RYOBI

ANNUAL REPORT 2002

FOR THE YEAR ENDED 31ST MARCH 2002

Ryobi Limited is one of the world's top-ranked manufacturers of die casting products. The Company has used its accumulated expertise in die casting technology to diversify into the fields of printing equipment, power tools and builders' hardware. Guided by its corporate philosophy, "Create a sound and dynamic corporation through technology, trust and challenge," Ryobi seeks to respond to the needs of its customers and society at large with innovative, top-quality products and services, and thereby become an indispensable company. The Ryobi Group is intensely involved in the development of environmentally friendly products and other environmental protection activities. As of June 2002, we had acquired ISO 14001 certification—the international standard for environmental management systems—at 16 facilities of 12 Group companies. Through the conservation of resources and energy, reduction of industrial waste generation and reuse of resources, the Ryobi Group is contributing to the prevention of environmental pollution.

Cautionary Notes : Forward-Looking Statements

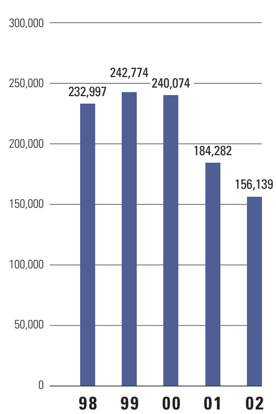
This annual report contains information about forward-looking statements related to such matters as the Company's plans, strategies and business results. These forward-looking statements represent judgments made by the Company based on information available at present and are inherently subject to a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

(For the years ended 31st March 2002, 2001 and 2000)

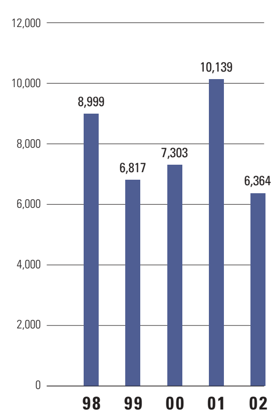
	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2002	2001	2000	**2002**
For the fiscal period:				
Net sales	**¥156,139**	¥184,282	¥240,074	**$1,171,775**
Operating income	**6,364**	10,139	7,303	**47,760**
Net income	**2,081**	2,907	2,831	**15,617**
As at fiscal year-end:				
Total assets	**¥165,401**	¥193,001	¥238,080	**$1,241,283**
Total shareholders' equity	**33,379**	29,501	33,360	**250,499**
	Yen			U.S. Dollars (Note 2)
Per share data:				
Net income—Primary	**¥ 12.19**	¥ 17.04	¥ 16.59	**$ 0.091**
Cash dividends	**—**	—	—	**—**

Notes: 1. Net income per share figures are based on the weighted average number of shares outstanding each year.
2. Yen amounts have been translated into U.S. dollars, solely for the convenience of the reader at ¥133.25=US$1, the exchange rate prevailing on 31st March 2002.

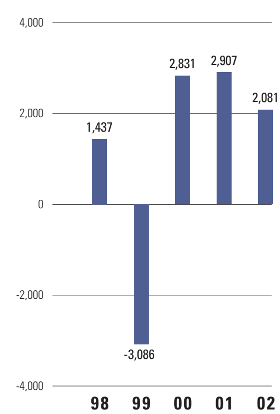
NET SALES
(Millions of yen)



OPERATING INCOME
(Millions of yen)



NET INCOME (LOSS)
(Millions of yen)



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

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

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

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

The objective of the plan is to build a stable, high-earnings structure through a decisive review of unprofitable businesses while considering such measures as sale of businesses. Consequently, the scope of the view covers our power tool and fishing tackle businesses and a sweeping review has been conducted.

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

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

In its printing equipment business, the Company is striving to increase the precision of multicolor rendering, offer increasingly advanced functionality, and further consolidate its reputation in world markets. To achieve these goals, Ryobi is pressing forward with the development of new products, the enhancement of production capacity and the strengthening of marketing capabilities.

Vigorous marketing programs are underway in each business area. In addition, the Company is developing new products inspired by customer preferences and requirements, reducing costs, and enhancing operational efficiency.

During fiscal 2002, ended 31st March 2002, consolidated net sales declined 15.3% to ¥156.1 billion compared with the previous fiscal year. Domestic net sales fell 12.1% to ¥103.9 billion, and overseas net sales dropped 21.0% to ¥52.2 billion. Operating income fell 37.2% to ¥6.4 billion, and net income decreased 28.4% to ¥2.1 billion.

The contraction in net sales was the result of a falloff in the domestic die casting business, and of the sale of our North American lawn and garden equipment and fishing tackle businesses.

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

June 2002

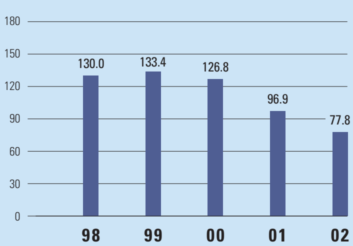
Hiroshi Urakami
President

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

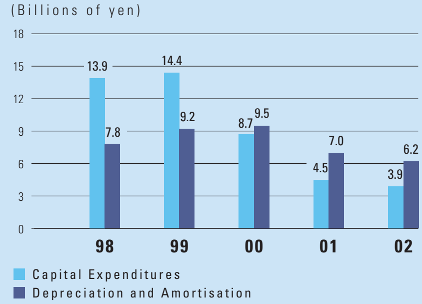
Direction and progress of each business segment is explained as follows.

BUSINESS SEGMENT	DIRECTION AND PROGRESS
DIE CASTINGS	In our die casting business, we aim to strengthen and expand relationships with automobile manufacturers by utilizing our know-how as a world-leading die casting manufacturer and our three-region structure of Japan, the United States and Europe. We will also aggressively work to expand sales in other fields such as electronics and communications. Our aluminum die castings are lightweight, have excellent durability and are superior in terms of recyclability. These die castings have also attracted attention in all fields as an effective technology for the protection of the environment, including the conservation of energy and resources.
PRINTING EQUIPMENT	In its printing equipment business, the Company is striving to increase the precision of multicolor rendering, offer increasingly advanced functionality, and further consolidate its reputation in world markets. To achieve these goals, Ryobi is pressing forward with the development of new products, the enhancement of production capacity and the strengthening of marketing capabilities. By responding to advancements in information technology (IT) and digitization, as well as by expanding from small-size printing presses to medium-size printing presses, we are developing a total printing system from prepress to press.
POWER TOOLS	We have carried out an extensive review of unprofitable operations of our power tool business. As part of this review, we have implemented measures that include the sale of businesses. To this end, in August 2000 we sold the four companies that carried out our power tool business in North America to Hong Kong-based TechTronic Industries Co., Ltd., while in August 2001 we sold our two power tool sales companies in Europe, also to TechTronic Industries. Subsequently, in March 2002 we sold our two power tool sales companies in Oceania to TechTronic Industries. In our North American lawn and garden equipment business, in June 2000 we sold four companies to MTD Products Inc of the United States. In our power tool business in Japan, we are strengthening our cross-sectional Group management, streamlining our organization, reducing staff and are consolidating and eliminating models as part of efforts to raise profitability and strengthen our competitiveness. Most notably, we are making progress in building a cost-competitive production structure through measures that include speeding up the transfer of production to a manufacturing subsidiary in Dalian, China. In our builders' hardware business, we aim to improve profitability by focusing on developing unique products and transferring the production of door closers—a mainstay product—to our manufacturing subsidiary in Dalian, China, a move that will enable the manufacture of cost-competitive products by taking advantage of strengths in overseas manufacturing.
OTHERS	In September 2000, we sold our fishing tackle business to Johshuya Co., Ltd. of Japan. At the end of May 2002, we discontinued our sporting goods business.

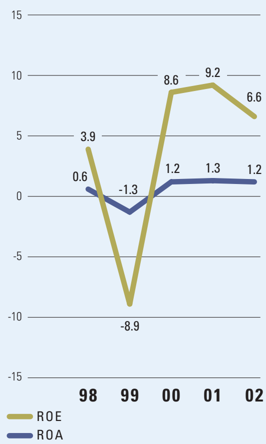
INTEREST BEARING DEBT (CONSOLIDATED)
(Billions of yen)



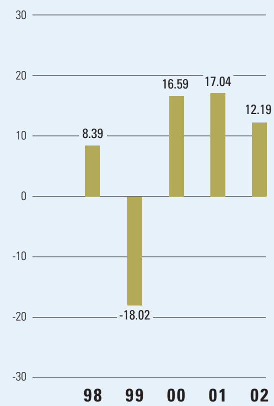
CAPITAL EXPENDITURES & DEPRECIATION AND AMORTISATION (CONSOLIDATED)
(Billions of yen)



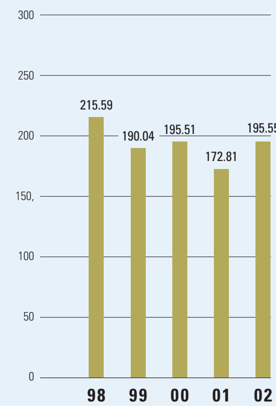
ROE & ROA
(%)



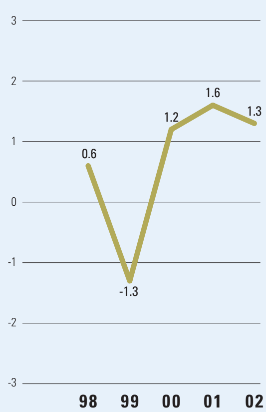
NET INCOME (LOSS) PER SHARE
(Yen)



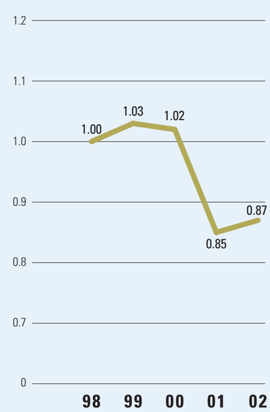
NET ASSETS PER SHARE
(Yen)



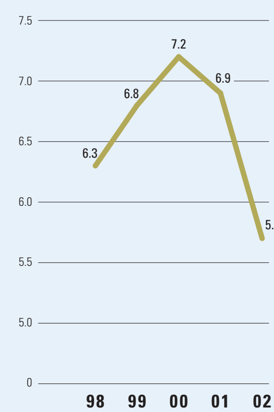
RETURN ON SALES
(%)



ASSET TURNOVER
(Times)



FINANCIAL LEVERAGE
(Times)



Examining financial and management indicators for the fiscal year ended 31st March 2002, which was the second year of our Sound Management Plan, total consolidated assets declined as the result of the securitization of non-consolidated trade receivables, the sale of power tool sales subsidiaries in Europe and Oceania, and other factors. As a result of the drop in income accruing from the contraction of net sales, return on equity (ROE), return on assets (ROA), and return on sales (ROS) figures trended downward.

At the same time, however, shareholders' equity increased 13%, net assets per share rose ¥22.74 to ¥195.55, and the repayment of interest-bearing debt allowed a dramatic improvement in financial leverage, which dropped 1.2 times to 5.7 times year-on-year.

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

Aiming for target indices
in the fiscal year ending 31st March 2004 ➡ ROA and ROS: 3.2%

DIE CASTINGS

The earnings pillar driving growth at Ryobi

REVIEW

As one of the world's leading die casting manufacturers, Ryobi supplies die casting products to a variety of fields including automobile, electronics and communications. Our die casting products for automobiles, including cylinder blocks and transmission cases, are employed in approximately 2,000 parts of more than 100 automobile models in Japan and overseas.

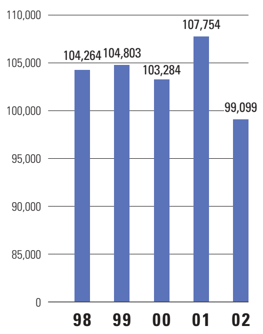
Our aluminum die castings are lightweight, have excellent durability and are superior in terms of recyclability. These die castings have also attracted attention in all fields as an effective technology for the protection of the environment, including the conservation of energy and resources. In addition to aluminum die casting products, Ryobi is focusing efforts on even lighter-weight magnesium die casting products.

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

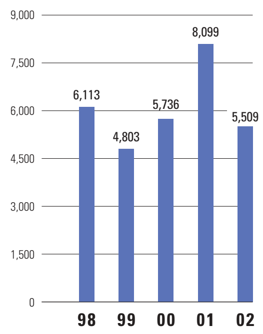
Ryobi has acquired ISO 9000 series certification, the international standard for quality control and quality assurance systems; and ISO 14001 certification, the international standard for environmental management systems, which demonstrates the comprehensiveness and effectiveness of the Company's systems.

V6 CYLINDER BLOCK FOR AUTOMOBILE DIESEL ENGINES
Die casting products contribute to the achievement of lighter automobiles. In particular, this V6 cylinder block, manufactured using the Company's proprietary processing methods, has superior strength and is particularly well regarded by customers.

NET SALES
(Millions of yen)



OPERATING INCOME
(Millions of yen)



Ryobi Die Casting (USA), Inc. Acquires ISO 14001 Certification

Ryobi Die Casting (USA), Inc. acquired ISO 14001 certification, the international standard for environmental management systems, in June 2002. This certification demonstrates that complete and effective environmental protection systems are in place, including resource and energy conservation, reduction of waste generation and recycling. All of Ryobi's significant domestic and overseas die casting facilities have now acquired ISO 14001 certification.

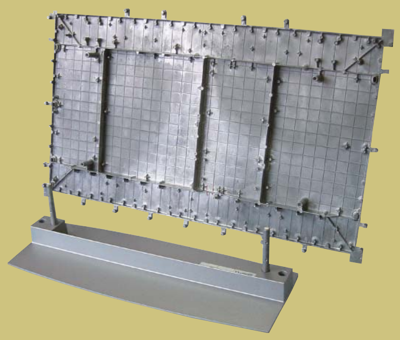
PERFORMANCE

In the fiscal year ended 31st March 2002, net sales in die castings were ¥99.1 billion, down 8.0% from a year earlier. Operating income dropped 32.0% to ¥5.5 billion, while the ratio of operating income to net sales fell from 7.5% in the previous term to 5.6%.

Assisted by the effects of currency exchange rates, overseas net sales in this segment increased, but not enough to offset the decline in domestic sales to the automobile industry, which is a mainstay customer, as well as the electronics and communications industries caused by the contraction of demand in information technology (IT) fields.

OUTLOOK

Ryobi is using the knowledge and expertise accumulated through its businesses as one of the world's top manufacturers of die casting products, as well as its three-region structure of Japan, the United States and Europe, to broaden and deepen ties with the world's automobile manufacturers. The Company is strengthening development of technology for highly strong, thin-wall die castings and of new alloys. In addition, Ryobi is working to expand sales in non-automobile industries, including those for mobile telephone-related components, frames for next-generation large-screen plasma televisions, and video camera components for the electronics and communications fields.



CHASSIS AND STAND FOR LARGE-SCREEN PLASMA TELEVISIONS

Die casting products are being used in frames of large-screen plasma televisions. This is the result of the introduction of our state-of-the-art 2500t die casting machine, which makes possible the production of large, lightweight products.

P R I N T I N G   E Q U I P M E N T

Aiming to increase revenues by expanding new fields

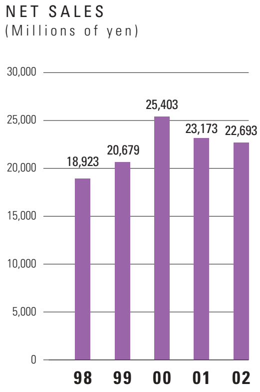
REVIEW

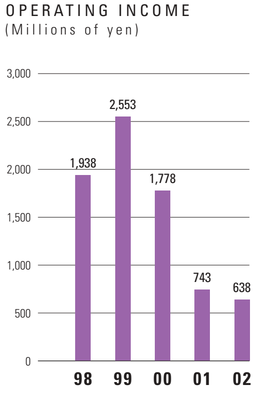
Ryobi already boasts the largest share of the market for small offset printing presses. We provide high-quality, easy-to-use products as a comprehensive manufacturer of printing systems by participating in the market for medium-size offset printing presses and digital offset printing presses and developing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

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

All production facilities in this segment have achieved ISO 9000 series certification, the international standard for quality control and quality assurance systems, and all significant facilities have acquired ISO 14001 certification, the international standard for environmental management systems. Further, the Company's research and development (R&D) efforts are directed at the development of environmentally friendly products.

RYOBI 755 (TYPE 5-D)
The new RYOBI 750 series, which is capable of handling paper up to size B2, incorporates many automatic mechanisms and offers productivity gains together with high print quality. This series is equipped with control systems that reduce the number of test sheets and solution consumed, which makes it environmentally friendly.





RYOBI 3404DI Receives Annual Machinery and Industrial Design Awards and Good Design Awards.

The RYOBI 3404DI has been awarded the Distinctive Merit Award at the 31st Annual Machinery and Industrial Design Awards sponsored by *the Nikkan Kogyo Shimbun*, a Japanese newspaper focusing on business and technology. This product also won the Good Design Award 2001 from the Japan Industrial Design Promotion Organization. The RYOBI 3404DI received favorable evaluations for its functions, performance, suitability for market needs and environmental friendliness.

PERFORMANCE

In the fiscal year ended 31st March 2002, net sales of printing equipment declined 2.1% to ¥22.7 billion, and operating income dropped 14.1% to ¥0.6 billion compared with fiscal 2001. The ratio of operating income to net sales contracted to 2.8% from 3.2% in the previous fiscal year.

Sluggish economic conditions domestically and abroad prevented growth in net sales, while increased market competition put pressure on profits. However, the Company began full-scale marketing of its next-generation digital offset printing press in Japan, the United States and Europe, and it quickly won high acclaim in the marketplace.

OUTLOOK

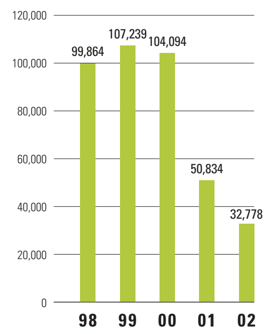
As with die casting business, the Company will maximize the allocation of management resources in the printing equipment business to expand its primary source of earnings. For that reason, the Company is strengthening development and marketing of digital offset printing presses and medium-size offset printing presses—growth areas in which Ryobi is competitive. The Company is also seeking further reductions in costs, and is enhancing the procurement from overseas in order to respond to changes in exchange rates.

RYOBI 3404DI

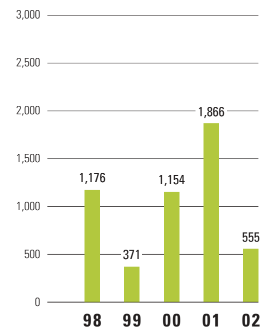
The RYOBI 3404DI digital offset printing press allows the input of print data directly to the printing plate mounted in the press for printing. This printing press combines high productivity with superior operability and print quality, which allows the quick completion of color print jobs.

POWER TOOLS

NET SALES
(Millions of yen)



OPERATING INCOME
(Millions of yen)



Building a structure that creates steady profits

REVIEW

Ryobi boasts a comprehensive lineup of power tools and lawn and garden equipment powered by electrical current(corded), batteries(cordless), engines and compressed air. The Company's products are widely used and appreciated by professionals and amateurs alike, and meet any need in serious home construction and improvement, hobbies and gardening. In addition to creating products that are highly functional, light, compact and safe, this segment stresses product ease of use in its R&D.

The segment is also engaged in the field of builders' hardware, marketing its mainstay door closers for a wide range of residential and buildings, as well as hinges and a broad lineup of other architecture hardware. These products contribute to the safety and comfort of both residential and business environments.

The Company's major facilities for power tools and builders' hardware have acquired ISO 9000 series certification, the international standard for quality control and quality assurance systems, as well as ISO 14001 certification, the international standard for environmental management systems. R&D is directed toward the development of environmentally friendly products.

PERFORMANCE

In the fiscal year ended 31st March 2002, net sales in the power tools dropped 35.5% to ¥32.8 billion, and operating income plunged 70.2% to ¥0.6 billion. The ratio of operating income to net sales declined to 1.7% compared with 3.7% in the previous fiscal year.

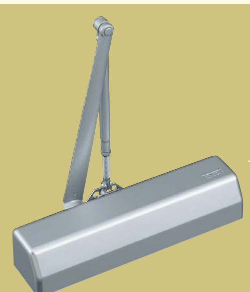
The difference in year-on-year performance for this segment is partially due to the inclusion in fiscal 2001 of the sale of our North American lawn and garden equipment business. The domestic market environment continues to be harsh due to a decline in housing construction.

OUTLOOK

The power tools business is improving profitability by accelerating the shift to manufacturing cost-competitive products at its subsidiary in Dalian, China, as well as by stressing the development of lightweight, compact and easy-to-use products. The business is also bolstering the profitability of its domestic power tool operations, and strengthening its competitiveness in this market.

Further, the builders' hardware business is shifting production of door closers, its principal product, to Dalian and will expand to utilize the advantage of overseas production to manufacture cost-competitive products. Another measure directed at the improvement of profitability is strengthening the development and sale of builders' hardware with unique products.

W-146D CIRCULAR SAW
The W-146D professional electric circular saw features a high-intensity light emitting diode (LED) light source for high efficient working under poorly illuminated conditions, and is lightweight, compact and user-friendly.



D3550 DOOR CLOSER
D3550 series door closers meet the strictest standard in the U.S. (ANSI A156.4 Grade 1) and standard in Europe (EN 1154, including 1634 Part 1). This series has an operating life in excess of 2 million cycles, and is equipped with a closing power adjustment.

FISCAL PERIOD COMPARATIVE SUMMARY

RYOBI LIMITED AND CONSOLIDATED SUBSIDIARIES

(For the years ended 31st March)

	Millions of Yen					
	2002	2001	2000	1999	1998	1997
For the fiscal period:						
Net sales	**¥156,139**	¥184,282	¥240,074	¥242,774	¥232,997	¥208,198
Cost of sales	**126,113**	144,567	190,214	200,494	189,916	169,568
Gross profit	**30,026**	39,715	49,860	42,280	43,081	38,630
Selling, general and administrative expenses	**23,662**	29,576	42,557	35,463	34,082	31,743
Operating income	**6,364**	10,139	7,303	6,817	8,999	6,887
Income taxes	**2,188**	(1,150)	(11,231)	1,719	3,066	3,421
Net income (loss)	**2,081**	2,907	2,831	(3,086)	1,437	(3,775)
As at fiscal year-end:						
Total assets	**¥165,401**	¥193,001	¥238,080	¥233,654	¥239,219	¥225,504
Total shareholders' equity	**33,379**	29,501	33,360	32,540	36,916	36,767
	Yen					
Per share data:						
Net income (loss)—Primary	**¥ 12.19**	¥ 17.04	¥ 16.59	¥ (18.02)	¥ 8.39	¥ (22.05)
Cash dividends	**—**	—	—	3.75	7.50	7.50

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATING PERFORMANCE

Consolidated net sales for the fiscal year ended 31st March 2002, declined 15.3% to ¥156,139 million. Of this, domestic sales decreased 12.1% to ¥103,907 million and overseas sales also decreased 21.0% to ¥52,231 million. A significant portion of the decline in sales is attributable to the company's decision to sell the North American lawn and garden business and fishing tackle business.

Operating income declined by 37.2% to ¥6,364 million, resulting in the narrowed operating income ratio by 1.4%, as compared with prior year performance.

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

Die Castings

Net sales in the Die Castings segment decreased 8.0% to ¥99,099 million, with operating income of ¥5,509 million declining by 32.0% compared with prior year performance. The decrease was mainly due to a slump in sales in the domestic automobiles and information technology industries.

Printing Equipment

Net sales in the Printing Equipment segment decreased 2.1% to ¥22,693 million, with operating income of ¥638 million representing are 14.1% decline from the prior year. The intensive price competition in the marketplace narrowed the margin level of this business segment.

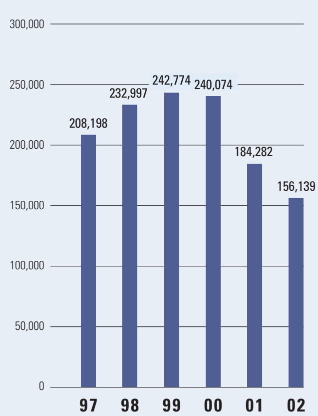
Power Tools

Net sales in the Power Tools segment was reduced by 35.5% to ¥32,778 million, with operating income of ¥555 million resulting in a significant decline of 70.2% from the prior year. The significant decline was mainly due to the North American lawn and garden business, which was sold during the prior year.

Other

Net sales in Other segment slipped 37.8% to ¥1,569 million, with an operating loss of ¥342 million. The significant decline was due to the fishing tackle business segment, which was sold during the prior year.

NET SALES
(Millions of yen)



LIQUIDITY AND FINANCIAL POSITION

Net cash provided by operating activities during this fiscal year decreased ¥1,637 million to ¥13,137 million.

Net cash used in investing activities was ¥553 million mainly for the purchases of property, plant and equipment.

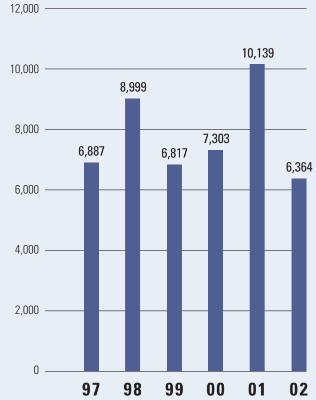
Net cash used in financing activities decreased ¥14,928 million to ¥17,670 million. The cash used includes the repayment of ¥14,672 million for domestic convertible bond, which matured on March 29, 2002. As a result, the Ryobi Group reduced the interest-bearing debts which include bank loans, commercial papers and bonds 19.7% to ¥77,763 million.

In the aggregate, the consolidated cash flow of the Ryobi Group recorded a net decrease in cash and cash equivalents of ¥4,790 million and resulted in ¥13,879 million at the end of fiscal year, after necessary adjustment for exchange rate changes.

Total assets decreased 14.3% to ¥165,401 million, resulting from the securitisation of non-consolidated trade receivables and the sale of overseas power tool sales companies during the fiscal year.

Total shareholders' equity improved by 13.1% to ¥33,379 million. As a result, the equity ratio rose to 20.2% from 15.3% a year earlier.

OPERATING INCOME
(Millions of yen)



CONSOLIDATED BALANCE SHEETS

RYOBI LIMITED AND CONSOLIDATED SUBSIDIARIES

(As at 31st March 2002 and 2001)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2002**	2001	**2002**
Current assets			
Cash and cash equivalents	¥ 13,879	¥ 18,669	$ 104,158
Time deposits (Note 6)	2,715	2,561	20,375
Notes and accounts receivable (Note 6)			
Trade	31,625	44,764	237,336
Unconsolidated subsidiaries and affiliates	78	301	585
Other	1,509	2,236	11,325
Allowance for doubtful accounts	(113)	(413)	(848)
Inventories (Note 4)	30,026	34,226	225,336
Deferred tax assets (Note 9)	2,018	1,187	15,144
Prepaid expenses and other	988	929	7,415
Total current assets	82,725	104,460	620,826
Property, plant and equipment (Note 6)			
Land	20,137	20,661	151,122
Buildings and structures	38,906	38,680	291,977
Machinery and equipment	85,737	86,634	643,430
Construction in progress	744	1,169	5,583
Total	145,524	147,144	1,092,112
Accumulated depreciation	(86,895)	(86,191)	(652,120)
Net property, plant and equipment	58,629	60,953	439,992
Investments and other assets			
Investments in securities (Notes 3 and 6)	10,876	10,922	81,621
Investments in and advances to unconsolidated subsidiaries and affiliates	342	617	2,567
Intangible fixed assets	2,109	2,253	15,827
Deferred tax assets (Note 9)	7,594	10,556	56,991
Other	3,494	4,218	26,221
Allowance for doubtful accounts	(368)	(978)	(2,762)
Total investments and other assets	24,047	27,588	180,465
Total	¥165,401	¥193,001	$1,241,283

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2002	2001	Thousands of U.S. Dollars (Note 1) 2002
Current liabilities			
Short-term borrowings (Note 6)	¥ 28,963	¥ 34,440	$ 217,358
Current portion of long-term debt (Note 6)	22,297	23,959	167,332
Notes and accounts payable			
Trade	29,616	37,317	222,259
Unconsolidated subsidiaries and affiliates	260	421	1,951
Other	1,573	2,350	11,805
Accrued expenses	5,392	7,909	40,465
Income taxes payable	205	133	1,539
Accrued loss on disposal of business segment	—	1,810	—
Other current liabilities	7,122	7,428	53,449
Total current liabilities	95,428	115,767	716,158
Long-term liabilities			
Long-term debt (Note 6)	27,202	39,594	204,143
Accrued severance indemnities (Note 7)	5,111	4,116	38,356
Other long-term liabilities (Note 5)	3,658	3,090	27,452
Total long-term liabilities	35,971	46,800	269,951
Minority interests (Note 5)	623	933	4,675
Commitments and contingent liabilities (Note 11)			
Shareholders' equity (Notes 5 and 8)			
Common stock			
Authorised: 500,000,000 shares			
Issued: 171,230,715 shares	18,472	18,472	138,626
Additional paid-in capital	23,517	23,517	176,488
Land revaluation reserve (Note 5)	610	—	4,578
Deficits	(4,106)	(5,652)	(30,814)
Unrealised gain on available-for-sale securities	2,641	2,229	19,820
Adjustments on foreign currency statement translation	(7,689)	(9,001)	(57,704)
Treasury stock (532,672 shares in 2002, 521,337 shares in 2001)	(66)	(64)	(495)
Total shareholders' equity	33,379	29,501	250,499
Total	¥165,401	¥193,001	$1,241,283

CONSOLIDATED STATEMENTS OF INCOME

RYOBI LIMITED AND CONSOLIDATED SUBSIDIARIES

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
Net sales	¥156,139	¥184,282	$1,171,775
Cost of sales	126,113	144,567	946,439
Gross profit	30,026	39,715	225,336
Selling, general and administrative expenses	23,662	29,576	177,576
Operating income	6,364	10,139	47,760
Other income			
Interest and dividends	323	460	2,424
Gain on sales of investments in securities	753	660	5,651
Foreign exchange gain	424	736	3,182
Other	1,421	1,294	10,664
Total other income	2,921	3,150	21,921
Other expenses			
Interest	2,379	3,677	17,854
Loss on disposal of property, plant and equipment	678	568	5,088
Loss on disposal of business segment	205	5,709	1,538
Early retirement benefits	565	158	4,240
Other	1,502	1,386	11,272
Total other expenses	5,329	11,498	39,992
Income before income taxes and other items	3,956	1,791	29,689
Income taxes (Note 9)			
Current	281	278	2,109
Deferred	1,907	(1,428)	14,311
Total income taxes	2,188	(1,150)	16,420
Minority interests	(313)	(34)	(2,348)
Net income	¥ 2,081	¥ 2,907	$ 15,617

	Yen		U.S. Dollars (Note 1)
Per share of common stock			
Net income	¥ 12.19	¥ 17.04	$ 0.091
Fully diluted net income	11.59	15.72	0.087
Cash dividends applicable to the year	—	—	—

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

RYOBI LIMITED AND CONSOLIDATED SUBSIDIARIES

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

		Millions of Yen						
	Number of Shares of Common Stock (Thousands)	Common Stock	Additional Paid-in Capital	Land Revaluation reserve	Deficits	Unrealised gain on available-for-sale securities	Adjustments on foreign currency statement translation	Treasury stock
Balance at 31st March 2000	171,231	¥18,472	¥23,517	¥ —	¥(8,555)	¥ —	¥ —	¥(74)
Net income	—	—	—	—	2,907	—	—	—
Bonuses to directors and statutory auditors	—	—	—	—	(4)	—	—	—
Unrealised gain on available-for-sale securities increased	—	—	—	—	—	2,229	—	—
Adjustments on foreign currency statement translation decreased	—	—	—	—	—	—	(9,001)	—
Treasury stock increased, net (78,832 shares)	—	—	—	—	—	—	—	10
Balance at 31st March 2001	171,231	18,472	23,517	—	(5,652)	2,229	(9,001)	(64)
Net income	—	—	—	—	**2,081**	—	—	—
Bonuses to directors and statutory auditors	—	—	—	—	**(5)**	—	—	—
Transfer to land revaluation reserve	—	—	—	—	**(530)**	—	—	—
Land revaluation reserve	—	—	—	**610**	—	—	—	—
Unrealised gain on available-for-sale securities increased	—	—	—	—	—	**412**	—	—
Adjustments on foreign currency statement translation increased	—	—	—	—	—	—	**1,312**	—
Treasury stock decreased, net (11,335 shares)	—	—	—	—	—	—	—	**(2)**
Balance at 31st March 2002	**171,231**	**¥18,472**	**¥23,517**	**¥610**	**¥(4,106)**	**¥2,641**	**¥(7,689)**	**¥(66)**

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Additional Paid-in Capital	Land Revaluation reserve	Deficits	Unrealised gain on available-for-sale securities	Adjustments on foreign currency statement translation	Treasury stock
Balance at 31st March 2001	$138,626	$176,488	$ —	$(42,417)	$16,728	$(67,550)	$(480)
Net income	—	—	—	**15,617**	—	—	—
Bonuses to directors and statutory auditors	—	—	—	**(37)**	—	—	—
Transfer to land revaluation reserve	—	—	—	**(3,977)**	—	—	—
Land revaluation reserve	—	—	**4,578**	—	—	—	—
Unrealised gain on available-for-sale securities increased	—	—	—	—	**3,092**	—	—
Adjustments on foreign currency statement translation increased	—	—	—	—	—	**9,846**	—
Treasury stock decreased, net (11,335 shares)	—	—	—	—	—	—	**(15)**
Balance at 31st March 2002	**$138,626**	**$176,488**	**$4,578**	**$(30,814)**	**$19,820**	**$(57,704)**	**$(495)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

RYOBI LIMITED AND CONSOLIDATED SUBSIDIARIES

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
Operating activities			
Income before income taxes and other items	¥ 3,956	¥ 1,791	$ 29,689
Adjustments for:			
Income taxes—returned (paid)	(118)	130	(886)
Depreciation and amortisation	6,195	8,052	46,492
Loss on disposal of business segment	205	5,709	1,538
Loss on sales or disposals of property, plant and equipment	498	344	3,737
Gain on sales of investments in securities	(750)	(660)	(5,629)
Changes in assets and liabilities			
Decrease (increase) in notes and accounts receivable	10,443	(809)	78,371
Decrease (increase) in inventories	1,115	(456)	8,368
Increase (decrease) in notes and accounts payable	(5,667)	181	(42,529)
Decrease in accrued expenses	(1,920)	(620)	(14,409)
Other, net	(820)	1,112	(6,153)
Net cash provided by operating activities	13,137	14,774	98,589
Investing activities			
Purchase of property, plant and equipment	(4,020)	(5,322)	(30,169)
Proceeds from sale of property, plant and equipment	1,295	794	9,719
Proceeds from sale of investments in securities	1,134	878	8,510
Proceeds from disposal of business segment	750	18,645	5,629
Payments for disposal of business segment	(247)	(1,516)	(1,854)
Other	535	(221)	4,015
Net cash provided by (used in) investing activities	(553)	13,258	(4,150)
Financing activities			
Proceeds from long-term debt	10,616	16,677	79,670
Repayments of long-term debt	(24,421)	(20,314)	(183,272)
Decrease in short-term borrowings, net	(3,381)	(28,666)	(25,373)
Other	(484)	(295)	(3,632)
Net cash used in financing activities	(17,670)	(32,598)	(132,607)
Foreign currency translation adjustments on cash and cash equivalents	296	153	2,221
Net decrease in cash and cash equivalents	(4,790)	(4,413)	(35,947)
Cash and cash equivalents at beginning of year	18,669	23,082	140,105
Cash and cash equivalents at end of year	¥ 13,879	¥ 18,669	$ 104,158
Additional cash flow information			
Interest paid	¥ 2,405	¥ 4,063	$ 18,049

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RYOBI LIMITED AND CONSOLIDATED SUBSIDIARIES

For the years ended 31st March 2002 and 2001

1. Basis of Presenting Consolidated Financial Statements

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

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Ryobi Limited ("the Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.25 to $1, the approximate rate of exchange at 31st March 2002. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Certain reclassifications have been made in the 2001 consolidated financial statements to conform to the classifications used in 2002.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

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

(i) Consolidated subsidiaries

The major consolidated subsidiaries are listed below:

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

(ii) Affiliate

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

Ryobi - Tech Corporation (Taiwan)

The number of consolidated subsidiaries and affiliates accounted for under the equity method as at 31st March 2002 and 2001 was as follows:

	2002	2001
Consolidated subsidiaries	15	20
Affiliates	3	3

The number of unconsolidated subsidiaries and affiliates not accounted for under the equity method as at 31st March 2002 and 2001 was as follows:

	2002	2001
Unconsolidated subsidiaries	4	6
Affiliates	0	0

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

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

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

(b) Cash and Cash equivalents

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

(c) Inventories

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

(i) Finished products and work in process

Inventories held by the Company and domestic subsidiaries:

Die castings .... Retail method
Dies .... Specific identification method
Printing equipment .... Average method

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

(ii) Raw materials, supplies and purchased goods

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

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

(d) Marketable securities and investments in securities

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

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

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

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

(e) Depreciation and amortisation

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

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

(f) Accrued severance indemnities and pension plan

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

Effective 1st April 2000, the Ryobi Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The amount of the transitional obligation of ¥9,092 million ($68,233 thousand), determined as at the beginning of this fiscal year, is amortised over ten years. Unrecognised prior service cost is amortised at the beginning of this fiscal year by using straight-line method over employees' remaining service period or shorter period (ranging from 11 to 16 years). Unrecognised net actuarial loss is amortised from next fiscal year by using straight-line method over employees' remaining service period or shorter period (ranging from 11 to 16 years).

(g) Leases

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

(h) Income taxes

The Ryobi Group adopted an accounting method for interperiod allocation of income taxes based on the asset and liability method.

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

(i) Appropriation of retained earnings

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

(j) Translation of foreign currency accounts

All current and non-current receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translations are recognised in the income statement to the extent that they are not hedged by forward exchange contracts.

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

The balance sheet accounts of the consolidated overseas subsidiaries are translated into yen at the current exchange rates as at the balance sheet date except for shareholders' equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Adjustments on foreign currency statement translation" in a separate component of shareholders' equity in accordance with the revised accounting standard for foreign currency translations.

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

(l) Derivative and hedging activities

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

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives be recognised as either assets or liabilities and measured at fair value, and gains or losses on derivative translations are recognised in the income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until of maturity of the hedged transaction.

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

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

(n) Per share information

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year. The average number of common shares used in the computation, excluding treasury stock, was 170,704 thousand shares and 170,639 thousand shares for 2002 and 2001, respectively.

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

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

3. Marketable Securities and Investments in Securities

Information regarding each category of the securities classified as trading, held-to-maturity and available-for-sale at 31st March 2002 and 2001 was as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	2002				2001				2002			
	Cost	Unrealised Gain	Unrealised Loss	Fair Value	Cost	Unrealised Gain	Unrealised Loss	Fair Value	Cost	Unrealised Gain	Unrealised Loss	Fair Value
Trading	—	—	—	—	—	—	—	—	—	—	—	—
Held-to-maturity	—	—	—	—	—	—	—	—	—	—	—	—
Available-for-sale												
Corporate shares	¥5,083	¥5,456	¥(939)	¥9,600	¥5,690	¥4,252	¥(397)	¥9,545	$38,146	$40,946	$(7,047)	$72,045
Bonds	34	—	(4)	30	34	—	(3)	31	255	—	(30)	225
Total	¥5,117	¥5,456	¥(943)	¥9,630	¥5,724	¥4,252	¥(400)	¥9,576	$38,401	$40,946	$(7,077)	$72,270

Available-for-sale securities whose fair value was not readily determinable as at 31st March 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Available-for-sale			
Corporate shares	¥1,245	¥1,346	$9,343
Bonds	1	—	8
Total	¥1,246	¥1,346	$9,351

Proceeds from sales of available-for-sale securities for the years ended 31st March 2002 and 2001 were ¥1,134 million ($8,510 thousand) and ¥878 million, respectively. Gross realised gains and losses on these sales, computed on the moving-average cost basis, were ¥753 million ($5,651 thousand) and ¥2 million ($15 thousand), respectively, for the years ended 31st March 2002 and gross realised gain was ¥632 million for the years ended 31st March 2001.

The book value of bonds by contractual maturity for securities classified as available-for-sale as at 31st March 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Due in one year or less	¥30	—	$225
Due after one year through five years	1	¥31	8
Total	¥31	¥31	$233

4. Inventories

Inventories as at 31st March 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Finished products and purchased goods	¥14,680	¥18,578	$110,169
Work in process	9,980	10,384	74,897
Raw materials and supplies	5,366	5,264	40,270
Total	¥30,026	¥34,226	$225,336

5. Land Revaluation Reserve

Under the "Law of Land Revaluation", promulgated on March 31, 1998 and revised at 31st March 1999 and 2001, certain consolidated subsidiary elected a one-time revaluation of its own-use land to a value based on assessment of fixed assets tax and land price tax.

The resulting land revaluation excess represents unrealised appreciation of land and is stated, net of income taxes and attribution of minority interest, as a component of shareholders' equity. There is no effect on the 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. The details of the one-time revaluation as at 31st March, 2002 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Book value of land for business use before revaluation	¥ 275	$ 2,064
Book value of land for business use after revaluation	¥1,981	$14,867
Land revaluation reserve, net of income tax of ¥700 million ($5,253 thousand) and attribution of minority interest of ¥394 million ($2,957 thousand)	¥ 610	$ 4,578

6. Short-term Borrowings and Long-term Debt

The annual average interest rates applicable to short-term borrowings were 1.3% and 2.3%, as at 31st March 2002 and 2001, respectively.

Commercial paper included short-term borrowings totaling ¥2,492 million ($18,702 thousand) and ¥2,183 million, as at 31st March 2002 and 2001, respectively.

Long-term debt at 31st March 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Loans principally from banks and insurance companies with interest rates ranging from 0.69% to 7.28% :			
Secured	¥ 1,991	¥ 1,617	$ 14,942
Unsecured	39,929	39,290	299,655
Floating-rate guaranteed notes in euro due 2003	6,880	6,880	51,632
2.8% convertible notes in yen due 2002	—	14,672	—
Other	699	1,094	5,246
Total	49,499	63,553	371,475
Less: Current portion	(22,297)	(23,959)	(167,332)
Long-term debt, less current portion	¥27,202	¥39,594	$ 204,143

The aggregate annual maturities of long-term debt at 31st March 2002 were as follows:

Years Ending 31st March	Millions of Yen	Thousands of U.S. Dollars
2003	¥22,297	$167,332
2004	13,279	99,655
2005	7,768	58,296
2006	3,511	26,349
2007	1,890	14,184
2008 and thereafter	754	5,659
Total	¥49,499	$371,475

The assets of the Ryobi Group pledged as collateral for short-term loans and long-term debt with banks and other financial institutions at 31st March 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Net book value of property:			
Buildings and structures	¥ 3,256	¥3,129	$24,435
Machinery and equipment	1,696	2,037	12,728
Land	2,858	960	21,448
Time deposit	108	4	811
Notes and accounts receivable	4,209	546	31,587
Investments in securities	83	445	623
Total	¥12,210	¥7,121	$91,632

7. Accrued Severance Indemnities and Pension Plan

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

The liabilities for employees' retirement benefits at 31st March 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Projected benefit obligation	¥54,289	¥ 53,109	$ 407,422
Fair value of plan assets	(31,676)	(32,328)	(237,718)
Unrecognised prior service cost	1,804	—	13,538
Unrecognised actual loss	(12,120)	(8,558)	(90,957)
Unrecognised transitional obligation	(7,186)	(8,276)	(53,929)
Prepaid pension cost	—	169	—
Net liabilities	¥ 5,111	¥ 4,116	$ 38,356

The components of net periodic benefit costs for the years ended 31st March 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Service cost	¥ 1,799	¥ 1,603	$13,501
Interest cost	1,517	1,561	11,385
Expected return on plan assets	(1,061)	(1,151)	(7,962)
Amortisation of prior service cost	(45)	—	(338)
Recognised actual loss	663	—	4,975
Amortisation of transitional obligation	1,086	799	8,150
Net periodic benefit costs	¥ 3,959	¥ 2,812	$29,711

Assumptions used for the years ended 31st March 2002 and 2001 were set forth as follows:

	2002	2001
Discount rate	2.7%~3.0%	3.0%
Expected rate of return on plan assets	3.5%	3.5%
Amortisation of prior service cost	11~16 years	—
Recognition period of actuarial gain / loss	11~16 years	11~16 years
Amortisation of transitional obligation	10 years	10 years

8. Shareholders' Equity

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

Prior to 1st October 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective 1st October 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to 1st October 2001, the Code also required companies to appropriate from retained earnings to a legal reserve an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings until such reserve equals to 25% of stated capital. Effective 1st October 2001, the revised Code allows for such appropriation to be set aside as a legal reserve until such reserve equals 25% of stated capital. Effective 1st October 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company's legal reserve amount, which is included in deficits, totals ¥172 million ($1,291 thousand) and ¥172 as at 31st March 2002 and 2001, respectively. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of Board of Directors. Prior to 1st October, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to 1st October 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective 1st October 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors after 31st March 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

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

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

9. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of 40.9% for the years ended 31st March 2002 and 2001.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at 31st March 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Deferred tax assets:			
Accrued severance cost	¥ 1,071	¥ 572	$ 8,038
Accrued loss on disposal of business segment	—	740	—
Tax loss carryforwards	35,905	32,934	269,456
Other	1,947	2,044	14,611
Valuation allowance	(27,438)	(22,750)	(205,914)
Deferred tax assets	¥11,485	¥13,540	$ 86,191
Deferred tax liabilities:			
Unrealised gain on available-for-sale securities	¥ (1,855)	¥ (1,575)	$ (13,921)
Land revaluation difference for consolidation	—	(707)	—
Other	(832)	(746)	(6,244)
Deferred tax liabilities	(2,687)	(3,028)	(20,165)
Net deferred tax assets	¥ 8,798	¥10,512	$ 66,026

Reconciliation between the normal effective statutory tax rate for the years ended 31st March 2002 and 2001 and the actual effective tax rates reflected in the accompanying consolidated statement of operation was as follows:

	2002	2001
Normal effective statutory tax rate	40.9%	40.9%
Expenses not deductible for income tax purposes	6.4	—
Valuation allowance	6.3	(74.3)
Realised loss on consolidated subsidiaries which were liquidated	—	(31.2)
Taxation on per capita basis	2.0	2.9
Other, net	(0.3)	(2.5)
Actual effective tax rate	55.3%	(64.2)%

10. Research and Development Costs

Research and development costs were ¥1,771 million ($13,291 thousand) and ¥2,279 million for the years ended 31st March 2002 and 2001, respectively.

11. Leases and Contingent Liabilities

(1) Contingent liabilities

The Ryobi Group had the following contingent liabilities as at 31st March 2002 and 2001.

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Trade notes discounted	¥1,398	¥2,196	$10,491
Guarantees and similar items			
Bank loans	259	294	1,944
Lease	1,603	1,570	12,030
Total	¥3,260	¥4,060	$24,465

(2) Leases

Future minimum lease payments of the Ryobi Group as at 31st March 2002 and 2001 under noncancelable finance leases that do not transfer ownership of leased assets to the lessee were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Current	¥ 727	¥ 389	$ 5,456
Non-current	3,141	1,849	23,572
Total	¥3,868	¥2,238	$29,028

Lease expenses on such finance lease contracts without ownership transfer amounted to ¥550 million ($4,128 thousand) and ¥294 million for the years ended 31st March 2002 and 2001, respectively.

As at 31st March 2002 and 2001, summarised information showing the assumed figures of acquisition cost, accumulated depreciation and net book value, which include the portion interest thereon, of the leased properties and other assets under finance leases without ownership transfer were as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2002			2001			2002		
	Acquisition Cost	Accumulated Depreciation	Net Leased Property	Acquisition Cost	Accumulated Depreciation	Net Leased Property	Acquisition Cost	Accumulated Depreciation	Net Leased Property
Buildings and structures	¥ 4	¥ 4	¥ 0	¥ 4	¥ 3	¥ 1	$ 30	$ 30	$ 0
Machinery and equipment	3,416	960	2,456	2,772	832	1,940	25,636	7,205	18,431
Other assets	1,652	240	1,412	351	54	297	12,398	1,801	10,597
Total	¥5,072	¥1,204	¥3,868	¥3,127	¥889	¥2,238	$38,064	$9,036	$29,028

Depreciation expense and interest expense, which are not reflected in the accompanying statement of income, computed by the straight-line method and the interest method were ¥550 million ($4,128 thousand) and ¥294 million for the years ended 31st March 2002 and 2001, respectively.

Future minimum lease payments of the Ryobi Group as at 31st March 2002 and 2001 under noncancelable operating leases are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Current	¥ 867	¥ 841	$ 6,507
Non-current	2,614	3,009	19,617
Total	¥3,481	¥3,850	$26,124

12. Derivatives

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

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

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

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

The Ryobi Group had the following derivatives contracts outstanding as at 31st March 2002 and 2001.

	Million of Yen				Thousands of U.S. Dollars	
	2002		2001		2002	
	Contract Or Notional Amount	Fair Value	Contract Or Notional Amount	Fair Value	Contract Or Notional Amount	Fair Value
Interest swap:						
Fixed rate payment, floating rate receipt	¥100	¥(2)	¥—	¥—	$750	$(15)

Note: Derivatives which qualify for hedge accounting were excluded from the market value information in 2002 and 2001.

13. Segment Information

The segment information classified by industry and geographical market area is presented below with respect to the years ended 31st March 2002 and 2001.

(1) Industry segment information

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

—Die castings ("Die castings")

—Printing equipment ("Printing equipment")

—Electric and petro engine tools ("Power tools")

—Other products such as golf equipment, etc. ("Other")

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

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

	Thousands of U.S. Dollars					
	2002					
	Die castings	Printing equipment	Power tools	Other	Eliminations / corporate	Consolidated
Net sales:						
Unaffiliated customer	$743,707	$170,304	$245,989	$11,775	$ —	$1,171,775
Intersegment	2,904	—	52	—	(2,956)	—
Total	746,611	170,304	246,041	11,775	(2,956)	1,171,775
Operating costs and expenses	705,268	165,516	241,876	14,341	(2,986)	1,124,015
Operating income (loss)	$ 41,343	$ 4,788	$ 4,165	$ (2,566)	$ 30	$ 47,760
Total assets	$624,758	$190,987	$215,872	$10,469	$199,197	$1,241,283
Depreciation	32,428	5,501	8,180	405	—	46,514
Capital expenditure	23,077	3,310	3,137	67	—	29,591

The amounts of corporate assets as at 31st March 2002 and 2001 included in the “Eliminations or corporate assets” were, respectively, ¥26,571 million ($199,407 thousand) and ¥36,451 million, which mainly consist of surplus assets in the Company (cash and securities) and long-term investment assets (investments in securities).

(2) Geographical segment information

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

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

	Japan	North America	Other overseas	Eliminations / corporate	Consolidated
	Thousands of U.S. Dollars				
	2002				
Net sales:					
Unaffiliated customer	$896,270	$160,548	$114,957	$ —	$1,171,775
Intersegment	30,267	15	26,799	(57,081)	—
Total	926,537	160,563	141,756	(57,081)	1,171,775
Operating costs and expenses	889,689	158,311	135,137	(59,122)	1,124,015
Operating income	$ 36,848	$ 2,252	$ 6,619	$ 2,041	$ 47,760
Total assets	$819,557	$144,308	$ 89,823	$187,595	$1,241,283

The amounts of corporate assets as at 31st March 2002 and 2001 included in the "Eliminations or corporate assets" were ¥26,571 million ($199,407 thousand) and ¥36,451 million, respectively, which mainly comprise surplus assets in the Company (cash and securities) and long-term investment assets (investments in securities).

(3) Export sales and sales by overseas subsidiaries

Export sales of the companies (i.e., export amounts made by the Company and its domestic subsidiaries) plus the sales by overseas consolidated subsidiaries for the years ended 31st March 2002 and 2001 are presented below:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Exports sales and sales by overseas subsidiaries			
North America	¥26,498	¥38,772	$198,859
Europe	15,590	17,033	116,998
Other	10,143	10,295	76,120
Total	¥52,231	¥66,100	$391,977
Percentage of such sales against consolidated net sales			
North America	17.0%	21.1%	
Europe	10.0	9.2	
Other	6.5	5.6	
Total	33.5%	35.9%	

14. Subsequent Event

At the general shareholders' meeting held on 27th June 2002, the Company's shareholders approved followings:

(1) Reduction of additional paid-in capital

The Company reduces its additional paid-in capital of ¥11,900 million ($89,306 thousand) to ¥11,617 million ($87,183 thousand) during the year ended 31st March 2003.

(2) Purchase of treasury stock

The Company is authorised to repurchase treasury stock, at management discretion, of up to 5 million shares or ¥1,000 million ($7,505 thousand) during the period ending at the next general shareholders' meeting.

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**Deloitte
Touche
Tohmatsu**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ryobi Limited:

We have examined the consolidated balance sheets of Ryobi Limited and consolidated subsidiaries as of 31st March, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Ryobi Limited and consolidated subsidiaries as of 31st March, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

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

Deloitte Touche Tohmatsu

27th June, 2002

BOARD OF DIRECTORS

President
Hiroshi Urakami

Senior Vice President
Tsuyoshi Mifune

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

Standing Auditor
Shozo Kobayashi

Corporate Auditors
Hiroshi Fukano
Takuomi Matsumoto
Hiroshi Toriyama

CORPORATE DIRECTORY

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

CORPORATE DATA

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Established
16th December 1943

Number of Shares Issued
171,230,715

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Continental Depositary Receipts—Frankfurt

Transfer Agent
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