.....	85	95	774
Other.....	2,181	2,117	19,656
Allowance for doubtful receivables.....	(260)	(53)	(2,351)
Inventories (Note 8).....	46,897	43,818	422,500
Prepaid expenses and other.....	1,452	1,363	13,082
Total current assets.....	<u>130,269</u>	<u>134,432</u>	<u>1,173,595</u>
<b>Property, plant and equipment (Notes 9)</b>			
Land.....	18,289	16,915	164,768
Buildings and structures.....	71,146	66,720	640,959
Machinery and equipment.....	207,392	199,836	1,868,400
Construction in progress.....	9,928	8,625	89,445
Other.....	95	56	859
Total.....	<u>306,852</u>	<u>292,154</u>	<u>2,764,434</u>
Accumulated depreciation.....	<u>(194,560)</u>	<u>(184,330)</u>	<u>(1,752,801)</u>
Net property, plant and equipment.....	<u>112,291</u>	<u>107,823</u>	<u>1,011,632</u>
<b>Investments and other assets</b>			
Investment securities (Notes 7 and 19).....	12,662	15,470	114,074
Investment in unconsolidated subsidiaries and affiliates (Note 19).....	5,064	4,792	45,622
Intangible fixed assets.....	3,504	3,052	31,569
Asset for retirement benefits (Note 12).....	1,732	2,721	15,604
Deferred tax assets (Note 14).....	3,069	4,050	27,656
Other.....	455	465	4,107
Allowance for doubtful receivables.....	(66)	(65)	(598)
Total investments and other assets.....	<u>26,422</u>	<u>30,487</u>	<u>238,036</u>
Total.....	<u>¥ 268,982</u>	<u>¥ 272,743</u>	<u>\$ 2,423,264</u>

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018/12	2018/3	2018/12
<b>Current liabilities</b>			
Short-term borrowings (Notes 11 and 19).....	¥ 24,774	¥ 30,956	\$ 223,192
Current portion of long-term debt (Notes 11 and 19).....	7,494	7,392	67,518
Notes and accounts payable (Note 19)			
Trade.....	44,754	45,424	403,195
Unconsolidated subsidiaries and affiliates.....	457	540	4,118
Other.....	13,785	9,775	124,191
Accrued expenses.....	3,891	4,563	35,056
Income taxes payable.....	638	869	5,750
Other.....	5,121	4,303	46,143
Total current liabilities.....	<u>100,917</u>	<u>103,826</u>	<u>909,166</u>
<b>Long-term liabilities</b>			
Long-term debt (Notes 11 and 19).....	29,694	31,996	267,521
Liability for retirement benefits (Note 12).....	8,369	8,023	75,397
Deferred tax liabilities (Note 14).....	1,331	1,907	11,994
Other.....	3,147	3,193	28,356
Total long-term liabilities.....	<u>42,542</u>	<u>45,120</u>	<u>383,269</u>
<b>Commitments and contingent liabilities</b> (Notes 17, 18 and 20)			
<b>Equity</b> (Note 13)			
Common stock			
Authorized: 100,000,000 shares			
Issued: 32,646,143 shares.....	18,472	18,472	166,416
Capital surplus.....	21,820	21,786	196,576
Retained earnings.....	74,831	68,509	674,159
Treasury stock			
(277,069 shares in 2018/12; 277,034 shares in 2018/3) .....	(346)	(345)	(3,117)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities.....	5,127	6,988	46,197
Land revaluation surplus (Note 9).....	808	737	7,286
Foreign currency translation adjustments.....	(1,530)	1,370	(13,784)
Defined retirement benefit plans (Note 12).....	(2,478)	(1,468)	(22,332)
Total.....	<u>116,705</u>	<u>116,050</u>	<u>1,051,401</u>
Noncontrolling interests.....	8,816	7,746	79,427
Total equity.....	<u>125,521</u>	<u>123,796</u>	<u>1,130,828</u>
Total.....	<u>¥ 268,982</u>	<u>¥ 272,743</u>	<u>\$ 2,423,264</u>



# CONSOLIDATED STATEMENT OF INCOME

RYOBI LIMITED AND ITS CONSOLIDATED SUBSIDIARIES

(For the year ended December 31, 2018)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018/12	2018/3	2018/12
<b>Net sales</b> .....	¥ 216,187	¥ 247,192	\$ 1,947,632
<b>Cost of sales</b> .....	184,581	208,834	1,662,896
Gross profit.....	31,605	38,358	284,735
<b>Selling, general and administrative expenses</b> (Note 15).....	18,026	25,145	162,398
<b>Operating income</b> .....	13,579	13,212	122,337
<b>Other income</b>			
Interest and dividend income.....	480	455	4,329
Rent income.....	354	420	3,196
Gain on sales of Investment securities.....	12	39	111
Gain on bargain purchase (Note 6).....	646	—	5,824
Other.....	1,044	1,072	9,412
Total other income.....	2,538	1,988	22,873
<b>Other expenses</b>			
Interest expenses.....	1,134	1,158	10,223
Loss on disposal of property, plant and equipment.....	184	262	1,658
Loss on impairment of Long-lived assets (Note 10).....	2,109	—	19,001
Loss on valuation of Investment securities.....	—	20	—
Loss on sales of Investment securities.....	—	1	—
Depreciation.....	40	72	368
Loss on business transfer.....	—	306	—
Other.....	300	622	2,707
Total other expenses.....	3,769	2,444	33,959
<b>Income before income taxes</b> .....	12,348	12,757	111,251
<b>Income taxes</b> (Note 14)			
Current.....	1,942	2,490	17,500
Deferred.....	1,376	1,810	12,397
Total income taxes.....	3,318	4,300	29,898
<b>Net income</b> .....	9,030	8,456	81,353
<b>Net income attributable to noncontrolling interests</b> .....	442	611	3,983
<b>Net income attributable to owners of the parent</b> .....	¥ 8,588	¥ 7,844	\$ 77,370
	Yen		U.S. dollars (Note 1)
<b>Per share of common stock</b> (Notes 2(16) and 13(3))			
Basic net income.....	¥ 265.32	¥ 242.35	\$ 2.390
Cash dividends applicable to the year.....	70.00	60.00	0.630

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RYOBI LIMITED AND ITS CONSOLIDATED SUBSIDIARIES

(For the year ended December 31, 2018)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018/12	2018/3	2018/12
<b>Net income</b> .....	¥ 9,030	¥ 8,456	\$ 81,353
<b>Other comprehensive income (loss) :</b>			
Unrealized gain (loss) on available-for-sale securities.....	(2,013)	372	(18,138)
Land revaluation surplus.....	70	—	639
Foreign currency translation adjustments.....	(2,900)	852	(26,133)
Adjustments for retirement benefits.....	(1,013)	327	(9,126)
Share of other comprehensive income in associates.....	(1)	(0)	(14)
Total other comprehensive income (loss) (Note 16).....	(5,857)	1,550	(52,774)
<b>Comprehensive income (loss)</b> .....	¥ 3,172	¥ 10,007	\$ 28,579
<b>Total comprehensive income attributable to:</b>			
Owners of the parent.....	¥ 2,887	¥ 9,458	\$ 26,012
Noncontrolling interests.....	284	548	2,566

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

RYOBI LIMITED AND ITS CONSOLIDATED SUBSIDIARIES

(For the year ended December 31, 2018)

	Thousands		Millions of yen					Accumulated other comprehensive income Unrealized gain (loss) on available-for-sale securities
	Issued number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock			
<b>Balance at April 1, 2017</b> .....	171,231	¥ 18,472	¥ 23,776	¥ 62,283	¥ (2,336)	¥	6,551	
Net income attributable to owners of the parent.....	—	—	—	7,844	—	—	—	
Cash dividends, ¥60.00 per share.....	—	—	—	(1,618)	—	—	—	
Purchase of treasury stock (1,243 shares)....	—	—	—	—	(1)	—	—	
Cancellation of treasury stock.....	(8,000)	—	(1,992)	—	1,992	—	—	
Change in treasury shares of parent arising from transactions with noncontrolling shareholders.....	—	—	1	—	—	—	—	
Share consolidation (Note 13(3)).....	(130,585)	—	—	—	—	—	—	
Net change in the year.....	—	—	—	—	—	—	437	
<b>Balance at March 31, 2018</b> .....	32,646	¥ 18,472	¥ 21,786	¥ 68,509	¥ (345)	¥	6,988	
Net income attributable to owners of the parent.....	—	—	—	8,588	—	—	—	
Cash dividends, ¥70.00 per share.....	—	—	—	(2,265)	—	—	—	
Purchase of treasury stock (35 shares).....	—	—	—	—	(0)	—	—	
Change in treasury shares of parent arising from transactions with noncontrolling shareholders.....	—	—	33	—	—	—	—	
Net change in the year.....	—	—	—	—	—	—	(1,860)	
<b>Balance at December 31, 2018</b> .....	32,646	¥ 18,472	¥ 21,820	¥ 74,831	¥ (346)	¥	5,127	

	Millions of yen						Total equity
	Land revaluation surplus	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests		
<b>Balance at April 1, 2017</b> .....	¥ 737	¥ 518	¥ (1,793)	¥ 108,210	¥ 7,218	¥	115,428
Net income attributable to owners of the parent.....	—	—	—	7,844	—	—	7,844
Cash dividends, ¥60.00 per share.....	—	—	—	(1,618)	—	—	(1,618)
Purchase of treasury stock (1,243 shares)....	—	—	—	(1)	—	—	(1)
Cancellation of treasury stock.....	—	—	—	—	—	—	—
Change in treasury shares of parent arising from transactions with noncontrolling shareholders.....	—	—	—	1	—	—	1
Share consolidation (Note 13(3)).....	—	—	—	—	—	—	—
Net change in the year.....	—	852	324	1,614	528	—	2,142
<b>Balance at March 31, 2018</b> .....	737	¥ 1,370	¥ (1,468)	¥ 116,050	¥ 7,746	¥	123,796
Net income attributable to owners of the parent.....	—	—	—	8,588	—	—	8,588
Cash dividends, ¥70.00 per share.....	—	—	—	(2,265)	—	—	(2,265)
Purchase of treasury stock (35 shares).....	—	—	—	(0)	—	—	(0)
Change in treasury shares of parent arising from transactions with noncontrolling shareholders.....	—	—	—	33	—	—	33
Net change in the year.....	70	(2,900)	(1,009)	(5,700)	1,069	—	(4,630)
<b>Balance at December 31, 2018</b> .....	¥ 808	¥ (1,530)	¥ (2,478)	¥ 116,705	¥ 8,816	¥	125,521

	Thousands of U.S. dollars (Note 1)					Accumulated other
	Common stock	Capital surplus	Retained earnings	Treasury stock		comprehensive income
						Unrealized gain (loss) on available-for- -sale securities
<b>Balance at March 31, 2018</b> .....	\$ 166,416	\$ 196,272	\$ 617,202	\$ (3,116)	\$	62,961
Net income attributable to						
owners of the parent.....	—	—	77,370	—	—	—
Cash dividends, ¥70.00 per share .....	—	—	(20,412)	—	—	—
Purchase of treasury stock (35 shares).....	—	—	—	(1)	—	—
Change in treasury shares of parent						
arising from transactions with						
noncontrolling shareholders.....	—	304	—	—	—	—
Net change in the year.....	—	—	—	—	—	(16,764)
<b>Balance at December 31, 2018</b> .....	\$ 166,416	\$ 196,576	\$ 674,159	\$ (3,117)	\$	46,197

	Thousands of U.S. dollars (Note 1)					
	Accumulated other comprehensive income			Total	Noncontrolling interests	Total equity
	Land revaluation surplus	Foreign currency translation adjustments	Defined retirement benefit plans			
<b>Balance at March 31, 2018</b> .....	\$ 6,646	\$ 12,349	\$ (13,233)	\$ 1,045,498	\$ 69,789	\$ 1,115,288
Net income attributable to						
owners of the parent.....	—	—	—	77,370	—	77,370
Cash dividends, ¥70.00 per share .....	—	—	—	(20,412)	—	(20,412)
Purchase of treasury stock (35 shares).....	—	—	—	(1)	—	(1)
Change in treasury shares of parent						
arising from transactions with						
noncontrolling shareholders.....	—	—	—	304	—	304
Net change in the year.....	639	(26,133)	(9,098)	(51,357)	9,637	(41,719)
<b>Balance at December 31, 2018</b> .....	\$ 7,286	\$ (13,784)	\$ (22,332)	\$ 1,051,401	\$ 79,427	\$ 1,130,828

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

RYOBI LIMITED AND ITS CONSOLIDATED SUBSIDIARIES

(For the year ended December 31, 2018)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018/12	2018/3	2018/12
<b>Operating activities</b>			
Income before income taxes.....	¥ 12,348	¥ 12,757	\$ 111,251
Adjustments for:			
Income taxes - paid.....	(2,610)	(2,060)	(23,518)
Depreciation and amortization.....	12,531	16,010	112,894
Loss on impairment of Long-lived assets.....	2,109	—	19,001
Loss (gain) on sales or disposals of property, plant and equipment.....	165	(79)	1,489
Loss on valuation of investment securities.....	—	20	—
Loss on business transfer.....	—	306	—
Gain on bargain purchase.....	(646)	—	(5,824)
Changes in assets and liabilities			
Decrease (increase) in notes and accounts receivable.....	4,676	(8,447)	42,133
Decrease (Increase) in inventories.....	(3,626)	(1,713)	(32,667)
Increase (decrease) in notes and accounts payable.....	(309)	9,549	(2,787)
Increase (decrease) in accrued expenses.....	579	(173)	5,222
Other - net.....	(553)	(2,610)	(4,990)
Net cash provided by operating activities.....	<u>24,664</u>	<u>23,558</u>	<u>222,204</u>
<b>Investing activities</b>			
Purchases of property, plant and equipment.....	(15,608)	(18,356)	(140,616)
Proceeds from sale of property, plant and equipment.....	10	943	94
Purchase of shares of subsidiaries resulting in change in scope of consolidation.....	(1,058)	—	(9,533)
Proceeds from business transfer.....	—	6,727	—
Other.....	(891)	(742)	(8,028)
Net cash used in investing activities.....	<u>(17,547)</u>	<u>(11,427)</u>	<u>(158,083)</u>
<b>Financing activities</b>			
Proceeds from long-term debt.....	5,734	15,259	51,657
Repayments of long-term debt.....	(7,254)	(15,897)	(65,354)
Increase (decrease) in short-term borrowings, net.....	(5,339)	(4,219)	(48,101)
Acquisition of treasury stock.....	(0)	(1)	(1)
Cash dividends paid.....	(2,260)	(1,618)	(20,364)
Other.....	(18)	(18)	(169)
Net cash used in financing activities.....	<u>(9,139)</u>	<u>(6,496)</u>	<u>(82,333)</u>
<b>Foreign currency translation adjustments on cash and cash equivalents.....</b>			
	<u>(278)</u>	<u>127</u>	<u>(2,506)</u>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>(2,299)</b>	<b>5,760</b>	<b>(20,718)</b>
<b>Cash and cash equivalents at beginning of year.....</b>	<b>21,931</b>	<b>16,170</b>	<b>197,583</b>
<b>Cash and cash equivalents at end of year.....</b>	<b>¥ 19,632</b>	<b>¥ 21,931</b>	<b>\$ 176,864</b>

See notes to consolidated financial statements.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RYOBI LIMITED AND ITS CONSOLIDATED SUBSIDIARIES

For the year ended December 31, 2018

## 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 Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the 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, certain reclassifications have been made in the year ended March 31, 2018, consolidated financial statements to conform to the classifications used in the year ended December 31, 2018.

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 ¥111 to \$1, the approximate rate of exchange at December 31, 2018. 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. The amounts in our consolidated financial statements are presented in millions of yen, and amounts of less than one million, as the case may be, have been rounded down unless otherwise specified. In the case of percentages, amounts less than one-tenth of one percent or one-hundredth of one percent, as the case may be, have been rounded down unless otherwise specified.

## 2. Summary of Significant Accounting Policies

### (1) Consolidation

The consolidated financial statements as of December 31, 2018, include the accounts of the Company and its significant subsidiaries (the "Ryobi Group"). Under the control and influence concepts, 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 MHI Graphic Technology Ltd. (Japan)

Ryobi Die Casting (USA), Inc. (U.S.A.)

Ryobi Die Casting Dalian Co., Ltd. (P.R.C.)

#### (ii) Affiliates

The major affiliates accounted for by the equity method are listed below:

KYOCERA Industrial Tools Corporation (Japan)

KYOCERA RYOBI (Dalian) Machinery Co.,Ltd. (P.R.C.)

a. The number of consolidated subsidiaries as of December 31, 2018, was as follows:

	2018/12
Consolidated subsidiaries.....	18
Affiliates.....	3

Note: Asahi Tec Aluminium Co., Ltd. and its subsidiary Hoesi Industries Co., Ltd. have been included in the scope of consolidation as a result of acquiring all issued shares of Asahi Tec Aluminium Co., Ltd.

b. The number of unconsolidated subsidiaries not accounted for by the equity method as of December 31, 2018, was as follows:

	2018/12
Unconsolidated subsidiary.....	2

The investment in such unconsolidated subsidiary is stated at cost. If the equity method of accounting had been applied to the investments in this company, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany transactions, account balances and unrealized profits among the companies have been eliminated.

### (2) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: a) amortization of goodwill; b) scheduled amortization of actuarial gain or loss of pensions

that has been recorded in equity through other comprehensive income; c) expensing capitalized development costs of R&D; and d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

### **(3) Business Combinations**

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

### **(4) 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.

### **(5) Inventories**

Inventories are valued at the lower of cost, or net selling value. Cost is determined by methods based on the classification of inventories as follows:

#### a) Finished products and work in process

The Company and domestic subsidiaries mainly use the average cost method. However, valuation of dies is determined using the specific identification method.

Foreign subsidiaries mainly use the first-in, first-out method.

#### b) Raw materials, supplies and purchased goods

Die castings.....Average method

Others.....Moving average method

Foreign subsidiaries mainly use the first-in, first-out method.

### **(6) Marketable and Investment securities**

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

a) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in income, b) 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 amortized cost, and c) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable 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 realizable value by a charge to income.

### **(7) Property, plant and equipment**

Property, plant and equipment are stated at cost. Depreciation is computed by the straight-line method.

The range of useful lives is from 3 to 50 years for buildings and structures, from 4 to 12 years for machinery and equipment, and from 2 to 20 years for other. The useful lives for leased assets are the terms of the respective leases.

### **(8) Long-lived assets**

The Ryobi Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

### **(9) Leases**

All finance lease transactions are capitalized to recognize lease assets and lease obligations in the consolidated balance sheet.

### **(10) Retirement and pension plan**

The Company and certain 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.

Unrecognized prior service cost is amortized at the beginning of the fiscal year by using the straight-line method over the employees' remaining service period or shorter period (primarily 14 years). Unrecognized net actuarial loss is amortized from the next fiscal year by using the straight-line method over the employees' remaining service period or shorter period (primarily 14 years).

### **(11) Bonuses to directors and Audit & Supervisory Board Members**

Bonuses to directors and Audit & Supervisory Board members are accrued at the end of the year to which such bonuses are attributable.



## **(12) Income taxes**

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

## **(13) 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 recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

## **(14) Translation of foreign currency financial statements (accounts of foreign subsidiaries)**

The balance sheet accounts of the consolidated foreign subsidiaries are translated into yen at the current exchange rates as of their balance sheet date except for equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of the consolidated overseas subsidiaries are translated into yen at the average exchange rate.

## **(15) 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 and interest rate swaps are utilized 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 are classified and accounted for as follows: a) all derivatives, except those which qualify for hedge accounting, are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative translations are recognized in the consolidated statement of income, and b) for derivatives used for hedging purposes, if the 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 the 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 recognized and included in interest expense.

## **(16) Per share information**

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

Diluted net income per share is not calculated because no dilutive instruments were issued and outstanding for the years ended December 31, 2018, and March 31, 2018.

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

## **(17) Accounting Changes and Error Corrections**

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows:

- a) Changes in Accounting Policies—When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.
- b) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.
- c) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
- d) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

## **(18) New Accounting Pronouncements**

On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company is in the process of determining the period from when the Company will apply the accounting standard and guidance.

### 3. Change of Fiscal Year End

The Company and its domestic consolidated subsidiaries changed their fiscal year end from March 31 to December 31. The change is to align the closing date of the Company and its consolidated subsidiaries in order to disclose management information in a timely and accurate manner, to further enhance the transparency of management and to improve the efficiency of business operations such as the group's budget formation and performance management.

As a result of this change, the fiscal year ended December 31, 2018, is an irregular settlement period whereby the period of consolidation is nine months (from April 1, 2018, to December 31, 2018) for the Company and its domestic consolidated subsidiaries whose fiscal year end was on March 31 while the settlement period is twelve months (January 1, 2018, to December 31, 2018) for overseas whose fiscal year end was already on December 31.

The operating results from January 1, 2018, to March 31, 2018, for overseas, whose fiscal year end is on December 31, was adjusted on the consolidated statement of income for the nine months ended December 31, 2018.

As a result, net sales, operating income and income before income tax for the period from January 1, 2018, to March 31, 2018, amounted to ¥26,883 million (\$242,196 thousand), ¥2,288 million (\$20,619 thousand) and ¥2,044 million (\$18,415 thousand), respectively. In addition, the foreign currency translation adjustment account for the same period decreased by ¥2,293 million (\$20,659 thousand).

### 4. Presentation Change

Changes due to application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

The Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018 (hereinafter, "Statement No.28")) effective April 1, 2018, thereby presenting deferred tax assets as a component of investments and other assets, while presenting deferred tax liabilities under long-term liabilities.

As a result of the changes in presentation, in the consolidated balance sheet as of March 31, 2018, "deferred tax assets" of ¥1,154 million under "current assets" have been included in "deferred tax assets" of ¥4,050 million under "investments and other assets." In addition, due to the effect of offsetting deferred tax assets and deferred tax liabilities by the same taxable entity, total assets and total liabilities decreased by ¥763 million, respectively.

The note related to tax effect accounting additionally included those described in note 8 (excluding total amount of valuation allowance), and 9 of "Accounting Standard for Tax Effect Accounting", which are required in Paragraph 3 to Paragraph 5 of Statement No.28. However, those additional information corresponding to the previous fiscal year is not disclosed, following the transitional treatments prescribed in Paragraph 7 of Statement No.28.

### 5. Accounting Change

Changes in depreciation method

The Company and its domestic consolidated subsidiaries changed the method for depreciating Property, plant and equipment from the declining-balance method to the straight-line method. As a result of aggressively promoting global expansion of the Group, stable orders are anticipated from domestic and overseas, and this trend will continue in the future. The Group will promote global expansion based on the Medium-Term Management Plan, such as newly establishing manufacturing and sales bases and increasing manufacturing capacity of overseas. In response to this situation, the Group conducted a survey on the operating status of manufacturing equipment, etc., in order to optimize the allocation of management resources.

As a result of this survey, it is expected that it will operate in the long term stably over the useful lives in the future. The Group considered that it was possible to calculate the period profit and loss appropriately by equally allocating the acquisition cost and changed the depreciation method from this consolidated fiscal year.

As a result of this change, operating income and income before income taxes increased by ¥2,134 million (\$19,229 thousand) and ¥2,136 million (\$19,248 thousand), respectively, for the year ended December 31, 2018.

### 6. Business Combinations

In accordance with the share transfer agreement dated February 16, 2018, between the Company and Asahi Tech Corporation, the Company acquired 100% shares of Asahi Tech Aluminium Co., Ltd., the consolidated subsidiary of Asahi Tech Corporation and Hoei Industries Co., Ltd., the subsidiary of Asahi Tech Aluminium Co., Ltd. on April 2, 2018. These two companies are, respectively, added to the Company's subsidiaries.

Business combination through acquisition

(1) Overview of the business combination

a. Name and business of the acquired companies

a) Name of the acquired company: Asahi Tec Aluminium Co., Ltd.

Business: Die casting manufacturing and sales

b) Name of the acquired company: Hoei Industries Co., Ltd.

Business: Aluminium forged products manufacturing and sales

b. Purpose of the acquisition

Orders are increasing from domestic customers in Die Casting business, one of the Company's major business segment, and the Company accordingly predicts the shortage of future manufacturing capability. With the transactions of acquiring shares of Asahi Tech Aluminium Co., Ltd. and Hoei Industries Co., Ltd., the Company aims to strengthen domestic manufacturing capability and structure so as to correspond to customers' demands.

c. Date of business combination

April 2, 2018(stock acquisition date)

April 1, 2018(deemed acquisition date)



- d. Legal form of business combination  
Stock purchase for cash as consideration
- e. Name of acquired companies after business combination  
No change
- f. Acquired voting right  
(i) Asahi Tec Aluminium co., Ltd.: 100%  
(ii) Hoei Industries Co., Ltd.: 69.2%
- g. Principal basis for determination of the acquiring company  
Stock purchase for cash as consideration by the Company

(2) Period of business results of acquired company included in consolidated financial statements  
From April 1, 2018, to December 31, 2018

(3) Cost of acquisition and details:

		Millions of yen	Thousands of U.S. dollars
Consideration for acquisition	Cash	¥ 1,577	\$ 14,207
Acquisition cost.....		¥ 1,577	\$ 14,207

(4) Major acquisition-related costs and nature  
Fees and charges for advisors: ¥59 million (\$533 thousand)

(5) Amount and cause of gain on bargain purchase

a. Amount of gain on bargain purchase

¥646 million (\$5,824 thousand).

b. Cause

As the market value of net assets exceeded the acquisition cost at the time of business combination, the difference was recognized as a gain on bargain purchase.

(6) Amount and breakdown of assets received and liabilities assumed on business combination date:

	Millions of yen	Thousands of U.S. dollars
Current assets.....	¥ 3,363	\$ 30,299
Non-Current assets.....	3,082	27,767
Total assets.....	¥ 6,445	\$ 58,066
Current liabilities.....	¥ 2,558	\$ 23,048
Long-term liabilities.....	817	7,368
Total liabilities.....	¥ 3,376	\$ 30,417

(7) Estimate of amount of impact on consolidated statements of income for the fiscal year ended December 31, 2018, if business combination is assumed to have been completed on the first day of the fiscal year and calculation method thereof. This information was omitted as the deemed acquisition date is set at the first day of the fiscal year ended December 31, 2018.

## 7. Investment Securities

Information regarding each category of the securities classified as available-for-sale at December 31, 2018, and March 31, 2018, is as follows:

	Millions of yen			
	2018/12			
	Cost	Unrealized gain	Unrealized loss	Fair value
Available-for-sale:				
Corporate shares.....	¥ 3,845	¥ 7,658	¥ (83)	¥ 11,421

	Millions of yen			
	2018/3			
	Cost	Unrealized gain	Unrealized loss	Fair value
Available-for-sale:				
Corporate shares.....	¥ 3,813	¥ 10,442	¥ (0)	¥ 14,256

	Thousands of U.S. dollars			
	2018/12			
	Cost	Unrealized gain	Unrealized loss	Fair value
Available-for-sale:				
Corporate shares.....	\$ 34,643	\$ 68,999	\$ (748)	\$ 102,894

## 8. Inventories

Inventories at December 31, 2018, and March 31, 2018, consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2018/12		2018/3	2018/12
	Cost	Unrealized gain	Unrealized loss	Fair value
Finished products and purchased goods.....	¥ 17,049	¥ 16,713		\$ 153,597
Work in process.....	14,006	13,218		126,181
Raw materials and supplies.....	15,842	13,886		142,721
Total.....	¥ 46,897	¥ 43,818		\$ 422,500

## 9. 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 of March 31, 2002.

The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There is no effect on the consolidated statement 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.

As of December 31, 2018, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥965 million (\$8,697 thousand).

## 10. Loss on Impairment of Long-lived Assets

The Ryobi Group recognized the impairment loss in the following asset categories for the year ended December 31, 2018.

(1) The impairment loss of asset categories for the year ended December 31, 2018, was outlined as follows:

Location	Use	Classification	Millions of yen		Thousands of U.S. dollars
			2018/12		
		Land	¥	25	\$ 226
The United Kingdom	Business assets	Buildings and structures		542	4,885
		Machinery and equipment		1,541	13,886
		Other		0	3
		<b>Total</b>	¥	<b>2,109</b>	\$

(2) Method of grouping assets

The operating assets of the Ryobi Group are grouped based on the business units.

(3) Details of the impairment loss

The book values of the relevant assets were reduced to their net realizable values when it was determined that it was not possible that the book values of such assets would be recovered due to a downturn in profitability.

(4) Method of calculation of the recoverable amounts

The recoverable amounts of the relevant assets are stated as value for future usage, which is calculated based on discounted future cash flow with applicable discount rate of 3.1% as of December 31, 2018.

## 11. Short-term Borrowings and Long-term Debt

The annual weighted-average interest rates applicable to short-term borrowings were 2.3% and 2.3% December 31, 2018, and at March 31, 2018, respectively.

(1) Long-term debt at December 31, 2018, and at March 31, 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018/12	2018/3	2018/12
Loans principally from banks, insurance companies and others with interest rates ranging from 0.57% to 7.41%			
Secured.....	¥ 10	¥ 10	\$ 90
Unsecured.....	28,728	30,965	258,812
Unsecured 0.41% yen bonds payable, due 2020.....	1,000	1,000	9,009
Unsecured 0.71% yen bonds payable, due 2020.....	1,300	1,300	11,711
Unsecured 0.28% yen bonds payable, due 2021.....	300	300	2,702
Unsecured 0.51% yen bonds payable, due 2021.....	1,000	1,000	9,009
Unsecured 0.17% yen bonds payable, due 2021.....	500	500	4,504
Unsecured 0.57% yen bonds payable, due 2021.....	1,000	1,000	9,009
Unsecured 0.17% yen bonds payable, due 2021.....	1,800	1,800	16,216
Unsecured 0.53% yen bonds payable, due 2022.....	1,500	1,500	13,513
Lease obligations.....	51	13	461
<b>Total</b> .....	<b>37,189</b>	<b>39,388</b>	<b>335,039</b>
Less current portion.....	(7,494)	(7,392)	(67,518)
<b>Long-term debt less current portion</b> .....	<b>¥ 29,694</b>	<b>¥ 31,996</b>	<b>\$ 267,521</b>

(2) The aggregate annual maturities of long-term debt at December 31, 2018, were as follows:

Years Ending December 31	Millions of yen		Thousands of U.S. dollars	
	¥		\$	
2019.....	¥	7,494	\$	67,518
2020.....		10,249		92,342
2021.....		8,445		76,089
2022.....		9,891		89,109
2023.....		1,104		9,946
2024 and thereafter.....		3		33
<b>Total.....</b>	<b>¥</b>	<b>37,189</b>	<b>\$</b>	<b>335,039</b>

(3) The assets of the Ryobi Group pledged as collateral for short-term borrowings and long-term debt with banks and other financial institutions at December 31, 2018, and at March 31, 2018, were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2018/12		2018/3		2018/12	
	¥		¥		\$	
Net book value of property:						
Buildings and structures.....	¥	2,125	¥	2,223	\$	19,149
Machinery and equipment.....		720		926		6,488
Land.....		2,415		2,415		21,760
<b>Total.....</b>	<b>¥</b>	<b>5,261</b>	<b>¥</b>	<b>5,565</b>	<b>\$</b>	<b>47,398</b>

## 12. Retirement and Pension Plans

The Company and 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.

(1) The changes in defined benefit obligation for the years ended December 31, 2018, and March 31, 2018, were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2018/12		2018/3		2018/12	
	¥		¥		\$	
Balance at beginning of year.....	¥	34,917	¥	36,229	\$	314,575
Current service cost.....		861		1,195		7,758
Interest cost.....		135		215		1,223
Actuarial losses.....		148		36		1,337
Benefits paid.....		(1,701)		(1,866)		(15,332)
Decrease by business transfer.....		—		(904)		—
Increase due to change in scope of consolidation.....		527		—		4,754
Others.....		(10)		11		(95)
<b>Balance at end of year.....</b>	<b>¥</b>	<b>34,878</b>	<b>¥</b>	<b>34,917</b>	<b>\$</b>	<b>314,220</b>

(2) The changes in plan assets for the years ended December 31, 2018, and March 31, 2018, were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2018/12		2018/3		2018/12	
	¥		¥		\$	
Balance at beginning of year.....	¥	29,615	¥	28,413	\$	266,807
Expected return on plan assets.....		771		982		6,947
Actuarial losses.....		(1,627)		499		(14,666)
Contributions from the employer.....		596		1,101		5,371
Benefits paid.....		(1,301)		(1,381)		(11,720)
Increase due to change in scope of consolidation.....		187		—		1,687
<b>Balance at end of year.....</b>	<b>¥</b>	<b>28,241</b>	<b>¥</b>	<b>29,615</b>	<b>\$</b>	<b>254,427</b>



(3) The reconciliation between the liabilities recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of December 31, 2018, and March 31, 2018, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018/12	2018/3	2018/12
Funded defined benefit obligation.....	¥ 27,171	¥ 27,591	\$ 244,792
Plan assets.....	(28,241)	(29,615)	(254,427)
Total.....	(1,069)	(2,024)	(9,634)
Unfunded defined benefit obligation.....	7,706	7,326	69,427
Net liabilities arising from defined benefit obligation.....	6,637	5,302	59,793
Liability for retirement benefits.....	8,369	8,023	75,397
Asset for retirement benefits.....	(1,732)	(2,721)	(15,604)
Net liabilities arising from defined benefit obligation.....	¥ 6,637	¥ 5,302	\$ 59,793

(4) The components of net periodic benefit costs for the years ended December 31, 2018, and March 31, 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018/12	2018/3	2018/12
Service cost.....	¥ 861	¥ 1,195	\$ 7,758
Interest cost.....	135	215	1,223
Expected return on plan assets.....	(771)	(982)	(6,947)
Amortization of prior service cost.....	3	(164)	32
Recognized actuarial losses.....	322	186	2,901
Others.....	18	17	169
Net periodic benefit costs.....	¥ 570	¥ 468	\$ 5,137

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended December 31, 2018, and March 31, 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018/12	2018/3	2018/12
Prior service cost.....	¥ (3)	¥ 174	\$ (32)
Actuarial losses.....	1,454	(648)	13,102
Total.....	¥ 1,450	¥ (473)	\$ 13,070

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of December 31, 2018, and March 31, 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018/12	2018/3	2018/12
Unrecognized prior service cost.....	¥ 1	¥ —	\$ 11
Unrecognized actuarial losses.....	3,641	2,134	32,804
Total.....	¥ 3,642	¥ 2,134	\$ 32,815

### (7) Plan assets

#### a. Components of plan assets

Plan assets as of December 31, 2018, and March 31, 2018, consisted of the following:

	2018/12	2018/3
Debt investments.....	55 %	53 %
Equity investments.....	28	31
Others.....	17	16
Total.....	100 %	100 %

#### b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended December 31, 2018, and March 31, 2018, are set forth as follows:

	2018/12	2018/3
The Company and domestic subsidiaries		
Discount rate.....	0.4-0.5 %	0.4-0.6 %
Expected rate of return on plan assets.....	2.5-3.5 %	3.5 %
Foreign subsidiaries		
Discount rate.....	2.8 %	3.1

## 13. Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### (1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including: a) having a Board of Directors, b) having independent auditors, c) having an Audit & Supervisory Board, and d) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥ 3 million.

### (2) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

### (3) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

The company implemented the consolidation of shares on its common stock with a ratio of 5 shares to one share on October 1, 2017. Decrease in number of shares due to consolidation was as follows:

Number of outstanding shares before consolidation (as of March 31, 2017).....	171,230,715 shares
Decrease in number of shares due to cancellation of treasury stock.....	8,000,000 shares
Number of outstanding shares after cancellation of treasury stock (as of May 31, 2017).....	163,230,715 shares
Decrease in number of shares due to consolidation.....	130,584,572 shares
Number of outstanding shares after consolidation.....	32,646,143 shares

#### 14. 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 approximately 29.7% and 29.9% for the years ended December 31, 2018, and March 31, 2018, respectively.

(1) The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at December 31, 2018, and March 31, 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018/12	2018/3	2018/12
Deferred tax assets:			
Liability for retirement benefits.....	¥ 2,522	¥ 2,432	\$ 22,723
Tax loss carryforwards.....	6,397	7,695	57,637
Other.....	4,164	3,378	37,519
Subtotal of deferred tax assets.....	13,084	13,506	117,880
Valuation allowance related to Tax loss carryforward.....	(4,124)	—	(37,153)
Valuation allowance related to total deductible temporary difference, etc.....	(2,050)	—	(18,474)
Subtotal of valuation allowance.....	(6,174)	(5,805)	(55,627)
Total.....	¥ 6,910	¥ 7,700	\$ 62,252
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities.....	¥ (2,251)	¥ (3,103)	\$ (20,284)
Other.....	(2,919)	(2,453)	(26,306)
Total.....	¥ (5,171)	¥ (5,557)	\$ (46,590)
Net deferred tax assets.....	¥ 1,738	¥ 2,143	\$ 15,661

(2) Amounts of tax loss carryforward and related deferred tax assets by tax loss carryforward for the year ended December 31, 2018, were as follows:

	Millions of yen							Total
	2018/12							
	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years		
Tax loss carryforwards								
(see note1) .....	¥ 292	¥ 4,976	¥ 405	¥ 59	¥ 12	¥ 650	¥ 6,397	
Valuation allowance.....	¥ (292)	¥ (3,693)	¥ (30)	¥ —	¥ —	¥ (107)	¥ (4,124)	
Deferred tax assets								
(see note2) .....	¥ —	¥ 1,283	¥ 375	¥ 59	¥ 12	¥ 542	¥ 2,273	

	Thousands of U.S. dollars							Total
	2018/12							
	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years		
Tax loss carryforwards								
(see note1) .....	\$ 2,634	\$ 44,836	\$ 3,657	\$ 537	\$ 115	\$ 5,855	\$ 57,637	
Valuation allowance.....	\$ (2,634)	\$ (33,276)	\$ (277)	\$ —	\$ —	\$ (964)	\$ (37,153)	
Deferred tax assets								
(see note2) .....	\$ —	\$ 11,559	\$ 3,379	\$ 537	\$ 115	\$ 4,891	\$ 20,483	

note1: Figures for tax loss carryforward were the amounts multiplied by effective statutory tax rate.

note2: For the tax loss carryforward of ¥6,397 million (\$57,637 thousand) (amount multiplied by effective statutory tax rate), deferred tax assets of ¥2,273 million (\$20,483 thousand) have been recorded. The tax loss carryforward was determined to be recoverable as future taxable income is anticipated, and therefore valuation allowance has not been recognized.

(3) The reconciliation between the normal effective statutory tax rates for the years ended December 31, 2018, and March 31, 2018, and the actual effective tax rates reflected in the accompanying consolidated statements of income was as follows:

	2018/12	2018/3
Normal effective statutory tax rate.....	29.7 %	29.9 %
Expenses not deductible for income tax purposes.....	0.9	0.7
Dividends not taxable for income tax purposes.....	(1.8)	(1.8)
Consolidated elimination of dividends receivable.....	1.7	1.7
Unrealized profit that exceeds total taxable income.....	0.1	0.0
Less valuation allowance.....	0.4	(15.7)
Tax credit for research and development costs and other.....	(1.7)	(2.2)
Difference in tax rate applicable to overseas subsidiaries.....	(4.6)	(2.2)
Retained earnings of entities such as overseas subsidiaries.....	1.5	1.2
Taxation on per capita basis.....	0.3	0.4
Gain on bargain purchase.....	(1.5)	—
Effect of organizational restructuring.....	—	4.0
Effect of tax rate reduction.....	—	16.2
Other, net.....	1.7	1.2
Actual effective tax rate.....	<u>26.8 %</u>	<u>33.7 %</u>

### 15. Research and Development Costs

Research and development costs were ¥1,155 million (\$10,413 thousand) and ¥1,934 million for the years ended December 31, 2018, and March 31, 2018, respectively.

### 16. Other Comprehensive Income

The components of other comprehensive income for the years ended December 31, 2018, and March 31, 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018/12	2018/3	2018/12
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year.....	¥ (2,866)	¥ 527	\$ (25,823)
Amount before income tax effect.....	(2,866)	527	(25,823)
Income tax effect.....	853	(155)	7,684
Total.....	<u>(2,013)</u>	<u>372</u>	<u>(18,138)</u>
Land revaluation surplus:			
Gains arising during the year.....	70	—	639
Foreign currency translation adjustments:			
Adjustments arising during the year.....	(2,900)	852	(26,133)
Adjustments for retirement benefits:			
Gains (losses) arising during the year.....	(1,765)	723	(15,901)
Reclassification adjustments to profit or loss.....	314	(249)	2,831
Amount before income tax effect.....	(1,450)	473	(13,070)
Income tax effect.....	437	(146)	3,943
Total.....	<u>(1,013)</u>	<u>327</u>	<u>(9,126)</u>
Share of other comprehensive income in associates:			
Losses arising during the year.....	(1)	(0)	(14)
Total other comprehensive income (loss).....	¥ (5,857)	¥ 1,550	\$ (52,774)

### 17. Leases

Future minimum lease payments of the Ryobi Group as of December 31, 2018, and March 31, 2018, under non-cancelable operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018/12	2018/3	2018/12
Current.....	¥ 66	¥ 62	\$ 596
Non-current.....	339	185	3,062
Total.....	<u>¥ 406</u>	<u>¥ 247</u>	<u>\$ 3,659</u>



## 18. Contingent Liabilities

The Ryobi Group had the following contingent liabilities at December 31, 2018, and March 31, 2018.

	Millions of yen		Thousands of U.S. dollars
	2018/12	2018/3	2018/12
Guarantees and similar items			
Leases.....	¥ 62	¥ 113	\$ 558
Total.....	¥ 62	¥ 113	\$ 558

### Other contingencies

Quality issues involving some of the Company's products, which were manufactured and sold in the past and used for automobiles at the customer have arisen. Depending on the progress of the quality issues, the Company may compensate the customer. However, at present it is difficult to make a reasonable estimate of the amount of compensation and the impact has not been reflected in the consolidated financial statements.

## 19. Financial Instruments and Related Disclosures

### (1) Group policy for financial instruments

The Ryobi Group uses financial instruments, mainly long-term debt including bank loans and lease obligations, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Short-term bank loans are used to fund the Group's ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in Note 19.

### (2) Nature and extent of risks arising from financial instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Marketable and investment securities, mainly equity instruments of customers and suppliers of the Company, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Maturities of bank loans, bonds payable and lease obligations are less than five years and six months after the balance sheet date. Although a part of such bank loans and lease obligation are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest-rate swaps.

Derivatives mainly include forward foreign currency contracts and interest-rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, from changes in interest rates of bank loans and from changes in foreign currency exchange rates of bank loans, respectively. Please see Note 19 for more details about derivatives.

### (3) Risk management for financial instruments.

#### a. Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Ryobi Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers at an early stage. With respect to derivatives, the Ryobi Group manages its exposure to credit risk by limiting its funding to high credit rating bonds in accordance with its internal guidelines. Please see Note 20 for details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of December 31, 2018.

#### b. Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Interest-rate swaps and forward foreign currency contracts are used to manage exposure to market risks from changes in interest rates and foreign currency exchanges rate of bank loans.

Marketable and investments in securities are managed by monitoring market values and financial position of issuers on a regular basis.

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

#### c. Liquidity risk management

Liquidity risk comprises the risk that the Company cannot meet its contractual obligations in full on maturity dates. The Company manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial planning by the Finance Department of the Company.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Also, please see Note 19 for details about fair value of derivatives.

a. Fair value of financial instruments

Fair value of financial instruments at December 31, 2018, and March 31, 2018, was as follows:

	Millions of yen		
	2018/12		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents.....	¥ 19,632	¥ 19,632	¥ —
Short-term investments.....	1,930	1,930	—
Notes and accounts receivable.....	60,357	60,357	—
Investment securities.....	12,662	12,662	—
Total.....	¥ 94,581	¥ 94,581	¥ —
Short-term borrowings.....	¥ 24,774	¥ 24,774	¥ —
Notes and accounts payable.....	58,997	58,997	—
Bonds payable.....	8,400	8,403	3
Long-term debt.....	28,789	28,813	23
Total.....	¥ 120,960	¥ 120,988	¥ 27
Derivatives transaction.....	¥ 1	¥ 1	¥ —

	Millions of yen		
	2018/3		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents.....	¥ 21,931	¥ 21,931	¥ —
Short-term investments.....	1,930	1,930	—
Notes and accounts receivable.....	65,389	65,389	—
Investment securities.....	15,470	15,470	—
Total.....	¥ 104,721	¥ 104,721	¥ —
Short-term borrowings.....	¥ 30,956	¥ 30,956	¥ —
Notes and accounts payable.....	55,740	55,740	—
Bonds payable.....	8,400	8,402	2
Long-term debt.....	30,988	31,013	24
Total.....	¥ 126,085	¥ 126,112	¥ 26
Derivatives transaction.....	¥ 4	¥ 4	¥ —

	Thousands of U.S. dollars		
	2018/12		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents.....	\$ 176,864	\$ 176,864	\$ —
Short-term investments.....	17,390	17,390	—
Notes and accounts receivable.....	543,757	543,757	—
Investment securities.....	114,074	114,074	—
Total.....	\$ 852,087	\$ 852,087	\$ —
Short-term borrowings.....	\$ 223,192	\$ 223,192	\$ —
Notes and accounts payable.....	531,506	531,506	—
Bonds payable.....	75,675	75,706	30
Long-term debt.....	259,363	259,579	216
Total.....	\$ 1,089,737	\$ 1,089,984	\$ 246
Derivatives transaction.....	\$ 9	\$ 9	\$ —

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value because of their short maturities.

Short-term investments

The carrying amount of short-term investments approximates fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price on the stock exchange for the equity instruments. Fair value information for investment securities by classification is included in Note 6.

Notes and accounts receivable

The carrying amount of notes and accounts receivable approximates fair value because of their short maturities.

Short-term borrowings

The carrying amount of short-term borrowings approximates fair value because of their short maturities.

Notes and accounts payable

The carrying amount of notes and accounts payable approximates fair value because of their short maturities.

Bonds payable

The fair values of bonds payable are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Long-term debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives transaction

Fair value information for derivatives is included in Note 20.

b. Financial instruments whose fair value cannot be reliably determined

Financial instruments whose fair value cannot be reliably determined at December 31, 2018, and March 31, 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2018/12	2018/3	2018/12	
Investments in equity instruments that do not have a quoted market price in an active market.....	¥ 1,240	¥ 1,213	\$ 11,180	
Investments in unconsolidated subsidiaries.....	¥ 313	¥ 94	\$ 2,822	
Investments in affiliates.....	¥ 4,750	¥ 4,698	\$ 42,799	

c. Maturity analysis for financial assets with contractual maturities

Maturity analysis for financial assets with contractual maturities at December 31, 2018, and March 31, 2018, were as follows:

	Millions of yen			
	2018/12			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents.....	¥ 19,632	¥ —	¥ —	¥ —
Short-term investments.....	1,930	—	—	—
Notes and accounts receivable.....	60,617	0	—	—
<b>Total.....</b>	<b>¥ 82,180</b>	<b>¥ 0</b>	<b>¥ —</b>	<b>¥ —</b>

	Millions of yen			
	2018/3			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents.....	¥ 21,931	¥ —	¥ —	¥ —
Short-term investments.....	1,930	—	—	—
Notes and accounts receivable.....	65,436	5	—	—
<b>Total.....</b>	<b>¥ 89,298</b>	<b>¥ 5</b>	<b>¥ —</b>	<b>¥ —</b>

	Thousands of U.S. dollars			
	2018/12			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents.....	\$ 176,864	\$ —	\$ —	\$ —
Short-term investments.....	17,390	—	—	—
Notes and accounts receivable.....	546,105	2	—	—
<b>Total.....</b>	<b>\$ 740,361</b>	<b>\$ 2</b>	<b>\$ —</b>	<b>\$ —</b>

Please see Note 11 for annual maturities of long-term debt.



## 20. Derivatives

The Ryobi Group enters into foreign exchange forward contracts 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 authorization and credit limit amounts.

(1) Derivative transactions to which hedge accounting is not applied

The Ryobi Group had the following derivative contracts outstanding as of December 31, 2018, and March 31, 2018:

	Millions of yen			
	2018/12			
	Contract Amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts—				
Selling U.S. dollars.....	¥ 156	¥ —	¥ 0	¥ 0
Selling Euro.....	33	—	0	0
Selling British pound.....	6	—	0	0
Total.....	¥ 196	¥ —	¥ 1	¥ 1

	Millions of yen			
	2018/3			
	Contract Amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts—				
Selling U.S. dollars.....	¥ 144	¥ —	¥ 4	¥ 4
Selling Euro.....	14	—	0	0
Buying U.S. dollars.....	47	—	(1)	(1)
Total.....	¥ 206	¥ —	¥ 4	¥ 4

	Thousands of U.S. dollars			
	2018/12			
	Contract Amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts—				
Selling U.S. dollars.....	\$ 1,412	\$ —	\$ 5	\$ 5
Selling Euro.....	298	—	2	2
Selling British pound.....	62	—	0	0
Total.....	\$ 1,773	\$ —	\$ 9	\$ 9

(2) Derivative transactions to which hedge accounting is applied

The Ryobi Group had the following derivative contracts outstanding as of December 31, 2018, and March 31, 2018:

	Millions of yen			
	2018/12			
	Hedge item	Contract Amount	Contract amount due after one year	Fair value
Interest rate sw aps— fixed rate payment, floating rate receipt (see note).....	Long-term debt	¥ 1,200	¥ —	¥ —

	Millions of yen			
	2018/3			
	Hedge item	Contract Amount	Contract amount due after one year	Fair value
Interest rate sw aps— fixed rate payment, floating rate receipt (see note).....	Long-term debt	¥ 5,050	¥ 1,200	¥ —

	Thousands of U.S. dollars			
	2018/12			
	Hedge item	Contract Amount	Contract amount due after one year	Fair value
Interest rate sw aps— fixed rate payment, floating rate receipt (see note).....	Long-term debt	\$ 10,810	\$ —	\$ —

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

note: The above interest rate swaps, which qualify for hedge accounting and which meet specific matching criteria, are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 19 is included in that of hedge items (i.e., long-term debt).

## 21. Segment Information

### (1) Description of reportable segments

The Ryobi Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. As such, the Group consists of the "Die castings", "Builders' hardware" and "Printing equipment" segments.

Die castings consist of die cast products for the automobile industry and various other industries. Builders' hardware consists of door closers, hinges, architectural hardware. Printing equipment consists of offset printing presses and peripherals.

On January 10, 2018, the power tools business was transferred and was excluded from the scope of consolidation. As a result, effective from the year ended December 31, 2018, the name of reportable segment previously known as "Power tools and builders' hardware" segment has been changed to "Builders' hardware" segment.

### (2) Methods of measurement for the amounts of sales, profit, assets, and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about sales, profit, assets and other items is as follows:

Millions of yen						
2018/12						
	Die castings	Builders' hardware	Printing equipment	Others	Reconciliations	Consolidated
Net sales:						
Sales to external customers.....	¥ 188,403	¥ 7,885	¥ 19,704	¥ 193	¥ —	¥ 216,187
Intersegment sales or transfers.....	106	—	—	44	(150)	—
Total.....	188,509	7,885	19,704	237	(150)	216,187
Segment profit.....	¥ 12,580	¥ 372	¥ 603	¥ 22	¥ 0	¥ 13,579
Segment assets.....	¥ 207,661	¥ 10,362	¥ 24,969	¥ 1,592	¥ 24,395	¥ 268,982
Depreciation and amortization.....	12,215	94	209	10	—	12,531
Investment in equity method affiliates.....	—	2,042	—	—	2,708	4,750
Increase in property, plant and equipment and intangible assets.....	¥ 19,533	¥ 223	¥ 211	¥ 19	¥ —	¥ 19,987

Millions of yen						
2018/3						
	Die castings	Power tools and builders' hardware	Printing equipment	Others	Reconciliations	Consolidated
Net sales:						
Sales to external customers.....	¥ 196,377	¥ 23,113	¥ 27,473	¥ 227	¥ —	¥ 247,192
Intersegment sales or transfers.....	116	5	—	47	(170)	—
Total.....	196,494	23,119	27,473	275	(170)	247,192
Segment profit.....	¥ 10,561	¥ 1,466	¥ 1,177	¥ 7	¥ (0)	¥ 13,212
Segment assets.....	¥ 206,225	¥ 10,403	¥ 24,538	¥ 1,358	¥ 30,218	¥ 272,743
Depreciation and amortization.....	15,020	626	344	18	—	16,010
Investment in equity method affiliates.....	—	2,004	—	—	2,693	4,698
Increase in property, plant and equipment and intangible assets.....	¥ 18,282	¥ 438	¥ 101	¥ 19	¥ —	¥ 18,841

Thousands of U.S. dollars						
2018/12						
	Die castings	Builders' hardware	Printing equipment	Others	Reconciliations	Consolidated
Net sales:						
Sales to external customers.....	\$ 1,697,330	\$ 71,041	\$ 177,519	\$ 1,741	\$ —	\$ 1,947,632
Intersegment sales or transfers.....	954	—	—	401	(1,356)	—
Total.....	1,698,285	71,041	177,519	2,143	(1,356)	1,947,632
Segment profit.....	\$ 113,339	\$ 3,355	\$ 5,437	\$ 203	\$ 1	\$ 122,337
Segment assets.....	\$ 1,870,824	\$ 93,359	\$ 224,951	\$ 14,348	\$ 219,781	\$ 2,423,264
Depreciation and amortization.....	110,053	853	1,891	95	—	112,894
Investment in equity method affiliates.....	—	18,402	—	—	24,397	42,799
Increase in property, plant and equipment and intangible assets.....	\$ 175,974	\$ 2,009	\$ 1,908	\$ 174	\$ —	\$ 180,067

Note: Businesses that cannot be classified into the reportable segments are shown as "Others."

This includes an insurance agency and the operation of a golf course.

(4) Related Information

Information about geographical areas

a. Net sales

	Millions of yen		Thousands of U.S. dollars
	2018/12	2018/3	2018/12
Net sales:			
Japan.....	¥ 97,746	¥ 127,131	\$ 880,597
U.S.A. ....	33,216	35,847	299,249
China.....	40,897	43,713	368,449
Others.....	44,326	40,500	399,335
Total.....	¥ 216,187	¥ 247,192	\$ 1,947,632

Note: Sales are classified by country or region based on the location of customers.

b. Property, plant and equipment

	Millions of yen		Thousands of U.S. dollars
	2018/12	2018/3	2018/12
Property, plant and equipment:			
Japan.....	¥ 50,912	¥ 41,289	\$ 458,667
U.S.A. ....	11,012	11,593	99,209
Mexico.....	12,130	12,181	109,283
China.....	28,589	30,868	257,561
Others.....	9,647	11,891	86,910
Total.....	¥ 112,291	¥ 107,823	\$ 1,011,632

(5) Information about impairment loss on fixed assets of reportable segments

	Millions of yen					
	2018/12					
	Die castings	Builders' hardware	Printing equipment	Others	Corporate and Elimination	Consolidated
Impairment loss on fixed assets.....	¥ 2,109	¥ —	¥ —	¥ —	¥ —	¥ 2,109

	Thousands of U.S. dollars					
	2018/12					
	Die castings	Builders' hardware	Printing equipment	Others	Corporate and Elimination	Consolidated
Impairment loss on fixed assets.....	\$ 19,001	\$ —	\$ —	\$ —	\$ —	\$ 19,001

(6) Information about gain on bargain purchase of reportable segments

The Company included Asahi Tec Aluminium Co., Ltd. and its subsidiary Hoei Industries Co., Ltd. in the scope of consolidation by acquiring all issued shares of Asahi Tec Aluminium Co., Ltd. As a result of acquiring, the amount of gain on bargain purchase recorded ¥646 million (\$5,824 thousand) in Die castings segment.



## 22. Consolidated Statement of Cash Flows

Amounts and breakdown of the assets and liabilities at the time of commencement of consolidation associated with newly including Asahi Tec Aluminium Co., Ltd. and Hoei Industries Co., Ltd. into the scope of consolidation as a result of acquisition of its shares and the relationship between the acquisition price of its shares and net purchase of shares of subsidiaries resulting in change in scope of consolidation were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets.....	¥ 3,363	\$ 30,299
Non-Current assets.....	3,082	27,767
Current liabilities.....	(2,558)	(23,048)
Long-term liabilities.....	(817)	(7,368)
gain on bargain purchase.....	(646)	(5,824)
Noncontrolling interests.....	(845)	(7,617)
Acquisition price of shares.....	1,577	14,207
Cash and cash equivalents.....	(518)	(4,674)
Net: purchase of shares of subsidiaries resulting in change in scope of consolidation.....	¥ 1,058	\$ 9,533

## 23. Subsequent Events

### Cash dividends

The following appropriation of retained earnings at December 31, 2018, was approved at the Company's shareholders meeting on March 28, 2019:

	Millions of yen	Thousands of U.S. dollars
Cash dividends.....	¥ 1,132	\$ 10,206

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Ryobi Limited:

We have audited the accompanying consolidated balance sheet of Ryobi Limited and its consolidated subsidiaries as of December 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 its consolidated subsidiaries as of December 31, 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Emphasis of Matter

As discussed in Note 5 to the consolidated financial statements, Ryobi Limited and its domestic consolidated subsidiaries changed their depreciation method of property, plant and equipment from the declining-balance method to the straight-line method from the fiscal year ended December 31, 2018. Our opinion is not modified in respect of this matter.

### Convenience Translation

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

March 28, 2019

*Deloitte Touche Tohmatsu LLC*

# CORPORATE INFORMATION

## CORPORATE DATA

**Company Name**  
RYOBI LIMITED

**Established**  
December 16, 1943

**Major Products**  
Die cast products  
Builders' hardware  
(door closers, hinges, architectural hardware, etc.)  
Printing equipment  
(offset printing presses, peripherals, etc.)

**Head Office**  
762 Mesaki-cho, Fuchu-shi, Hiroshima-ken 726-8628, Japan  
Telephone: 81-847-41-1111

**Tokyo Branch**  
5-2-8 Toshima, Kita-ku, Tokyo 114-8518, Japan  
Telephone: 81-3-3927-5541

**Toranomon Office**  
Toranomon Central Building  
1-7-1 Nishishinbashi, Minato-ku, Tokyo 105-0003, Japan  
Telephone: 81-3-3927-5541

## MANAGEMENT MEMBERS

(As of March 28, 2018)

### BOARD OF DIRECTORS

<b>Representative Director</b>	Akira Urakami
<b>Director *</b>	Satoshi Ohoka
<b>Director *</b>	Yuji Yamamoto
<b>Director</b>	Takashi Suzuki
<b>Director</b>	Tatsuyoshi Mochizuki
<b>Director *</b>	Masahiko Ikaga

\* **Outside Director**

### CORPORATE OFFICERS

<b>President and Chief Executive Officer</b>	Akira Urakami
<b>Corporate Officer</b>	Takashi Suzuki
<b>Corporate Officer</b>	Tatsuyoshi Mochizuki
<b>Corporate Officer</b>	Teizo Sakamoto
<b>Corporate Officer</b>	Hiroshi Urabe
<b>Corporate Officer</b>	Taichi Shimizu
<b>Corporate Officer</b>	Hiromu Arihiro

### CORPORATE AUDITORS

<b>Standing Corporate Auditor</b>	Yoshimi Takino
<b>Corporate Auditor *</b>	Yoichi Arai
<b>Corporate Auditor *</b>	Takashi Hatagawa

\* **Outside Corporate Auditor**

### MAJOR CONSOLIDATED SUBSIDIARIES

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
Asahi Tec Aluminium co., Ltd. (Japan)	Die casting manufacturing and sales
Hoei Industries Co., Ltd. (Japan)	Aluminium forged product manufacturing and sales
RYOBI MHI Graphic Technology Ltd. (Japan)	Printing equipment and related product manufacturing and sales
Ryobi Die Casting (USA), Inc. (U.S.A.)	Die casting manufacturing and sales
RDCM, S.de R.L.de C.V. (Mexico)	Die casting manufacturing
Ryobi Aluminium Casting (UK), Limited (U.K.)	Die casting manufacturing and sales
Ryobi Die Casting Dalian Co., Ltd. (P.R.C.)	Die casting and die manufacturing and sales
Ryobi Die Casting Changzhou Co., Ltd. (P.R.C.)	Die casting manufacturing and sales
Ryobi Die Casting (Thailand) Co., Ltd. (Thailand)	Die casting manufacturing and sales
Ryobi (Shanghai) Sales, Ltd. (P.R.C.)	Die casting and die sales

### SHAREHOLDER INFORMATION

#### Number of Shares Issued

(As of December 31, 2018)

32,646,143 shares

#### Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation  
1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan

#### Stock listing

Tokyo Stock Exchange





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**RYOBI** RYOBI LIMITED

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