

### **SOUND MANAGEMENT PLAN**

Following the announcement of its Sound Management Plan in March 2000, Ryobi Limited has made Companywide efforts to fulfill its objectives. Through a sweeping review that considers curtailing and withdrawing from unprofitable businesses, the plan aims to build a stable, high earnings structure by concentrating management resources to the fullest extent possible in such fields of expertise as die casting and printing equipment. The efforts and direction of each business, and status of the Sound Management Plan are as follows:

#### 1) Die casting business

In the die casting business, Ryobi aims 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. In addition, we have worked aggressively to expand sales in such non-automobile fields as electronics and communications, and aluminum die casting products are attracting attention from various fields for their light weight and superior recyclability.

#### 2) Printing equipment business

The Company is bolstering new product development, manufacturing capacity and sales capabilities to further reinforce its solid reputation in world markets by advancing high-precision multicolor and functions. By responding to advancements in information technology and digitization, as well as by expanding from small-size to medium-size printing presses, we are developing a total printing system from prepress to press.

#### 3) Power tools business

(1) In the power tools business, the Company is con-

ducting a sweeping review, including the sale of businesses.

a) We sold the power tools business of four companies in North America and the sales business of two sales companies in Europe to TechTronic Industries Co., Ltd. (Hong Kong). Moreover, the lawn and garden equipment business of four companies in North America was sold to MTD Products Inc (U.S.A.).

b) We have decided to sell two sales companies in Oceania to a third party, and are proceeding with negotiations.

c) In the domestic power tools business, the Company is proceeding to strengthen cross-sectional management of the Group while streamlining the organization, reducing personnel and unifying and eliminating models to improve profitability and strengthen competitiveness. In particular, we are building a cost competitive manufacturing structure through such efforts as accelerating the transfer of production to a subsidiary in Dalian, China.

(2) In the builders' hardware business, the Company is strengthening competitiveness by transferring production of such mainstay products as door closers to a manufacturing subsidiary in Dalian, China. We are also focusing efforts on the development and sale of products for new fields.

### **PERFORMANCE**

During the six months ended 30th September 2001, consolidated net sales fell 19.4% to ¥79,943 million, with domestic net sales down 11.0% to ¥52,295 million and overseas net sales declining 31.6% to ¥27,648 million, compared with the same period of the previous fiscal year.

Operating income totaled ¥3,135 million, a decrease of 52.8% from a year earlier. Net income was restored to ¥815 million, compared with a net loss of ¥410 million in the same period of the previous fiscal year. The fall in net sales was primarily due to a decline in sales of the domestic die casting business, and the sale of the lawn and garden equipment business in North America and the fishing tackle business.

By segment, sales of the die casting business were down 5.5% to ¥50,373 million. Operating income dropped 41.6% to ¥2,756 million, resulting in a ratio of operating income to net sales of 5.5%, a decline of 3.4 percentage points for the segment. Primary factors behind these declines were lower sales in the core automobile field and fewer sales in the electronics and communications field due to slower demand in IT-related fields. In particular, exports of domestic automobile manufacturers were favorable to North America and Asia in the same period of the previous fiscal year, making a considerable difference with results this term.

Sales of the printing equipment business slipped 0.3% to ¥11,638 million. Operating income fell 53.1% to ¥247 million, and the ratio of operating income to net sales decreased 2.4 percentage points to 2.1%. On top of no growth in sales in Japan and overseas, increased sales competition in the market applied downward pressure on profits. Despite these results, the new digital offset press RYOBI 3404DI won the Distinctive Merit Award in the 31st Machinery and Industrial Design Awards, after the RYOBI 680 Series of medium-size offset presses won the Minister of International Trade and Industry Award in the Machinery and Industrial Design Awards.

Sales of the power tools business amounted to ¥17,023 million, a decline of 46.9% from the same period a year earlier. Operating income plummeted 81.6% to ¥325 million for a ratio of operating income to net sales of 1.9%, compared with 5.5% a year earlier. Most of this decrease is attributable to the sale of the lawn and garden equipment business in the same period of the previous fiscal year.

Sales of other business totaled ¥909 million, a fall of 56.4%. An operating loss of ¥196 million was posted, an improvement from the operating loss of ¥372 million a year earlier. The change in sales and operating loss was due to the sale of the fishing tackle business in the same period of the previous fiscal year.

We expect the economies of Japan and the world to weaken as a result of the terrorist attacks in the United States. Furthermore, the operating environment is changing at speeds beyond expectation. Despite these difficult conditions, Ryobi is focusing efforts on optimizing business scale, reinforcing the structure of each of its businesses and improving performance based on its Sound Management Plan.

Ryobi will make every effort to be a “Sound and Dynamic Corporation” to meet the expectations of its shareholders, customers and business associates. Thank you for your continued support.

December 2001



Hiroshi Urakami  
President

## Consolidated Balance Sheets

Ryobi Limited and Consolidated Subsidiaries (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars*
	30th September 2001	31st March 2001	30th September 2001
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents .....	¥ 15,535	¥ 18,669	\$ 130,109
Time deposits .....	2,767	2,561	23,174
Notes and accounts receivable, less allowances .....	39,523	46,888	331,013
Inventories .....	33,668	34,226	281,977
Prepaid expenses and other .....	1,391	2,116	11,650
Total current assets .....	92,884	104,460	777,923
<b>Net property, plant and equipment</b> .....	<b>59,996</b>	<b>60,953</b>	<b>502,479</b>
<b>Investments and other assets</b>			
Investments in securities .....	9,261	10,922	77,563
Investments in and advances to unconsolidated subsidiaries and affiliates .....	629	617	5,268
Intangible fixed assets .....	2,179	2,253	18,250
Deferred tax assets .....	10,783	10,556	90,310
Other .....	3,560	3,240	29,815
Total investments and other assets .....	26,412	27,588	221,206
<b>Total</b> .....	<b>¥179,292</b>	<b>¥193,001</b>	<b>\$1,501,608</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short-term borrowings .....	¥ 31,577	¥ 34,440	\$ 264,464
Current portion of long-term debt .....	28,591	23,959	239,456
Notes and accounts payable .....	34,108	40,088	285,662
Accrued expenses .....	6,249	7,909	52,337
Income taxes payable .....	101	133	846
Accrued loss on disposal of business segment .....	771	1,810	6,457
Other current liabilities .....	7,027	7,428	58,852
Total current liabilities .....	108,424	115,767	908,074
<b>Long-term liabilities</b>			
Long-term debt .....	32,119	39,594	269,003
Accrued severance indemnities .....	4,582	4,116	38,375
Other long-term liabilities .....	3,490	3,090	29,230
Total long-term liabilities .....	40,191	46,800	336,608
<b>Minority interests</b> .....	<b>585</b>	<b>933</b>	<b>4,899</b>
<b>Shareholders' equity</b>			
Common stock, par value ¥50 per share: Authorised: 500,000,000 shares			
Issued: 171,230,715 shares .....	18,472	18,472	154,707
Additional paid-in capital .....	23,517	23,517	196,960
Deficits .....	(4,841)	(5,652)	(40,544)
Unrealised gain on available-for-sale securities .....	1,399	2,229	11,717
Adjustments on foreign currency statement translation .....	(8,390)	(9,001)	(70,268)
Treasury stock .....	(65)	(64)	(545)
Total shareholders' equity .....	30,092	29,501	252,027
<b>Total</b> .....	<b>¥179,292</b>	<b>¥193,001</b>	<b>\$1,501,608</b>

\* U.S. dollar amounts in this report, solely for the convenience of the reader, are translated from yen at the rate of ¥119.40 = US\$1, the exchange rate prevailing on 30th September 2001.

## Consolidated Statements of Operations

Ryobi Limited and Consolidated Subsidiaries  
(Six months ended 30th September 2001 and 2000) (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars*
	30th September 2001	30th September 2000	30th September 2001
<b>Net sales</b> .....	<b>¥ 79,943</b>	<b>¥ 99,157</b>	<b>\$ 669,539</b>
<b>Cost of sales</b> .....	<b>64,477</b>	<b>75,741</b>	<b>540,008</b>
Gross profit .....	<b>15,466</b>	<b>23,416</b>	<b>129,531</b>
<b>Selling, general and administrative expenses</b> .....	<b>12,331</b>	<b>16,776</b>	<b>103,275</b>
Operating income .....	<b>3,135</b>	<b>6,640</b>	<b>26,256</b>
<b>Other income</b>			
Interest and dividends .....	<b>198</b>	<b>213</b>	<b>1,658</b>
Gain on sales of investment securities .....	<b>351</b>	<b>—</b>	<b>2,940</b>
Other .....	<b>691</b>	<b>757</b>	<b>5,787</b>
Total other income .....	<b>1,240</b>	<b>970</b>	<b>10,385</b>
<b>Other expenses</b>			
Interest .....	<b>1,314</b>	<b>1,981</b>	<b>11,005</b>
Early retirement benefits .....	<b>551</b>	<b>62</b>	<b>4,615</b>
Loss on disposal of business segment .....	<b>113</b>	<b>4,615</b>	<b>946</b>
Other .....	<b>909</b>	<b>857</b>	<b>7,613</b>
Total other expenses .....	<b>2,887</b>	<b>7,515</b>	<b>24,179</b>
<b>Income before income taxes and other items</b> .....	<b>1,488</b>	<b>95</b>	<b>12,462</b>
<b>Income taxes</b> .....	<b>966</b>	<b>431</b>	<b>8,090</b>
<b>Minority interests</b> .....	<b>293</b>	<b>(74)</b>	<b>2,454</b>
<b>Net income (loss)</b> .....	<b>¥ 815</b>	<b>¥ (410)</b>	<b>\$ 6,826</b>

## Consolidated Statements of Cash Flows

Ryobi Limited and Consolidated Subsidiaries  
(Six months ended 30th September 2001 and 2000) (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars*
	30th September 2001	30th September 2000	30th September 2001
<b>Net cash provided by operating activities</b> .....	<b>¥ 3,842</b>	<b>¥ 10,556</b>	<b>\$ 32,177</b>
<b>Investing activities</b>			
Payments for purchase of property, plant and equipment .....	<b>(2,131)</b>	<b>(3,506)</b>	<b>(17,848)</b>
Proceeds from sale of property, plant and equipment .....	<b>370</b>	<b>328</b>	<b>3,099</b>
Proceeds from sale of marketable securities .....	<b>553</b>	<b>—</b>	<b>4,631</b>
Increase in deposit .....	<b>(206)</b>	<b>(8,179)</b>	<b>(1,725)</b>
Proceeds from sale of business segment .....	<b>731</b>	<b>17,632</b>	<b>6,122</b>
Payments for sale of business segment .....	<b>(102)</b>	<b>(874)</b>	<b>(854)</b>
Other, net .....	<b>(546)</b>	<b>33</b>	<b>(4,572)</b>
<b>Net cash provided by ( used in ) investing activities</b> .....	<b>(1,331)</b>	<b>5,434</b>	<b>(11,147)</b>
<b>Financing activities</b>			
Proceeds from long-term debt .....	<b>2,000</b>	<b>13,700</b>	<b>16,750</b>
Repayments of long-term debt .....	<b>(5,004)</b>	<b>(10,176)</b>	<b>(41,910)</b>
Decrease in short-term borrowings .....	<b>(2,671)</b>	<b>(11,843)</b>	<b>(22,370)</b>
Other .....	<b>(181)</b>	<b>(157)</b>	<b>(1,515)</b>
<b>Net cash used in financing activities</b> .....	<b>(5,856)</b>	<b>(8,476)</b>	<b>(49,045)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b> .....	<b>211</b>	<b>(49)</b>	<b>1,767</b>
<b>Net increase (decrease) in cash and cash equivalents</b> .....	<b>(3,134)</b>	<b>7,465</b>	<b>(26,248)</b>
<b>Cash and cash equivalents at beginning of year</b> .....	<b>18,669</b>	<b>23,082</b>	<b>156,357</b>
<b>Cash and cash equivalents at end of year</b> .....	<b>¥ 15,535</b>	<b>¥ 30,547</b>	<b>\$ 130,109</b>
<b>Additional cash flow information</b>			
Interest paid .....	<b>¥ (1,413)</b>	<b>¥ (2,256)</b>	<b>\$ 11,834</b>

## Industry Segment Information

(Six months ended 30th September 2001 and 2000)

	Millions of Yen					
	2001					
	Die Castings	Printing equipment	Power tools	Other	Eliminations	Consolidated
Net sales						
Unaffiliated customers .....	¥50,373	¥11,638	¥17,023	¥ 909	¥ —	¥79,943
Intersegment .....	232	—	5	—	(237)	—
Total .....	50,605	11,638	17,028	909	(237)	79,943
Operating costs and expenses .....	47,849	11,391	16,703	1,105	(240)	76,808
Operating income (loss) .....	¥ 2,756	¥ 247	¥ 325	¥ (196)	¥ 3	¥ 3,135

	Millions of Yen					
	2000					
	Die Castings	Printing equipment	Power tools	Other	Eliminations	Consolidated
Net sales						
Unaffiliated customers .....	¥53,317	¥11,676	¥32,080	¥2,084	¥ —	¥99,157
Intersegment .....	238	—	39	—	(277)	—
Total .....	53,555	11,676	32,119	2,084	(277)	99,157
Operating costs and expenses .....	48,834	11,150	30,358	2,456	(281)	92,517
Operating income (loss) .....	¥ 4,721	¥ 526	¥ 1,761	¥ (372)	¥ 4	¥ 6,640

	Thousands of U.S. Dollars*					
	2001					
	Die Castings	Printing equipment	Power tools	Other	Eliminations	Consolidated
Net sales						
Unaffiliated customers .....	\$421,884	\$ 97,471	\$142,571	\$ 7,613	\$ —	\$669,539
Intersegment .....	1,943	—	42	—	(1,985)	—
Total .....	423,827	97,471	142,613	7,613	(1,985)	669,539
Operating costs and expenses .....	400,745	95,402	139,891	9,255	(2,010)	643,283
Operating income (loss) .....	\$ 23,082	\$ 2,069	\$ 2,722	\$(1,642)	\$ 25	\$ 26,256

## Geographical Segment Information

(Six months ended 30th September 2001 and 2000)

	Millions of Yen				
	2001				
	Japan	North America	Other overseas	Eliminations	Consolidated
Net sales					
Unaffiliated customers .....	<b>¥60,104</b>	<b>¥ 10,764</b>	<b>¥9,075</b>	<b>¥ —</b>	<b>¥ 79,943</b>
Intersegment .....	<b>2,191</b>	<b>2</b>	<b>1,934</b>	<b>(4,127)</b>	<b>—</b>
Total .....	<b>62,295</b>	<b>10,766</b>	<b>11,009</b>	<b>(4,127)</b>	<b>79,943</b>
Operating costs and expenses ....	<b>60,208</b>	<b>10,521</b>	<b>10,410</b>	<b>(4,331)</b>	<b>76,808</b>
Operating income .....	<b>¥ 2,087</b>	<b>¥ 245</b>	<b>¥ 599</b>	<b>¥ 204</b>	<b>¥ 3,135</b>

	Millions of Yen				
	2000				
	Japan	North America	Other overseas	Eliminations	Consolidated
Net sales					
Unaffiliated customers .....	<b>¥66,919</b>	<b>¥ 24,829</b>	<b>¥7,409</b>	<b>¥ —</b>	<b>¥ 99,157</b>
Intersegment .....	<b>2,686</b>	<b>850</b>	<b>2,449</b>	<b>(5,985)</b>	<b>—</b>
Total .....	<b>69,605</b>	<b>25,679</b>	<b>9,858</b>	<b>(5,985)</b>	<b>99,157</b>
Operating costs and expenses ....	<b>65,448</b>	<b>23,864</b>	<b>9,119</b>	<b>(5,914)</b>	<b>92,517</b>
Operating income .....	<b>¥ 4,157</b>	<b>¥ 1,815</b>	<b>¥ 739</b>	<b>¥ (71)</b>	<b>¥ 6,640</b>

	Thousands of U.S. Dollars*				
	2001				
	Japan	North America	Other overseas	Eliminations	Consolidated
Net sales					
Unaffiliated customers	<b>\$503,383</b>	<b>\$ 90,151</b>	<b>\$76,005</b>	<b>\$ —</b>	<b>\$669,539</b>
Intersegment	<b>18,350</b>	<b>17</b>	<b>16,198</b>	<b>(34,565)</b>	<b>—</b>
Total	<b>521,733</b>	<b>90,168</b>	<b>92,203</b>	<b>(34,565)</b>	<b>669,539</b>
Operating costs and expenses	<b>504,254</b>	<b>88,116</b>	<b>87,186</b>	<b>(36,273)</b>	<b>643,283</b>
Operating income	<b>\$ 17,479</b>	<b>\$ 2,052</b>	<b>\$ 5,017</b>	<b>\$ 1,708</b>	<b>\$ 26,256</b>

## Export Sales and Sales by Overseas Subsidiaries

(Six months ended 30th September 2001 and 2000)

	Millions of Yen		Thousands of U.S. Dollars*		Percentage against consolidated net sales	
	2001	2000	2001	2001	2000	
	North America .....	<b>¥13,927</b>	<b>¥27,757</b>	<b>\$116,642</b>	<b>17.4%</b>	<b>28.0%</b>
Europe .....	<b>9,433</b>	<b>8,543</b>	<b>79,003</b>	<b>11.8</b>	<b>8.6</b>	
Other .....	<b>4,288</b>	<b>4,093</b>	<b>35,913</b>	<b>5.4</b>	<b>4.1</b>	
Total .....	<b>¥27,648</b>	<b>¥40,393</b>	<b>\$231,558</b>	<b>34.6%</b>	<b>40.7%</b>	

## *Company Outline*

### MAJOR PRODUCTS:

- Die casting products
- Printing equipment (offset printing presses, prepress systems, etc.)
- Power tools (electric power tools, lawn and garden equipment, engine tools, etc.)
- Builders' hardware (door closers, hinges, etc.)
- Sporting goods (golf equipment, etc.)

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## *Shareholder Information*

1. **NUMBER OF SHARES ISSUED:**  
171,230,715 Shares
2. **LISTINGS**  
Common Stock—Tokyo, Osaka  
Continental Depositary Receipts—Frankfurt
3. **TRANSFER AGENT:**  
The Mitsubishi Trust and Banking Corporation  
11-1, Nagata-cho 2-chome, Chiyoda-ku,  
Tokyo 100-8212, Japan
4. **RELAYING OFFICES:**  
All domestic branches of The Mitsubishi Trust and Banking Corporation