RYOBI

ANNUAL REPORT

For the year ended March 31,2013

2013

CONSOLIDATED BALANCE SHEET

RYOBI LIMITED AND ITS CONSOLIDATED SUBSIDIARIES

(As of March 31, 2013)

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2013**	2012	**2013**
Current assets			
Cash and cash equivalents (Note 14)	**¥ 21,844**	¥ 22,513	**$ 232,259**
Short-term investments (Note 14)	**2,200**	2,076	**23,392**
Notes and accounts receivable (Note 14)			
Trade	**39,689**	39,404	**421,999**
Unconsolidated subsidiaries and affiliates	**292**	263	**3,105**
Other	**3,671**	1,960	**39,033**
Allowance for doubtful accounts	**(19)**	(43)	**(202)**
Inventories (Note 4)	**31,892**	30,724	**339,096**
Deferred tax assets (Note 9)	**1,005**	1,289	**10,686**
Prepaid expenses and other	**2,172**	843	**23,094**
Total current assets	**102,746**	99,029	**1,092,462**
Property, plant and equipment (Notes 5 and 6)			
Land	**22,310**	21,697	**237,214**
Buildings and structures	**54,290**	46,123	**577,246**
Machinery and equipment	**154,962**	134,004	**1,647,656**
Construction in progress	**9,955**	11,287	**105,848**
Other	**876**	1,747	**9,314**
Total	**242,393**	214,858	**2,577,278**
Accumulated depreciation	**(145,512)**	(139,188)	**(1,547,177)**
Net property, plant and equipment	**96,881**	75,670	**1,030,101**
Investments and other assets			
Investments in securities (Notes 3 and 14)	**9,545**	8,043	**101,489**
Investments in unconsolidated subsidiaries and affiliates (Note 14)	**104**	104	**1,106**
Intangible fixed assets	**1,642**	1,643	**17,459**
Deferred tax assets (Note 9)	**2,071**	1,453	**22,020**
Other	**1,805**	1,806	**19,191**
Allowance for doubtful accounts	**(68)**	(53)	**(723)**
Total investments and other assets	**15,099**	12,996	**160,542**
Total	**¥ 214,726**	¥ 187,695	**$ 2,283,105**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2013	2012	Thousands of U.S. dollars (Note 1) 2013
Current liabilities			
Short-term borrowings (Notes 6 and 14)	¥ **32,201**	¥ 28,542	$ **342,382**
Current portion of long-term debt (Notes 6 and 14)	**8,868**	7,013	**94,290**
Notes and accounts payable (Note 14)			
Trade	**30,338**	32,173	**322,573**
Unconsolidated subsidiaries and affiliates	**210**	262	**2,233**
Other	**10,107**	6,848	**107,464**
Accrued expenses	**3,144**	3,816	**33,429**
Income taxes payable	**307**	826	**3,264**
Other current liabilities	**2,414**	2,514	**25,668**
Total current liabilities	**87,589**	81,994	**931,303**
Long-term liabilities			
Long-term debt (Notes 6 and 14)	**38,204**	22,323	**406,209**
Accrued severance indemnities (Note 7)	**5,876**	6,105	**62,477**
Other long-term liabilities	**3,289**	2,922	**34,971**
Total long-term liabilities	**47,369**	31,350	**503,657**
Commitments and contingent liabilities (Notes 12,13 and 15)			
Equity (Note 8)			
Common stock			
Authorized: 500,000,000 shares			
Issued: 171,230,715 shares	**18,472**	18,472	**196,406**
Capital surplus	**23,757**	23,750	**252,600**
Retained earnings	**43,364**	42,811	**461,074**
Treasury stock (9,376,194 shares in 2013; 9,484,108 shares in 2012)	**(2,333)**	(2,361)	**(24,806)**
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	**2,881**	1,970	**30,633**
Deferred loss on derivatives under hedge accounting	**(51)**	(36)	**(542)**
Land revaluation reserve (Note 5)	**655**	655	**6,964**
Foreign currency translation adjustments	**(8,293)**	(11,986)	**(88,177)**
Total	**78,452**	73,275	**834,152**
Minority interests	**1,316**	1,076	**13,993**
Total equity	**79,768**	74,351	**848,145**
Total	¥ **214,726**	¥ 187,695	$ **2,283,105**

CONSOLIDATED STATEMENT OF INCOME

RYOBI LIMITED AND ITS CONSOLIDATED SUBSIDIARIES

(For the year ended March 31, 2013)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Net sales	**¥ 166,567**	¥ 165,638	**$ 1,771,047**
Cost of sales	**141,621**	135,938	**1,505,805**
Gross profit	**24,946**	29,700	**265,242**
Selling, general and administrative expenses (Note 10)	**21,639**	21,985	**230,080**
Operating income	**3,307**	7,715	**35,162**
Other income			
Interest and dividends	**180**	168	**1,914**
Rent income	**381**	405	**4,051**
Foreign exchange gain	**333**	—	**3,541**
Other	**795**	537	**8,453**
Total other income	**1,689**	1,110	**17,959**
Other expenses			
Interest	**1,370**	1,021	**14,567**
Loss on disposal of property, plant and equipment	**318**	112	**3,381**
Loss on devaluation of investments in securities	**45**	173	**478**
Depreciation	**86**	118	**914**
Early retirement benefits	**—**	199	**—**
Other	**563**	701	**5,987**
Total other expenses	**2,382**	2,324	**25,327**
Income before income taxes and minority interests	**2,614**	6,501	**27,794**
Income taxes (Note 9)			
Current	**793**	2,289	**8,432**
Deferred	**(376)**	(36)	**(3,998)**
Total income taxes	**417**	2,253	**4,434**
Net income before minority interests	**2,197**	4,248	**23,360**
Minority interests in net income	**187**	68	**1,988**
Net income	**¥ 2,010**	¥ 4,180	**$ 21,372**

	Yen		U.S. dollars (Note 1)
Per share of common stock (Note 2(p))			
Net income	**¥ 12.42**	¥ 25.84	**$ 0.132**
Cash dividends applicable to the year	**6.00**	6.00	**0.064**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RYOBI LIMITED AND ITS CONSOLIDATED SUBSIDIARIES

(For the year ended March 31, 2013)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Net income before minority interests	¥ 2,197	¥ 4,248	**$ 23,360**
Other comprehensive income:			
Unrealized gain on available-for-sale securities	989	116	**10,516**
Deferred loss on derivatives under hedge accounting	(15)	(4)	**(159)**
Land revaluation reserve	—	44	—
Foreign currency translation adjustments	3,693	(286)	**39,266**
Share of other comprehensive income in associates	5	(1)	**53**
Total other comprehensive income(Note 11)	4,672	(131)	**49,676**
Comprehensive income	¥ 6,869	¥ 4,117	$ 73,036
Total comprehensive income attributable to:			
Owners of the parent	¥ 6,598	¥ 4,018	**$ 70,154**
Minority interests	271	99	**2,882**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

RYOBI LIMITED AND ITS CONSOLIDATED SUBSIDIARIES

(For the year ended March 31, 2013)

	Thousands	Millions of yen										
						Accumulated other comprehensive income						
	Issued number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for -sale securities	Deferred loss on derivatives under hedge accounting	Land revaluation reserve	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance at April 1, 2011	171,231	¥ 18,472	¥ 23,750	¥ 39,601	¥ (2,360)	¥ 1,871	¥ (32)	¥ 626	¥ (11,700)	¥ 70,228	¥ 989	¥ 71,217
Net income	—	—	—	4,180	—	—	—	—	—	4,180	—	4,180
Cash dividends, ¥6.00 per share	—	—	—	(970)	—	—	—	—	—	(970)	—	(970)
Purchase of treasury stock (540 shares)	—	—	—	—	(1)	—	—	—	—	(1)	—	(1)
Net change in the year	—	—	—	—	—	99	(4)	29	(286)	(162)	87	(75)
Balance at March 31, 2012	171,231	18,472	23,750	42,811	(2,361)	1,970	(36)	655	(11,986)	73,275	1,076	74,351
Net income	—	—	—	**2,010**	—	—	—	—	—	**2,010**	—	**2,010**
Cash dividends, ¥6.00 per share	—	—	—	**(1,457)**	—	—	—	—	—	**(1,457)**	—	**(1,457)**
Purchase of treasury stock (1,263 shares)	—	—	—	—	**(0)**	—	—	—	—	**(0)**	—	**(0)**
Disposal of treasury stock (109,177 shares)	—	—	**7**	—	**28**	—	—	—	—	**35**	—	**35**
Net change in the year	**—**	**—**	**—**	**—**	**—**	**911**	**(15)**	**—**	**3,693**	**4,589**	**240**	**4,829**
Balance at March 31, 2013	**171,231**	**¥ 18,472**	**¥ 23,757**	**¥ 43,364**	**¥ (2,333)**	**¥ 2,881**	**¥ (51)**	**¥ 655**	**¥ (8,293)**	**¥ 78,452**	**¥ 1,316**	**¥ 79,768**

	Thousands of U.S. Dollars (Note 1)										
					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for -sale securities	Deferred loss on derivatives under hedge accounting	Land revaluation reserve	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance at March 31, 2012	$ 196,406	$ 252,525	$ 455,194	$ (25,102)	$ 20,946	$ (383)	$ 6,964	$ (127,443)	$ 779,107	$ 11,441	$ **790,548**
Net income	—	—	**21,372**	—	—	—	—	—	**21,372**	—	**21,372**
Cash dividends, ¥6.00 per share	—	—	**(15,492)**	—	—	—	—	—	**(15,492)**	—	**(15,492)**
Purchase of treasury stock (1,263 shares)	—	—	—	**(3)**	—	—	—	—	**(3)**	—	**(3)**
Disposal of treasury stock (109,177 shares)	—	**75**	—	**299**	—	—	—	—	**374**	—	**374**
Net change in the year	**—**	**—**	**—**	**—**	**9,687**	**(159)**	**—**	**39,266**	**48,794**	**2,552**	**51,346**
Balance at March 31, 2013	**$ 196,406**	**$ 252,600**	**$ 461,074**	**$ (24,806)**	**$ 30,633**	**$ (542)**	**$ 6,964**	**$ (88,177)**	**$ 834,152**	**$ 13,993**	**$ 848,145**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

RYOBI LIMITED AND ITS CONSOLIDATED SUBSIDIARIES

(For the year ended March 31, 2013)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Operating activities			
Income before income taxes and minority interests	**¥ 2,614**	¥ 6,501	**$ 27,794**
Adjustments for:			
Income taxes - paid	**(1,966)**	(3,402)	**(20,904)**
Depreciation and amortization	**10,933**	10,925	**116,247**
Loss on sales or disposals of property, plant and equipment	**310**	80	**3,296**
Loss on revaluation of investments in securities	**45**	173	**478**
Changes in assets and liabilities			
Increase in notes and accounts receivable	**(702)**	(4,588)	**(7,464)**
Increase in inventories	**(185)**	(3,670)	**(1,967)**
Decrease (increase) in notes and accounts payable	**(2,800)**	5,166	**(29,782)**
Decrease (increase) in accrued expenses	**(482)**	732	**(5,125)**
Other, net	**(1,000)**	(987)	**(10,633)**
Net cash provided by operating activities	**6,767**	10,930	**71,940**
Investing activities			
Purchase of property, plant and equipment	**(23,833)**	(17,962)	**(253,408)**
Proceeds from sale of property, plant and equipment	**191**	69	**2,031**
Other	**(666)**	(441)	**(7,081)**
Net cash used in investing activities	**(24,308)**	(18,334)	**(258,458)**
Financing activities			
Proceeds from long-term debt	**22,687**	16,302	**241,223**
Repayments of long-term debt	**(6,822)**	(10,442)	**(72,536)**
Increase in short-term borrowings, net	**2,198**	3,449	**23,371**
Acquisition of treasury stock	**(0)**	(1)	**(3)**
Cash dividends paid	**(1,452)**	(968)	**(15,439)**
Other	**(11)**	(11)	**(114)**
Net cash provided by financing activities	**16,600**	8,329	**176,502**
Foreign currency translation adjustments on cash and cash equivalents	**272**	102	**2,903**
Net decrease (increase) in cash and cash equivalents	**(669)**	1,027	**(7,113)**
Cash and cash equivalents at beginning of year	**22,513**	21,486	**239,372**
Cash and cash equivalents at end of year	**¥ 21,844**	¥ 22,513	**$ 232,259**
Additional cash flow information			
Interest paid	**¥ 1,300**	¥ 1,009	**$ 13,822**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RYOBI LIMITED AND ITS CONSOLIDATED SUBSIDIARIES
For the year ended March 31, 2013

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 consolidated financial statements to conform to the classifications used in 2013.

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 ¥94.05 to $1, the approximate rate of exchange at March 31, 2013. 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.

2. Summary of Significant Accounting Policies

(a) Consolidation

The consolidated financial statements as of March 31, 2013, include the accounts of the Company and its significant subsidiaries (the "Ryobi Group"). Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Ryobi Group has the ability to exercise significant influence are accounted for by the equity method.

(i) Consolidated subsidiaries

The major consolidated subsidiaries are listed below:

Tokyo Light Alloy Co., Ltd. (Japan)
Ryobi Die Casting (USA), Inc.
Ryobi Die Casting Dalian Co., Ltd.

(ii) Affiliates

The major affiliate accounted for by the equity method is Ryobi Land Development Co., Ltd. (Japan).

The number of consolidated subsidiaries and affiliates accounted for by the equity method as of March 31, 2013, was as follows:

	2013
Consolidated subsidiaries	15
Affiliates	1

The number of unconsolidated subsidiaries not accounted for by the equity method as of March 31, 2013, was as follows:

	2013
Unconsolidated subsidiaries	3

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

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

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 amortized over a period of 5 years.

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

The accounting standard for unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements requires: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material; 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and 5) exclusion of minority interests from net income, if included.

(c) 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.

(d) Inventories

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

(i) Finished products and work in process

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

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

(ii) Raw materials, supplies and purchased goods

Die castings……..Average method

Others……………Last purchase invoice price method

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

(e) Marketable and Investment securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
i) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in income, 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 amortized cost, and iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

For other-than-temporary declines in fair value, investments in securities is reduced to net realizable value by a charge to income.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is primarily 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 and machinery and equipment held for lease of the Company and all its consolidated subsidiaries.

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

(g) Long-lived assets

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

(h) Leases

All finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet.

(i) 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.

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

(j) Bonuses to directors and Audit & Supervisory Board Members

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

(k) 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 recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(l) Appropriation of retained earnings

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

(m) Translation of foreign currency accounts

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

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

(o) Derivative and hedging activities

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

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

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

(p) Per share information

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

Diluted net income per share is not calculated because no dilutive instruments were issued and outstanding for the years ended March 31, 2013 and 2012.

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

(q) Accounting Changes and Error Corrections

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

(1) Changes in Accounting Policies—When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

(r) New Accounting Pronouncements

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and followed by partial amendments from time to time through 2009. Major changes are as follows:

(1) Treatment in the balance sheet—Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset. Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(2) Treatment in the statement of income and the statement of comprehensive income—The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(3) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases—The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (1) and (2) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (3) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard for (1) and (2) above from the end of the annual period beginning on April 1, 2013, and for (3) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. Investments in Securities

Information regarding each category of the securities classified as trading, held-to-maturity and available-for-sale at March 31, 2013 and 2012, was as follows:

	Millions of yen			
	2013			
	Cost	Unrealized gain	Unrealized loss	Fair value
Available-for-sale:				
Corporate shares……………………………………………	¥ **3,694**	¥ **4,696**	¥ **(80)**	¥ **8,310**

	Millions of yen			
	2012			
	Cost	Unrealized gain	Unrealized loss	Fair value
Available-for-sale:				
Corporate shares……………………………………………	¥ 3,670	¥ 3,234	¥ (143)	¥ 6,761

	Thousands of U.S.dollars			
	2013			
	Cost	Unrealized gain	Unrealized loss	Fair value
Available-for-sale:				
Corporate shares……………………………………………	$ **39,277**	$ **49,931**	$ **(851)**	$ **88,357**

4. Inventories

Inventories at March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S.dollars
	2013	2012	**2013**
Finished products and purchased goods………………………………	¥ **14,164**	¥ 13,852	$ **150,601**
Work in process……………………………………………………………	**10,063**	10,058	**106,996**
Raw materials and supplies……………………………………………	**7,665**	6,814	**81,499**
Total…………………………………………………………………………	¥ **31,892**	¥ 30,724	$ **339,096**

5. Land Revaluation

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

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

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

	Millions of yen	Thousands of U.S.dollars
Land before revaluation…………………………………………………………………………	¥ **275**	$ **2,924**
Land after revaluation……………………………………………………………………………	**1,981**	**21,063**
Land revaluation reserve, net of income taxes of ¥ 631 million ($ 6,709 thousand) and attribution of minority interest of ¥ 420 million ($ 4,466 thousand)…………………	¥ **655**	$ **6,964**

As of March 31, 2013, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥ 943 million ($ 10,027 thousand).

6. Short-term Borrowings and Long-term Debt

The annual weighted-average interest rates applicable to short-term borrowings were 1.4% and 0.8% at March 31, 2013 and 2012, respectively.

Long-term debt at March 31, 2013 and 2012, consisted of the following:

		Millions of yen			Thousands of U.S.dollars	
		2013		2012		**2013**
Loans principally from banks and insurance companies with interest rates ranging from 0.97% to 7.68%						
Secured…………………………………………………………………	¥	**74**	¥	101	$	**787**
Unsecured………………………………………………………………		**46,827**		28,864		**497,894**
Lease obligations…………………………………………………………		**171**		371		**1,818**
Total………………………………………………………………………		**47,072**		29,336		**500,499**
Less current portion………………………………………………………		**(8,868)**		(7,013)		**(94,290)**
Long-term debt less current portion……………………………………	¥	**38,204**	¥	22,323	$	**406,209**

The aggregate annual maturities of long-term debt at March 31, 2013, were as follows:

Years Ending March 31		Millions of yen		Thousands of U.S.dollars
2014………………………………………………………………………		**8,868**		**94,290**
2015………………………………………………………………………		**10,712**		**113,897**
2016………………………………………………………………………		**7,716**		**82,041**
2017………………………………………………………………………		**4,620**		**49,123**
2018………………………………………………………………………		**11,774**		**125,189**
2019 and thereafter………………………………………………………		**3,382**		**35,959**
Total………………………………………………………………………	¥	**47,072**	$	**500,499**

The assets of the Ryobi Group pledged as collateral for short-term borrowings and long-term debt with banks and other financial institutions at March 31, 2013 and 2012, were as follows:

		Millions of yen			Thousands of U.S.dollars	
		2013		2012		**2013**
Net book value of property:						
Buildings and structures………………………………………………	¥	**2,185**	¥	2,354	$	**23,232**
Machinery and equipment……………………………………………		**1,184**		1,262		**12,589**
Land………………………………………………………………………		**2,415**		2,493		**25,678**
Total………………………………………………………………………	¥	**5,784**	¥	6,109	$	**61,499**

7. Accrued Severance Indemnities and Pension Plan

The Company and certain of its 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 March 31, 2013 and 2012, consisted of the following:

		Millions of yen			Thousands of U.S.dollars	
		2013		2012		**2013**
Projected benefit obligation…………………………………………	¥	**32,471**	¥	33,067	$	**345,252**
Fair value of plan assets………………………………………………		**(22,775)**		(20,165)		**(242,158)**
Unrecognized prior service cost………………………………………		**1,030**		1,262		**10,951**
Unrecognized actuarial loss……………………………………………		**(4,850)**		(8,059)		**(51,568)**
Net liabilities………………………………………………………………	¥	**5,876**	¥	6,105	$	**62,477**

The components of net periodic retirement benefit costs for the years ended March 31, 2013 and 2012, were as follows:

	Millions of yen				Thousands of U.S.dollars	
	2013		2012		**2013**	
Service cost	¥	**1,126**	¥	1,098	$	**11,972**
Interest cost		**621**		736		**6,603**
Expected return on plan assets		**(691)**		(682)		**(7,347)**
Amortization of prior service cost		**(234)**		(234)		**(2,488)**
Recognized actuarial loss		**1,054**		932		**11,207**
Net periodic retirement benefit costs	¥	**1,876**	¥	1,850	$	**19,947**

Assumptions used for the years ended March 31, 2013 and 2012, are set forth as follows:

	2013	2012
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	3.5%	3.5%
Amortization of prior service cost	Primarily 14 years	Primarily 14 years
Recognition period of actuarial gain / loss	Primarily 14 years	Primarily 14 years

8. Equity

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

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

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

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

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

(c) Treasury stock and treasury stock acquisition rights

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

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

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

9. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of 37.0% and 39.5% for the years ended March 31, 2013 and 2012, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Accrued severance cost	¥ 2,358	¥ 2,230	$ 25,072
Tax loss carryforwards	12,088	10,997	128,527
Other	1,525	2,536	16,215
Valuation allowance	(11,474)	(11,130)	(121,999)
Deferred tax assets	¥ 4,497	¥ 4,633	$ 47,815
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (1,608)	¥ (1,071)	$ (17,097)
Other	(462)	(1,110)	(4,913)
Deferred tax liabilities	¥ (2,070)	¥ (2,181)	$ (22,010)
Net deferred tax assets	¥ 2,427	¥ 2,452	$ 25,805

The reconciliation between the normal effective statutory tax rate for the years ended March 31, 2013 and 2012, and the actual effective tax rates reflected in the accompanying consolidated statements of income was as follows:

	2013	2012
Normal effective statutory tax rate	37.0 %	39.5%
Expenses not deductible for income tax purposes	5.9	3.2
Unrealized profit that exceeds total taxable income	4.8	(0.0)
Valuation allowance	(32.8)	(12.2)
Tax credit for research and development costs and other	(1.6)	(2.3)
Effect of tax rate reduction	—	3.7
Other, net	2.6	2.8
Actual effective tax rate	15.9 %	34.7%

10. Research and Development Costs

Research and development costs were ¥1,812 million ($19,266 thousand) and ¥1,905 million for the years ended March 31, 2013 and 2012, respectively.

11. Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unrealized gain on available-for-sale securities:			
Gains (losses) arising during the year	¥ 1,526	¥ (229)	$ 16,225
Reclassification adjustments to profit or loss	—	171	—
Amount before income tax effect	1,526	(58)	16,225
Income tax effect	(537)	174	(5,709)
Total	989	116	10,516
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	(23)	(3)	(245)
Reclassification adjustments to profit or loss	1	—	11
Amount before income tax effect	(22)	(3)	(234)
Income tax effect	7	(1)	75
Total	(15)	(4)	(159)
Land revaluation reserve:			
Income tax effect	—	44	—
Foreign currency translation adjustments:			
Adjustments arising during the year	3,693	(286)	39,266
Share of other comprehensive income in associates—			
Gains (losses) arising during the year	5	(1)	53
Total other comprehensive income	¥ 4,672	¥ (131)	$ 49,676

12. Leases

Future minimum lease payments of the Ryobi Group as of March 31, 2013 and 2012, under non-cancelable operating leases were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
Current	¥	42	¥	66	$	446
Non-current		33		60		351
Total	¥	75	¥	126	$	797

13 Contingent Liabilities

The Ryobi Group had the following contingent liabilities at March 31, 2013 and 2012.

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
Trade notes discounted	¥	91	¥	57	$	968
Guarantees and similar items:						
Bank loans		34		54		362
Leases		582		798		6,188
Other		2		—		21
Total	¥	709	¥	909	$	7,539

14 Financial Instruments and Related Disclosures

(a) Group policy for financial instruments

The Ryobi Group uses financial instruments, mainly long-term debt including bank loans and lease obligation, based on its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Short-term bank loans are used to fund the Group's ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in Note 15.

(b) Nature and extent of risks arising from financial instruments

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

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

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

Derivatives mainly include forward foreign currency contracts and interest-rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans. Please see Note 15 for more details about derivatives.

(c) Risk management for financial instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Ryobi Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers at an early stage. With respect to derivatives, the Ryobi Group manages its exposure to credit risk by limiting its funding to high credit rating bonds in accordance with in its internal guidelines. Please see Note 15 for the detail about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2013.

Market risk management (foreign exchange risk and interest rate risk)

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

Interest-rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

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

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

Liquidity risk management

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

(d) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Also please see Note 15 for the details about fair value of derivatives.

(1) Fair value of financial instruments

Fair value of financial instruments at March 31, 2013 and 2012, were follows:

	Millions of yen					
	2013					
	Carrying amount		Fair value		Unrealized gain/loss	
Cash and cash equivalents	¥	**21,844**	¥	**21,844**	¥	—
Short-term investments		**2,200**		**2,200**		—
Notes and accounts receivable		**43,633**		**43,633**		—
Investments in securities		**9,545**		**9,545**		—
Total	¥	**77,222**	¥	**77,222**	¥	—
Short-term borrowing	¥	**32,201**	¥	**32,201**	¥	—
Notes and accounts payable		**40,655**		**40,655**		—
Long-term debt		**47,072**		**47,418**		**346**
Total		**119,928**		**120,274**		**346**
Derivatives transaction	¥	**(79)**	¥	**(79)**	¥	—

	Millions of yen					
	2012					
	Carrying amount		Fair value		Unrealized gain/loss	
Cash and cash equivalents	¥	22,513	¥	22,513	¥	—
Short-term investments		2,076		2,076		—
Notes and accounts receivable		41,584		41,584		—
Investments in securities		8,043		8,043		—
Total	¥	74,216	¥	74,216	¥	—
Short-term borrowing	¥	28,542	¥	28,542	¥	—
Notes and accounts payable		39,283		39,283		—
Long-term debt		29,336		29,471		135
Total		97,161		97,296		135
Derivatives transaction	¥	(57)	¥	(57)	¥	—

	Thousands of U.S. dollars					
	2013					
	Carrying Amount		Fair value		Unrealized gain/loss	
Cash and cash equivalents	$	**232,259**	$	**232,259**	$	—
Short-term investments		**23,392**		**23,392**		—
Notes and accounts receivable		**463,935**		**463,935**		—
Investments in securities		**101,489**		**101,489**		—
Total	$	**821,075**	$	**821,075**	$	—
Short-term borrowing	$	**342,382**	$	**342,382**	$	—
Notes and accounts payable		**432,270**		**432,270**		—
Long-term debt		**500,499**		**504,178**		**3,679**
Total		**1,275,151**		**1,278,830**		**3,679**
Derivatives transaction	$	**(840)**	$	**(840)**	$	—

Cash and cash equivalents

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

Short-term investments

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

Investments in securities
The fair values of investments in securities are measured at the quoted market price on the stock exchange for the equity instruments. The information on the fair value of investments in securities by classification is included in Note 3.
Notes and accounts receivable
The carrying amount of notes and accounts receivable approximate fair value because of their short maturities.
Short-term borrowings
The carrying amount of short-term borrowings approximate fair value because of their short maturities.
Notes and accounts payable
The carrying amount of notes and accounts payable approximate fair value because of their short maturities.
Long-term debt
The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.
Derivatives
The information of the fair value for derivatives is included in Note 15.

(2) Financial instruments whose fair value cannot be reliably determined
Financial instruments whose fair value cannot be reliably determined at March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S.dollars
	2013	2012	**2013**
Investments in equity instruments that do not have a quoted market price in an active market	**¥ 1,235**	¥ 1,282	**$ 13,131**
Investments in unconsolidated subsidiaries and affiliates	**¥ 104**	¥ 104	**$ 1,106**

(3) Maturity analysis for financial assets with contractual maturities
Maturity analysis for financial assets with contractual maturities at March 31, 2013 and 2012, were follows:

	Millions of yen			
	2013			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**¥ 21,844**	¥ —	¥ —	¥ —
Short-term investments	**2,200**	—	—	—
Notes and accounts receivable	**43,429**	**200**	**23**	—
Total	**¥ 67,473**	**¥ 200**	**¥ 23**	**¥ —**

	Millions of yen			
	2012			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 22,513	¥ —	¥ —	¥ —
Short-term investments	2,076	—	—	—
Notes and accounts receivable	41,580	4	—	—
Total	¥ 66,169	¥ 4	¥ —	¥ —

	Thousands of U.S.dollars			
	2013			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**$ 232,259**	**$ —**	**$ —**	**$ —**
Short-term investments	**23,392**	**—**	**—**	**—**
Notes and accounts receivable	**461,765**	**2,127**	**245**	**—**
Total	**$ 717,416**	**$ 2,127**	**$ 245**	**$ —**

Please see Note 6 for annual maturities of long-term debt.

15 Derivatives

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

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

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

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

The Ryobi Group had the following derivatives contracts outstanding as of March 31, 2013 and 2012:

	Millions of yen			
	2013			
	Hedge item	Contract Amount	Contract amount due after one year	Fair value
Interest rate swaps— floating rate payment, fixed rate receipt..........	Short-term borrowing and Long-term debt	¥ **2,800**	¥ **2,800**	¥ **(79)**
Interest rate swaps— floating rate payment, fixed rate receipt (see note)...	Long-term debt	¥ **14,577**	¥ **13,977**	¥ **—**

	Millions of yen			
	2012			
	Hedge item	Contract Amount	Contract amount due after one year	Fair value
Interest rate swaps— floating rate payment, fixed rate receipt..........	Short-term borrowing and Long-term debt	¥ 3,800	¥ 2,800	¥ (57)
Interest rate swaps— floating rate payment, fixed rate receipt (see note)...	Long-term debt	¥ 7,750	¥ 6,750	¥ —

	Thousands of U.S.dollars			
	2013			
	Hedge item	Contract Amount	Contract amount due after one year	Fair value
Interest rate swaps— floating rate payment, fixed rate receipt..........	Short-term borrowing and Long-term debt	$ **29,771**	$ **29,771**	$ **(840)**
Interest rate swaps— floating rate payment, fixed rate receipt (see note)...	Long-term debt	$ **154,992**	$ **148,612**	$ **—**

Note: The above interest rate swaps, which qualify for hedge accounting and which meet specific matching criteria, are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 14 is included in that of hedge items (i.e., long-term debt).

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

16 Segment Information

(1) Description of reportable segments

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

Industry Die castings consists of die cast products for the automobile industry and various other industries. Industry Printing equipment consists of offset printing presses and peripherals. Industry Power tools and builders' hardware consists of electric power tools, lawn and garden equipment and builders' hardware.

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

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

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

	Millions of yen				
	2013				
	Die castings	Printing equipment	Power tools and builders' hardware	Reconciliations	Consolidated
Net sales:					
Sales to external customers........	¥ **126,674**	¥ **15,584**	¥ **24,309**	¥ **—**	¥ **166,567**
Intersegment sales or transfers...	**132**	**—**	**1**	**(133)**	**—**
Total......................................	**126,806**	**15,584**	**24,310**	**(133)**	**166,567**
Segment profit (loss)..................	¥ **2,242**	¥ **(711)**	¥ **1,776**	¥ **(0)**	¥ **3,307**
Segment assets.........................	¥ **150,282**	¥ **17,478**	¥ **25,985**	¥ **20,981**	¥ **214,726**
Depreciation and amortization.....	**9,766**	**511**	**656**	**—**	**10,933**
Increase in property, plant and equipment and intangible assets....	¥ **26,546**	¥ **130**	¥ **842**	¥ **—**	¥ **27,518**

	Millions of yen				
	2012				
	Die castings	Printing equipment	Power tools and builders' hardware	Reconciliations	Consolidated
Net sales:					
Sales to external customers........	¥ 123,361	¥ 17,533	¥ 24,744	¥ —	¥ 165,638
Intersegment sales or transfers...	121	—	4	(125)	—
Total......................................	123,482	17,533	24,748	(125)	161,638
Segment profit (loss)..................	¥ 6,080	¥ (711)	¥ 2,346	¥ 0	¥ 7,715
Segment assets.........................	¥ 117,757	¥ 23,345	¥ 26,179	¥ 20,414	¥ 187,695
Depreciation and amortization.	9,700	593	632	—	10,925
Increase in property, plant and equipment and intangible assets....	¥ 19,426	¥ 143	¥ 706	¥ —	¥ 20,275

	Thousands of U.S. dollars				
	2013				
	Die castings	Printing equipment	Power tools and builders' hardware	Reconciliations	Consolidated
Net sales:					
Sales to external customers........	$ **1,346,879**	$ **165,699**	$ **258,469**	$ **—**	$ **1,771,047**
Intersegment sales or transfers....	**1,404**	**—**	**11**	**(1,415)**	**—**
Total......................................	**1,348,283**	**165,699**	**258,480**	**(1,415)**	**1,771,047**
Segment profit (loss)..................	$ **23,838**	$ **(7,560)**	$ **18,884**	$ **(0)**	$ **35,162**
Segment assets.........................	$ **1,597,895**	$ **185,837**	$ **276,289**	$ **223,084**	$ **2,283,105**
Depreciation and amortization.....	**103,839**	**5,433**	**6,975**	**—**	**116,247**
Increase in property, plant and equipment and intangible assets....	$ **282,254**	$ **1,382**	$ **8,953**	$ **—**	$ **292,589**

(4) Related Information

Information about geographical areas

(a) Net sales

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Net sales:			
Japan..	¥ **112,306**	¥ 114,124	$ **1,194,110**
The Americas..	**31,023**	29,991	**329,856**
Other..	**23,238**	21,523	**247,081**
Total...	¥ **166,567**	¥ 165,638	$ **1,771,047**

Note: Sales are classified in countries or regions based on the location of customers.

(b) Property, plant and equipment

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Property, plant and equipment:			
Japan	¥ **46,817**	¥ 45,521	$ **497,788**
The Americas	**11,397**	8,817	**121,180**
Asia	**34,949**	18,532	**371,600**
Other	**3,718**	2,800	**39,533**
Total	¥ **96,881**	¥ 75,670	$ **1,030,101**

17 Subsequent Events

(1) Cash dividends

The following appropriation of retained earnings at March 31, 2013, is scheduled for approval at the Company's shareholders meeting on June 25, 2013:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥ **486**	$ **5,167**

(2) The establishment of a joint venture and implementation of business integration in the Commercial printing business

The Company decided to split the business of sheet-fed offset printing presses(*1) from both Mitsubishi Heavy Industries Printing & Packaging Machinery, Ltd (MHI-PPM) and the Company to a new joint venture, transfer their rights and obligations to it and integrate their businesses at the meeting of the Board of Directors held on June 20, 2013.

(*1)Sheet-fed offset printing presses are machines that print high-quality visual images on cut-out paper sheets.

(a) Outline of Successor Company in the Absorption-Type Corporate Split

Corporate name	RM Limited (scheduled)
Head office	800-2 Ukai-cho, Fuchu City, Hiroshima, Japan (scheduled)
Representative	Not yet determined
Capital	5 millions of yen (scheduled)
Net Assets	5 millions of yen (scheduled)
Total Assets	5 millions of yen (scheduled)
Scope of business	Manufacture and sale of printing machinery and other related materials; Design, implementation and supervision of equipment installations; Sale of used machinery
Date of establishment	July 31, 2013 (scheduled)

(b) Operating result in recent three fiscal years

There is no record of operating result because the joint venture will be established on July 31, 2013.

(c) Name of major shareholder and Shareholding

Name of major shareholder	Shareholding
Ryobi Limited	100% (scheduled)

(d) Details of relationships with the Company

Equity relationship	Will be established as the wholly owned subsidiary of the Company.
Human relationship	Not yet determined
Business relationship	Not yet determined

(e) Purpose of the Absorption-Type Corporate Split

Both MHI-PPM and the Company manufacture and market sheet-fed offset printing presses. Recently, however, the market situation has deteriorated owing to shrinking demand, especially in the developed countries, due to the global economic crisis. This downturn has led both companies to promote internal structural reforms in order to sustain their market competitiveness and financial soundness.

As announced on January 23, 2013, in a press release titled "Announcement of Signing a Letter of Intent for Business Alliance on Commercial Printing Machinery", MHI-PPM and the Company agreed to study establishing a business alliance in the field of sheet-fed offset printing presses specifically targeted at improving competitiveness in that area, enhancing scale of operations, and solidifying their management base.

Subsequently, the two companies held discussions on how to realize an ideal business alliance in this industry. The agreement announced finalizes plans to establish a joint venture integrating their respective sheet-fed offset printing machinery businesses in a quest to achieve significant synergy effects including product line-up enhancement, expansion of product development capabilities, production cost reductions, and improvement in sales and service networks.

The commercial printing industry presently anticipates demand for printing machinery to strengthen in the emerging economies.

Simultaneously, demand for higher specification products is expected to grow further within the mature economies.

In creating their new joint venture, MHI-PPM and the Company seek to prevail against intensifying global competition and build a stronger presence in the global market. They also aim for the new entity to develop into a leading global company in the printing press industry by meeting customer expectations and providing innovative, high-quality products and outstanding services to the market.

(f) Method and nature of the Absorption-Type Corporate Split

(i) Method of the Absorption-Type Corporate Split

The method is the Absorption-Type Corporate Split on which MHI-PPM and the Company are the split companies and the newly-established joint venture is defined as the successor company. Under Article 784 Clause 3 of the Companies Act of Japan, the Company is not required to approve the Absorption-Type Corporate Split agreement at the shareholders' meeting of Company.

(ii) Share allocation of the Absorption-Type Corporate Split

Consideration of the spin-off will be 1,100 shares of stock and cash to the Company, and 800 shares of stock and cash to MHI-PPM.

As a result, including 100 shares of stock which will be issued at the establishment of the new joint venture, the Company will own a 60% stake and MHI-PPM will own a 40% stake of the new joint venture.

(iii) Schedule Date of the Absorption-Type Corporate Split

Board of Directors meeting to approve shareholder agreement ……………………………………	June 20, 2013
Date of signing of shareholder agreement………………………………………………………………	June 20, 2013
Board of Directors meeting to approve Absorption-Type Corporate split agreement…………………	July 31, 2013 (scheduled)
Date of Absorption-Type Corporate split agreement……………………………………………………	July 31, 2013 (scheduled)
Date of Absorption-Type Corporate split (effective date)………………………………………………	January 1, 2014 (scheduled)

(g) Basis and background of allocation

The Absorption-Type Corporate Split was calculated based on the adjusted to fair value net asset approach and decided through discussion with MHI-PPM.

(h) Details of the newly established Corporate after the Absorption-Type Corporate Split

Corporate name…………………………………………	RYOBI MHI Graphic Technology Ltd. (scheduled) (Will be Changed from RM Limited, on January 1,2014)
Head office…………………………………………………	800-2 Ukai-cho, Fuchu City, Hiroshima, Japan (scheduled)
Representative………………………………………………	Not yet determined
Capital…………………………………………………………	100 millions of yen (scheduled)
Net Assets……………………………………………………	Not yet determined
Total Assets…………………………………………………	Not yet determined
Scope of business…………………………………………	Manufacture and sale of printing machinery and other related materials; Design, implementation and supervision of equipment installations; Sale of used machinery

(i) Outline of business to be split

(i) Details of business to be split

Businesses of sheet-fed offset printing presses of both MHI-PPM and the Company.

(ii) Operating results of business to be split as of fiscal year ended March 31, 2013

	Ryobi			MHI－PPM		
	Millions of yen			Millions of yen		
	Business (a)	Consolidated (b)	Ratio (a/b)	Business (a)	Non consolidated (b)	Ratio (a/b)
Sales………………………………………	¥ 15,584	¥ 166,567	9.4%	¥ 9,919	¥ 45,594	21.8%

	Ryobi			MHI－PPM		
	Thousands ofU.S. dollars			Thousands of U.S. dollars		
	Business (a)	Consolidated (b)	Ratio (a/b)	Business (a)	Non consolidated (b)	Ratio (a/b)
Sales………………………………………	$ 165,699	$ 1,771,047	9.4%	$ 105,465	$ 484,785	21.8%

(j) Outline of accounting treatments implemented

The transactions will be implemented as a business combination under common control, based on the "Accounting Standard for Business Combinations"(ASBJ Statement No. 21, December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, December 26, 2008).

Deloitte.

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel:+81 (3) 3457 7321
Fax:+81 (3) 3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Ryobi Limited:

We have audited the accompanying consolidated balance sheet of Ryobi Limited and its consolidated subsidiaries (the "Company") as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ryobi Limited and its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 17 to the consolidated financial statements, at the meeting of the Board of Directors held on June 20, 2013, it was decided that the Company shall implement an absorption-type corporate split and its printing equipment business was transferred to the newly established joint venture. On the same day, the Company signed the shareholders' agreement with Mitsubishi Heavy Industries Printing & Packaging Machinery, Ltd. Our opinion is not qualified in respect of this matter.

Member of
Deloitte Touche Tohmatsu Limited

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 25, 2013

- 2 -

CORPORATE INFORMATION

CORPORATE DATA

Company Name
RYOBI LIMITED

Established
December 16, 1943

Major Products
Die cast products
Printing equipment
(offset printing presses, peripherals, 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-shi, Hiroshima-ken 726-8628, Japan
Telephone: 81-847-41-1111

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

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

MANAGEMENT MEMBERS

(As of June 25, 2013)

BOARD OF DIRECTORS

Chairman and Representative Director	
	Hiroshi Urakami
President and Representative Director	
	Akira Urakami
Directors	Takashi Yokoyama
	Kenjiro Suzuki
	Hiroyuki Kawaguchi
Outside Directors	Satoshi Ohoka
	Tairo Katoh

CORPORATE OFFICERS

Chief Executive Officer	Hiroshi Urakami
Chief Operating Officer	Akira Urakami
Executive Corporate Officer	Takashi Yokoyama
Corporate Officers	Kenjiro Suzuki
	Hiroyuki Kawaguchi
	Hideki Domoto
	Takashi Suzuki
	Yoshimi Takino
	Takashi Kayano

CORPORATE AUDITORS

Standing Corporate Auditor	Shozo Kobayashi
Outside Corporate Auditors	Masaki Saitoh
	Yuji Yamamoto
	Yoichi Arai

MAJOR CONSOLIDATED SUBSIDIARIES

Ryobi Sales Co.(Japan)	Power tools 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 Die Casting(USA), Inc.(U.S.A.)	Die casting manufacturing and sales
RDCM, S.de R.L.de C.V.(Mexico)	Die casting manufacturing
Ryobi Aluminium Casting(UK), Limited(U.K.)	Die casting manufacturing and sales
Ryobi Die Casting Dalian Co., Ltd.(P.R.C.)	Die and die casting manufacturing and sales
Ryobi Die Casting Changzhou Co., Ltd.(P.R.C.)	Die casting manufacturing and sales
Ryobi Die Casting (Thailand) Co., Ltd.(Thailand)	Die casting manufacturing and sales
Ryobi Dalian Machinery Co., Ltd.(P.R.C.)	Power tools, lawn and garden equipment and builders' hardware manufacturing and sales

SHAREHOLDER INFORMATION

Number of Shares Issued
(As of March 31, 2013)

171,230,715 shares

Stock listing
Tokyo Stock Exchange

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

RYOBI RYOBI LIMITED

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

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

http://www.ryobi-group.co.jp/

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