



**RYOBI**

**RYOBI LIMITED  
SEMIANNUAL REPORT**

(Unaudited)

For the six months ended 30th September 2004

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# A MESSAGE FROM THE MANAGEMENT

Guided by its corporate philosophy, "Create a sound and dynamic corporation through technology, trust and challenge," the Ryobi Group seeks to establish itself as an indispensable existence by responding to the needs of customers and society, through innovative, top-quality products and services.

At the same time, Ryobi has positioned corporate social responsibility as fundamental to its management activities in an effort to create sustained corporate value and a better society. Corporate social responsibility encompasses diverse responsibilities including the provision of useful products and services as well as the active disclosure of information, compliance, risk management, activities that contribute to society and a variety of other initiatives. Based on its corporate philosophy, Ryobi strives to fulfill its corporate social responsibility—with the aims of growth and development—establish and implement management, compliance and risk management structures, and promote corporate governance tailored to its unique characteristics as a company.

## **BUSINESS DEVELOPMENT**

Ryobi has positioned improved competitiveness and enhanced earnings power as key management issues and the driving force for sustained future growth and development. The Company continues to develop technologies and provide products and services that only Ryobi can deliver and is implementing a variety of measures in each of its operations to further boost market presence. Trends in business development for each segment are as follows:

### **1) DIE CASTINGS**

Ryobi aims to strengthen and expand relationships with automobile manufacturers by utilizing our know-how as a world-leading die casting manufacturer and our tripolar global structure of Japan, the United States and Europe. Our aluminum die castings are lightweight, have excellent durability and are superior in terms of recyclability. In addition to the automobile field, these die castings have attracted attention in fields such as electronics and telecommunications as an effective technology for the protection of the environment, including the conservation of energy and resources.

### **2) PRINTING EQUIPMENT**

The Company is striving to increase multicolor performance precision, offer increasingly advanced functionality and further consolidate its reputation in world

markets. To achieve these goals, Ryobi is pressing forward with the development of new products and the strengthening of production and marketing capabilities. Through the development of products in response to advancements in IT and digitization, and the creation of environmentally friendly products, we are working to expand our product lineup in line with market needs.

### **3) POWER TOOLS AND BUILDERS' HARDWARE**

In the power tools business, which includes lawn and garden equipment, Ryobi focuses on the concept of producing compact and lightweight maneuverable tools. Utilizing manufacturing collaboration between Japan and Dalian, China, the Company delivers products in response to the needs of professionals and DIY enthusiasts alike. We continue to further strengthen competitiveness by focusing efforts on bolstering product planning and marketing capabilities, and improving productivity.

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

## PERFORMANCE

During the six-month period ended 30th September 2004, consolidated net sales increased 2.0% compared with the same period of the previous fiscal year to ¥77,423 million, with domestic net sales up 3.5% to ¥55,178 million, and overseas net sales down 1.5% to ¥22,245 million.

Operating income for the period increased 4.7% to ¥4,781 million, and net income fell 72.5% to ¥2,807 million.

Net sales increased across each of the Company's die castings, printing equipment, and power tools and builders' hardware businesses. Operating income rose in line with the increase in sales. Net income however declined, reflecting the absence of gains on sales of a portion of investments in securities, reported in the previous fiscal year.

By segment, net sales in the die casting business edged up 1.2% to ¥52,141 million and operating income dropped 4.7% to ¥2,470 million, resulting in a ratio of operating income to net sales of 4.7%, compared with 5.0% from the same period last year. Despite a drop in sales at our U.S.-based subsidiary, impacted by the translation into yen following the yen's appreciation against the U.S. dollar, overall sales increased, buoyed by sales to domestic automobile manufacturers. On the earnings front, Ryobi worked to reduce costs and improve operating activities. These efforts were insufficient to offset downward pressure on products prices resulting in a drop in profits. We believe demand for die cast products will grow in the future as an effective technology that contributes to environmental protection as well as resource and energy conservation, which are important global concerns. We will continue to pursue activities geared toward the automobile segment and at the same time expand non-automobile applications.

Net sales in the printing equipment business climbed 8.3% to ¥12,706 million and operating income rose 25.3% to ¥1,127 million, resulting in a ratio of

operating income to net sales of 8.9%, compared with 7.7% from the previous corresponding period. Sales in Japan and exports grew, particularly of medium-sized offset printing presses. The Company enjoyed an increase in earnings due to increased sales volume and efforts to step up reductions in costs and production lead times. Ryobi will continue to actively develop products that fully consider user needs and to enhance marketing efforts with the aim of increasing earnings still further.

In the power tools and builders' hardware business, net sales rose 2.2% to ¥12,576 million while operating income increased 7.5% to ¥1,184 million, resulting in a ratio of operating income to net sales of 9.4%, compared with 8.9% from the same period last year. Overall sales in this segment increased. The drop in sales of power tools in Japan was offset by growth in export sales of power tools and sales of builders' hardware in Japan. Earnings also increased in line with the improvement in sales and enhancements to production efficiency. In the future, we will continue to leverage our overseas production capabilities with the aim of reducing costs and to deliver unique and price competitive products.

Ryobi is committed to consistently strengthening and enhancing measures designed to create a sound and dynamic corporation. We thank you for your continued support and understanding.

December 2004



Hiroshi Urakami  
Chairman and CEO



Susumu Yoshikawa  
President and COO

# CONSOLIDATED BALANCE SHEETS

Ryobi Limited and Consolidated Subsidiaries  
(As at 30th September and 31st March 2004) (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars*
	30th September 2004	31st March 2004	30th September 2004
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents .....	¥ 14,573	¥ 17,595	\$ 131,229
Time deposits .....	2,733	2,738	24,611
Notes and accounts receivable, less allowances .....	37,249	38,929	335,425
Inventories .....	27,645	27,267	248,942
Prepaid expenses and other .....	2,253	3,159	20,288
Total current assets .....	84,453	89,688	760,495
<b>Net property, plant and equipment</b> .....	54,725	53,706	492,796
<b>Investments and other assets</b>			
Investments in securities .....	9,128	9,615	82,197
Investments in and advances to unconsolidated subsidiaries and affiliates .....	318	320	2,864
Intangible fixed assets .....	1,615	1,607	14,543
Deferred tax assets .....	2,796	3,214	25,178
Other .....	2,336	2,424	21,036
Total investments and other assets .....	16,193	17,180	145,818
<b>Total</b> .....	¥155,371	¥160,574	\$1,399,109
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short-term borrowings .....	¥ 20,077	¥ 22,222	\$ 180,792
Current portion of long-term debt .....	12,032	10,428	108,348
Notes and accounts payable .....	34,894	34,457	314,219
Accrued expenses .....	4,368	4,800	39,334
Income taxes payable .....	452	498	4,070
Other current liabilities .....	4,960	5,604	44,665
Total current liabilities .....	76,783	78,009	691,428
<b>Long-term liabilities</b>			
Long-term debt .....	15,436	21,098	139,000
Accrued severance indemnities .....	7,076	6,921	63,719
Other long-term liabilities .....	3,720	3,760	33,499
Total long-term liabilities .....	26,232	31,779	236,218
<b>Minority interests</b> .....	806	746	7,258
<b>Shareholders' equity</b>			
Common stock			
Authorised: 500,000,000 shares			
Issued: 171,230,715 shares .....	18,472	18,472	166,339
Capital surplus .....	23,531	23,524	211,896
Retained earnings .....	14,729	13,176	132,634
Land revaluation reserve .....	626	626	5,637
Unrealised gain on available-for-sale securities .....	2,913	3,125	26,231
Foreign currency translation adjustments .....	(8,037)	(8,205)	(72,373)
Treasury stock .....	(684)	(678)	(6,159)
Total shareholders' equity .....	51,550	50,040	464,205
<b>Total</b> .....	¥155,371	¥160,574	\$1,399,109

\*U.S. dollar amounts in this report, solely for the convenience of the reader, are translated from yen at the rate of ¥111.05 = US\$1, the exchange rate prevailing on 30th September 2004.

# CONSOLIDATED STATEMENTS OF OPERATIONS

Ryobi Limited and Consolidated Subsidiaries  
(Six months ended 30th September 2004 and 2003) (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars*
	30th September 2004	30th September 2003	30th September 2004
<b>Net sales</b> .....	<b>¥77,423</b>	¥75,894	<b>\$697,190</b>
<b>Cost of sales</b> .....	<b>61,598</b>	60,819	<b>554,687</b>
Gross profit .....	<b>15,825</b>	15,075	<b>142,503</b>
<b>Selling, general and administrative expenses</b> .....	<b>11,044</b>	10,509	<b>99,450</b>
Operating income .....	<b>4,781</b>	4,566	<b>43,053</b>
<b>Other income</b>			
Interest and dividends .....	<b>98</b>	157	<b>882</b>
Gain on sales of investments in securities .....	<b>0</b>	8,213	<b>0</b>
Other .....	<b>969</b>	818	<b>8,726</b>
Total other income .....	<b>1,067</b>	9,188	<b>9,608</b>
<b>Other expenses</b>			
Interest .....	<b>378</b>	557	<b>3,404</b>
Other .....	<b>703</b>	527	<b>6,330</b>
Total other expenses .....	<b>1,081</b>	1,084	<b>9,734</b>
<b>Income before income taxes and minority interests</b> .....	<b>4,767</b>	12,670	<b>42,927</b>
<b>Income taxes</b> .....	<b>1,901</b>	2,434	<b>17,119</b>
<b>Minority interests</b> .....	<b>59</b>	34	<b>531</b>
<b>Net income</b> .....	<b>¥ 2,807</b>	¥10,202	<b>\$ 25,277</b>

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Ryobi Limited and Consolidated Subsidiaries  
(Six months ended 30th September 2004 and 2003) (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars*
	30th September 2004	30th September 2003	30th September 2004
<b>Net cash provided by operating activities</b> .....	<b>¥ 7,046</b>	¥ 4,558	<b>\$ 63,449</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment .....	<b>(2,902)</b>	(1,995)	<b>(26,132)</b>
Proceeds from sale of property, plant and equipment .....	<b>277</b>	186	<b>2,494</b>
Proceeds from sale of investments in securities .....	<b>1</b>	8,504	<b>9</b>
Other .....	<b>37</b>	194	<b>333</b>
<b>Net cash provided by (used in) investing activities</b> .....	<b>(2,587)</b>	6,889	<b>(23,296)</b>
<b>Financing activities</b>			
Proceeds from long-term debt .....	<b>1,300</b>	3,170	<b>11,706</b>
Repayments of long-term debt .....	<b>(5,281)</b>	(8,440)	<b>(47,555)</b>
Decrease in short-term borrowings, net .....	<b>(2,192)</b>	(3,468)	<b>(19,739)</b>
Dividends paid .....	<b>(1,255)</b>	—	<b>(11,301)</b>
Other .....	<b>(71)</b>	(382)	<b>(639)</b>
<b>Net cash used in financing activities</b> .....	<b>(7,499)</b>	(9,120)	<b>(67,528)</b>
<b>Foreign currency translation adjustments on cash and cash equivalents</b> .....	<b>18</b>	11	<b>162</b>
<b>Net increase (decrease) in cash and cash equivalents</b> .....	<b>(3,022)</b>	2,338	<b>(27,213)</b>
<b>Cash and cash equivalents at beginning of year</b> .....	<b>17,595</b>	17,845	<b>158,442</b>
<b>Cash and cash equivalents at end of year</b> .....	<b>¥14,573</b>	¥20,183	<b>\$131,229</b>
<b>Additional cash flow information</b>			
Interest paid .....	<b>¥ 388</b>	¥ 584	<b>\$ 3,493</b>

# INDUSTRY SEGMENT INFORMATION

(Six months ended 30th September 2004 and 2003)

	Millions of Yen				
	2004				
	Die castings	Printing equipment	Power tools and builders' hardware	Eliminations	Consolidated
Net sales					
Unaffiliated customers .....	¥52,141	¥12,706	¥12,576	¥ —	¥77,423
Intersegment .....	119	—	1	(120)	—
Total .....	52,260	12,706	12,577	(120)	77,423
Operating costs and expenses ...	49,790	11,579	11,393	(120)	72,642
Operating income .....	¥ 2,470	¥ 1,127	¥ 1,184	¥ 0	¥ 4,781

	Millions of Yen					
	2003					
	Die castings	Printing equipment	Power tools and builders' hardware	Other	Eliminations	Consolidated
Net sales						
Unaffiliated customers .....	¥51,501	¥11,728	¥12,309	¥356	¥ —	¥75,894
Intersegment .....	128	—	5	—	(133)	—
Total .....	51,629	11,728	12,314	356	(133)	75,894
Operating costs and expenses ...	49,037	10,829	11,213	382	(133)	71,328
Operating income (loss) .....	¥ 2,592	¥ 899	¥ 1,101	¥ (26)	¥ 0	¥ 4,566

	Thousands of U.S.dollars*				
	2004				
	Die castings	Printing equipment	Power tools and builders' hardware	Eliminations	Consolidated
Net sales					
Unaffiliated customers .....	\$469,527	\$114,417	\$113,246	\$ —	\$697,190
Intersegment .....	1,072	—	9	(1,081)	—
Total .....	470,599	114,417	113,255	(1,081)	697,190
Operating costs and expenses ...	448,357	104,268	102,593	(1,081)	654,137
Operating income .....	\$ 22,242	\$ 10,149	\$ 10,662	\$ 0	\$ 43,053

## GEOGRAPHICAL SEGMENT INFORMATION

(Six months ended 30th September 2004 and 2003)

	Millions of Yen				
	2004				
	Japan	North America	Other overseas	Eliminations	Consolidated
Net sales					
Unaffiliated customers .....	¥64,013	¥9,836	¥3,574	¥ —	¥77,423
Intersegment .....	968	—	2,345	(3,313)	—
Total .....	64,981	9,836	5,919	(3,313)	77,423
Operating costs and expenses ...	61,721	9,086	5,131	(3,296)	72,642
Operating income .....	¥ 3,260	¥ 750	¥ 788	¥ (17)	¥ 4,781

	Millions of Yen				
	2003				
	Japan	North America	Other overseas	Eliminations	Consolidated
Net sales					
Unaffiliated customers .....	¥61,257	¥11,168	¥3,469	¥ —	¥75,894
Intersegment .....	1,372	—	2,220	(3,592)	—
Total .....	62,629	11,168	5,689	(3,592)	75,894
Operating costs and expenses ...	59,430	10,485	5,017	(3,604)	71,328
Operating income .....	¥ 3,199	¥ 683	¥ 672	¥ 12	¥ 4,566

	Thousands of U.S.dollars*				
	2004				
	Japan	North America	Other overseas	Eliminations	Consolidated
Net sales					
Unaffiliated customers .....	\$576,434	\$88,573	\$32,183	\$ —	\$697,190
Intersegment .....	8,716	—	21,117	(29,833)	—
Total .....	585,150	88,573	53,300	(29,833)	697,190
Operating costs and expenses ...	555,794	81,819	46,204	(29,680)	654,137
Operating income .....	\$ 29,356	\$ 6,754	\$ 7,096	\$ (153)	\$ 43,053

## EXPORT SALES AND SALES BY OVERSEAS SUBSIDIARIES

(Six months ended 30th September 2004 and 2003)

	Millions of Yen		Thousands of U.S. dollars*	Percentage against consolidated net sales	
	2004	2003	2004	2004	2003
	North America .....	¥11,246	¥13,361	\$101,270	14.5%
Europe .....	7,843	6,634	70,626	10.1%	8.7%
Other .....	3,156	2,599	28,419	4.1%	3.5%
Total .....	¥22,245	¥22,594	\$200,315	28.7%	29.8%

# CORPORATE INFORMATION

## CORPORATE DATA

### Company Name

RYOBI LIMITED

### Established

16th December 1943

### Major Products

Die cast products  
Printing equipment  
(offset printing presses, page layout software, etc.)  
Power tools  
(electric power tools, lawn and garden equipment, etc.)  
Builders' hardware  
(door closers, hinges, architectural hardware, etc.)

### Head Office

762, Mesaki-cho, Fuchu, Hiroshima 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, Nishi-shinbashi, Minato-ku, Tokyo 105-0003, Japan  
Telephone: 81-3-3927-5541

## DIRECTORS, CORPORATE AUDITORS AND CORPORATE OFFICERS

### Chairman and CEO

Hiroshi Urakami

### President and COO

Susumu Yoshikawa

### Director and Corporate Officers

Takao Tanaka  
Takashi Yokoyama  
Mikio Kamura  
Shiro Muroya

### Corporate Officers

Koji Ishii  
Kuniyuki Ito  
Kenjiro Suzuki  
Akira Urakami  
Naomichi Honkawa  
Kazuaki Danjo  
Shoji Osawa  
Hideki Domoto

### Standing Corporate Auditor

Shozo Kobayashi

### Corporate Auditors

Satoshi Ohoka  
Hiroaki Takahashi  
Kunihiro Toyota

## SHAREHOLDER INFORMATION

### Number of Shares Issued

(As of 30th September 2004)

171,230,715

### Listing

Common Stock—Tokyo

### Transfer Agent

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