

Ryobi Limited and Consolidated Subsidiaries

Consolidated Financial Statements for the Transitional Fiscal Period Ended December 31, 2018

These consolidated financial statements are based on the Japanese financial statements submitted to the Tokyo Stock Exchange.

Note: Due to a change in the Company's fiscal year-end, the most recent full fiscal period comprised only the nine months ended December 31, 2018 (hereinafter the "transitional fiscal period"). Moreover, the Company's consolidated operating results for the transitional fiscal period ended December 31, 2018 as presented below include the contributions of domestic consolidated subsidiaries for the nine months of April through December 2018 as well as those of overseas consolidated subsidiaries for the 12 months of January through December 2018.

1. Consolidated Balance Sheets

(Millions of yen)

	March 31, 2018	December 31, 2018
Assets		
Current assets		
Cash and deposits	23,172	20,791
Notes and accounts receivable - trade	63,246	58,358
Securities	690	770
Merchandise and finished goods	16,713	17,049
Work in process	13,218	14,006
Raw materials and supplies	13,886	15,842
Other	3,558	3,711
Allowance for doubtful accounts	(53)	(260)
Total current assets	134,432	130,269
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,933	32,305
Machinery, equipment and vehicles, net	47,665	46,821
Land	16,915	18,289
Construction in progress	8,625	9,928
Other, net	3,684	4,946
Total property, plant and equipment	107,823	112,291
Intangible assets		
Other	3,052	3,504
Total intangible assets	3,052	3,504
Investments and other assets		
Investment securities	20,262	17,726
Net defined benefit asset	2,721	1,732
Deferred tax assets	4,050	3,069
Other	393	401
Allowance for doubtful accounts	(65)	(66)
Total investments and other assets	27,362	22,862
Total non-current assets	138,238	138,658
Deferred assets		
Bond issuance cost	72	54
Total deferred assets	72	54
Total assets	272,743	268,982

(Millions of yen)

	March 31, 2018	December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	45,891	45,196
Short-term loans payable	30,956	24,774
Current portion of long-term loans payable	7,386	7,481
Income taxes payable	1,077	772
Provision for bonuses	1,926	762
Provision for directors' bonuses	57	45
Other	16,530	21,884
Total current liabilities	103,826	100,917
Non-current liabilities		
Bonds payable	8,400	8,400
Long-term loans payable	23,588	21,256
Deferred tax liabilities	1,907	1,331
Deferred tax liabilities for land revaluation	507	507
Net defined benefit liability	8,023	8,369
Other	2,693	2,678
Total non-current liabilities	45,120	42,542
Total liabilities	148,946	143,460
Net assets		
Shareholders' equity		
Capital stock	18,472	18,472
Capital surplus	21,786	21,820
Retained earnings	68,509	74,831
Treasury shares	(345)	(346)
Total shareholders' equity	108,421	114,777
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,988	5,127
Revaluation reserve for land	737	808
Foreign currency translation adjustment	1,370	(1,530)
Remeasurements of defined benefit plans	(1,468)	(2,478)
Total accumulated other comprehensive income	7,628	1,927
Non-controlling interests	7,746	8,816
Total net assets	123,796	125,521
Total liabilities and net assets	272,743	268,982

2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(1) Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2018	Nine-month transitional fiscal period ended December 31, 2018
Net sales	247,192	216,187
Cost of sales	208,834	184,581
Gross profit	38,358	31,605
Selling, general and administrative expenses	25,145	18,026
Operating profit	13,212	13,579
Non-operating income		
Interest income	81	87
Dividend income	374	393
Rent income	420	354
Dividend income of insurance	107	128
Share of profit of entities accounted for using equity method	—	42
Other	688	855
Total non-operating income	1,671	1,862
Non-operating expenses		
Interest expenses	1,158	1,134
Sales discounts	132	7
Loss on abandonment of inventories	109	60
Foreign exchange losses	114	29
Depreciation	72	40
Share of loss of entities accounted for using equity method	77	—
Other	189	203
Total non-operating expenses	1,853	1,476
Ordinary profit	13,030	13,965
Extraordinary income		
Gain on disposal of non-current assets	276	18
Gain on sales of investment securities	39	12
Gain on bargain purchase	—	646
Total extraordinary income	316	676
Extraordinary losses		
Loss on disposal of non-current assets	262	184
Impairment loss	—	2,109
Loss on valuation of investment securities	20	—
Loss on sales of investment securities	1	—
Loss on transfer of business	306	—
Total extraordinary losses	590	2,293
Profit before income taxes	12,757	12,348
Income taxes - current	2,490	1,942
Income taxes - deferred	1,810	1,376
Total income taxes	4,300	3,318
Profit	8,456	9,030
Profit attributable to non-controlling interests	611	442
Profit attributable to owners of parent	7,844	8,588

(2) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2018	Nine-month transitional fiscal period ended December 31, 2018
Profit	8,456	9,030
Other comprehensive income		
Valuation difference on available-for-sale securities	372	(2,013)
Revaluation reserve for land	—	70
Foreign currency translation adjustment	852	(2,900)
Remeasurements of defined benefit plans, net of tax	327	(1,013)
Share of other comprehensive income of entities accounted for using equity method	(0)	(1)
Total other comprehensive income	1,550	(5,857)
Comprehensive income	10,007	3,172
Comprehensive income attributable to :		
owners of parent	9,458	2,887
non-controlling interests	548	284

3. Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Nine-month transitional fiscal period ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	12,757	12,348
Depreciation	16,010	12,531
Impairment loss	—	2,109
Increase (decrease) in allowance for doubtful accounts	(4)	219
Increase (decrease) in provision for bonuses	(40)	(1,255)
Increase (decrease) in net defined benefit liability	237	19
Interest and dividend income	(455)	(480)
Interest expenses	1,158	1,134
Share of loss (profit) of entities accounted for using equity method	77	(42)
Loss (gain) on disposal of non-current assets	(14)	165
Loss (gain) on sales of investment securities	(38)	(12)
Loss (gain) on valuation of investment securities	20	—
Gain on bargain purchase	—	(646)
Loss (gain) on transfer of business	306	—
Decrease (increase) in notes and accounts receivable - trade	(8,234)	4,545
Decrease (increase) in inventories	(1,713)	(3,626)
Decrease (increase) in other current assets	133	186
Increase (decrease) in notes and accounts payable - trade	7,539	(662)
Increase (decrease) in other current liabilities	188	1,857
Other, net	(1,599)	(475)
Subtotal	26,328	27,917
Interest and dividend income received	455	498
Interest expenses paid	(1,164)	(1,140)
Income taxes (paid) refund	(2,060)	(2,610)
Net cash provided by (used in) operating activities	23,558	24,664
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,356)	(15,608)
Proceeds from sales of property, plant and equipment	943	10
Purchase of securities	(1,340)	(680)
Proceeds from sales of securities	1,340	680
Purchase of investment securities	(67)	(42)
Proceeds from sales of investment securities	60	28
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,058)
Proceeds from transfer of business	6,727	—
Payments into time deposits	(2,656)	(1,223)
Proceeds from withdrawal of time deposits	2,774	1,223
Other, net	(854)	(877)
Net cash provided by (used in) investing activities	(11,427)	(17,547)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(4,219)	(5,339)
Proceeds from long-term loans payable	13,768	5,734
Repayments of long-term loans payable	(15,884)	(7,245)
Proceeds from issuance of bonds	1,490	—
Purchase of treasury shares	(1)	(0)
Cash dividends paid	(1,618)	(2,260)
Other, net	(32)	(27)
Net cash provided by (used in) financing activities	(6,496)	(9,139)
Effect of exchange rate change on cash and cash equivalents	127	(278)
Net increase (decrease) in cash and cash equivalents	5,760	(2,299)
Cash and cash equivalents at beginning of period	16,170	21,931
Cash and cash equivalents at end of period	21,931	19,632

4. Segment Information

(1) Industry Segment Information

For the fiscal year ended March 31, 2018

(Millions of yen)

	Die Castings	Power Tools and Builders' Hardware	Printing Equipment	Other	Eliminations / Corporate	Consolidated
Net Sales:						
Unaffiliated customers	196,377	23,113	27,473	227	–	247,192
Intersegment	116	5	–	47	(170)	–
Total	196,494	23,119	27,473	275	(170)	247,192
Operating income	10,561	1,466	1,177	7	(0)	13,212
Total Assets	206,225	10,403	24,538	1,358	30,218	272,743
Depreciation	15,020	626	344	18	–	16,010
Capital Expenditure	18,282	438	101	19	–	18,841

For the nine-month transitional fiscal period ended December 31, 2018

(Millions of yen)

	Die Castings	Builders' Hardware	Printing Equipment	Other	Eliminations / Corporate	Consolidated
Net Sales:						
Unaffiliated customers	188,403	7,885	19,704	193	–	216,187
Intersegment	106	–	–	44	(150)	–
Total	188,509	7,885	19,704	237	(150)	216,187
Operating income	12,580	372	603	22	0	13,579
Total Assets	207,661	10,362	24,969	1,592	24,395	268,982
Depreciation	12,215	94	209	10	–	12,531
Capital Expenditure	19,533	223	211	19	–	19,987

(2) Information by Region

For the fiscal year ended March 31, 2018

a. Net sales

(Millions of yen)

Japan	U.S.A.	China	Other	Total
127,131	35,847	43,713	40,500	247,192

Note: Net sales are classified by country and region based on customer location.

b. Property, plant and equipment

(Millions of yen)

Japan	U.S.A.	Mexico	China	Other	Total
41,289	11,593	12,181	30,868	11,891	107,823

For the nine-month transitional fiscal period ended December 31, 2018

a. Net sales

(Millions of yen)

Japan	U.S.A.	China	Other	Total
97,746	33,216	40,897	44,326	216,187

Note: Net sales are classified by country and region based on customer location.

b. Property, plant and equipment

(Millions of yen)

Japan	U.S.A.	Mexico	China	Other	Total
50,912	11,012	12,130	28,589	9,647	112,291