

*2003*

**Ryobi Limited**  
**Semiannual Report** (Unaudited)

For the six months ended 30th September 2003

**RYOBI**

## *Message from the Management*

Guided by its corporate philosophy, “Create a sound and dynamic corporation through technology, trust and challenge,” Ryobi Limited 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.

### **SOUND MANAGEMENT PLAN**

We are advancing our four-year Sound Management Plan, which began in the fiscal year ended 31st March 2001, with the aim of building a high-earnings structure by optimizing the scale and reinforcing the structure of each of our businesses. Although our operating environment has changed significantly, becoming more challenging, since the inception of the plan, Ryobi has continued to implement measures in line with the plan, and is producing results by restructuring its businesses and reducing interest-bearing debt and personnel. Ryobi returned to a retained earnings position on a consolidated basis for the fiscal year ended 31st March 2003 and on a non-consolidated basis for the six-month period ended 30th September 2003. We are committed to redoubling our efforts to ensure a more stable high-earnings structure and to raise the Company’s earnings capacity even further. Specific efforts by business segment are as follows.

#### 1) Die Casting Business

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

ronment, including the conservation of energy and resources.

#### 2) 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. Through the development of products in response to advancements in information technology (IT) and digitization, as well as creating environmentally friendly products, we are working to expand our product lineup in line with market needs.

#### 3) Power Tools Business

(1) We have carried out a sweeping review of operations in our power tools business and our lawn and garden equipment business, including the sale of subsidiaries in North America, Europe and Oceania. In Japan, we have raised profitability through such measures as strengthening our cross-sectional Group management, streamlining our organization, reducing staff and consolidating and eliminating models. In addition, we aim to further strengthen competitiveness by focusing efforts on bolstering product development and marketing capabilities and improving the productivity of a manufacturing subsidiary in Dalian, China. (2) In our builders’ hardware business, we produce door closers—a mainstay product—at our manufacturing subsidiary in Dalian and affiliate in Taiwan. We aim to improve profitability by focusing on developing unique products, reducing costs through productivity enhancements, and reinforcing price competitiveness.

## PERFORMANCE

During the six-month period ended 30th September 2003, consolidated net sales declined 0.5% compared with the same period of the previous fiscal year to ¥75,894 million, with domestic net sales up 2.8% to ¥53,300 million, and overseas net sales down 7.7% to ¥22,594 million.

Operating income for the period increased 28.7% to ¥4,566 million, and net income surged 694.6% to ¥10,202 million.

Despite an increase in sales in the printing equipment business both in Japan and overseas, overall net sales fell slightly, impacted by a drop in sales in the die casting business at our U.S.-based subsidiary.

Profitability improved owing to the increase in sales in the printing equipment business, positive effects from the Sound Management Plan, and cost reductions. In addition, the Company enjoyed a gain on sales of investments in certain securities (announced on 19th September, 2003), posting a record net income for the period, the third consecutive six-month period in which earnings have increased.

By segment, sales in the die casting business were down 2.0% to ¥51,501 million and operating income dropped 5.5% to ¥2,592 million, resulting in a ratio of operating income to sales of 5.0%, compared with 5.2% from the same period last year. Although sales to truck manufacturers in Japan increased, overall sales fell slightly due to the drop in automobile exports to North America and the decline in sales to U.S.-based automobile manufacturers. These problems were exacerbated by intense pressure to reduce prices, which more than offset our efforts to reduce costs, resulting in a drop in profits. Against this backdrop, Ryobi worked diligently to expand the range of applications for die casting products in such non-automotive products as frames of plasma televisions and slot machines. We believe demand for die casting products will grow in the future as an effective tech-

nology that contributes to environmental protection as well as resource and energy conservation, which are important global concerns.

Sales in the printing equipment business rose 8.0% to ¥11,728 million and operating income jumped 954.8% to ¥899 million, resulting in a ratio of operating income to sales of 7.7%, compared with 0.8% from the previous corresponding period. Sales in Japan and overseas grew, particularly of medium-size offset printing presses (B2 and A2 paper sizes). The Company enjoyed a significant improvement in earnings due to increased sales volume and successful efforts to curtail costs such as reduced production lead times. Ryobi will continue to actively develop products that fully consider user needs and to enhance marketing efforts with the aim of increasing earnings still further.

Sales in the power tools business fell 0.6% to ¥12,309 million while operating income climbed 41.9% to ¥1,101 million, resulting in a ratio of operating income to sales of 8.9%, compared with 6.3% from the same period last year. Due to the prolonged slump in housing construction in Japan, sales were essentially on par with the corresponding period of the previous fiscal year. Earnings on the other hand continued to improve, buoyed by the positive effects realized from business restructuring carried out under the Sound Management Plan, efforts to reduce costs and to improve production and sales efficiency.

Ryobi will continue its efforts to optimize the scale and reinforce the structure of each of its businesses based on the Sound Management Plan, and focus on improving performance.

We thank you for your continued support.

December 2003



Hiroshi Urakami  
President

## Consolidated Balance Sheets

Ryobi Limited and Consolidated Subsidiaries  
(As at 30th September and 31st March 2003) (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars*
	30th September 2003	31st March 2003	30th September 2003
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents .....	¥ 20,183	¥ 17,845	\$ 181,420
Time deposits .....	2,580	2,636	23,191
Notes and accounts receivable, less allowances .....	35,287	35,478	317,187
Inventories .....	27,838	29,169	250,229
Prepaid expenses and other .....	2,609	4,058	23,451
Total current assets .....	88,497	89,186	795,478
<b>Net property, plant and equipment</b> .....	<b>55,473</b>	<b>55,779</b>	<b>498,634</b>
<b>Investments and other assets</b>			
Investments in securities .....	8,127	10,709	73,052
Investments in and advances to unconsolidated subsidiaries and affiliates .....	322	313	2,894
Intangible fixed assets .....	1,729	1,794	15,542
Deferred tax assets .....	5,051	4,913	45,402
Other .....	2,605	2,793	23,416
Total investments and other assets .....	17,834	20,522	160,306
<b>Total</b> .....	<b>¥161,804</b>	<b>¥165,487</b>	<b>\$1,454,418</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short-term borrowings .....	¥ 24,612	¥ 28,088	\$ 221,231
Current portion of long-term debt .....	10,815	13,505	97,214
Notes and accounts payable .....	31,692	35,284	284,872
Accrued expenses .....	3,953	4,145	35,533
Income taxes payable .....	523	658	4,701
Other current liabilities .....	6,309	6,509	56,710
Total current liabilities .....	77,904	88,189	700,261
<b>Long-term liabilities</b>			
Long-term debt .....	25,813	28,519	232,027
Accrued severance indemnities .....	6,625	5,912	59,551
Other long-term liabilities .....	3,783	3,867	34,004
Total long-term liabilities .....	36,221	38,298	325,582
<b>Minority interests</b> .....	<b>663</b>	<b>634</b>	<b>5,959</b>
<b>Shareholders' equity</b>			
Common stock			
Authorised: 500,000,000 shares			
Issued: 171,230,715 shares .....	18,472	18,472	166,040
Capital surplus .....	23,517	23,517	211,389
Retained earnings .....	10,566	365	94,975
Land revaluation reserve .....	626	626	5,627
Unrealised gain on available-for-sale securities .....	2,247	3,666	20,198
Foreign currency translation adjustments .....	(7,732)	(7,843)	(69,501)
Treasury stock .....	(680)	(437)	(6,112)
Total shareholders' equity .....	47,016	38,366	422,616
<b>Total</b> .....	<b>¥161,804</b>	<b>¥165,487</b>	<b>\$1,454,418</b>

\*U.S. dollar amounts in this report, solely for the convenience of the reader, are translated from yen at the rate of ¥111.25 = US\$1, the exchange rate prevailing on 30th September 2003.

## Consolidated Statements of Operations

Ryobi Limited and Consolidated Subsidiaries

(Six months ended 30th September 2003 and 2002) (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars*
	30th September 2003	30th September 2002	30th September 2003
<b>Net sales</b> .....	<b>¥75,894</b>	<b>¥76,309</b>	<b>\$682,193</b>
<b>Cost of sales</b> .....	<b>60,819</b>	<b>61,789</b>	<b>546,687</b>
Gross profit .....	<b>15,075</b>	14,520	<b>135,506</b>
<b>Selling, general and administrative expenses</b> .....	<b>10,509</b>	10,973	<b>94,463</b>
Operating income .....	<b>4,566</b>	3,547	<b>41,043</b>
<b>Other income</b>			
Interest and dividends .....	157	138	1,411
Gain on sales of investments in securities .....	8,213	3	73,825
Other .....	818	705	7,353
Total other income .....	<b>9,188</b>	846	<b>82,589</b>
<b>Other expenses</b>			
Interest .....	557	750	5,007
Early retirement benefits .....	—	568	—
Other .....	527	604	4,737
Total other expenses .....	<b>1,084</b>	1,922	<b>9,744</b>
<b>Income before income taxes and minority interests</b> .....	<b>12,670</b>	2,471	<b>113,888</b>
<b>Income taxes</b> .....	<b>2,434</b>	1,195	<b>21,879</b>
<b>Minority interests</b> .....	<b>34</b>	(8)	<b>306</b>
<b>Net income</b> .....	<b>¥10,202</b>	<b>¥ 1,284</b>	<b>\$ 91,703</b>

## Consolidated Statements of Cash Flows

Ryobi Limited and Consolidated Subsidiaries

(Six months ended 30th September 2003 and 2002) (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars*
	30th September 2003	30th September 2002	30th September 2003
<b>Net cash provided by operating activities</b> .....	<b>¥ 4,558</b>	<b>¥ 4,222</b>	<b>\$ 40,971</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment .....	(1,995)	(2,032)	(17,932)
Proceeds from sale of property, plant and equipment .....	186	508	1,672
Proceeds from sale of investments in securities .....	8,490	33	76,315
Other .....	208	245	1,869
Net cash provided by (used in) investing activities .....	<b>6,889</b>	(1,246)	<b>61,924</b>
<b>Financing activities</b>			
Proceeds from long-term debt .....	3,170	6,719	28,494
Repayments of long-term debt .....	(8,440)	(9,782)	(75,865)
Decrease in short-term borrowings, net .....	(3,468)	(36)	(31,173)
Other .....	(382)	(200)	(3,434)
Net cash used in financing activities .....	<b>(9,120)</b>	(3,299)	<b>(81,978)</b>
<b>Foreign currency translation adjustments on cash and cash equivalents</b> .....	11	(51)	99
<b>Net increase (decrease) in cash and cash equivalents</b> .....	<b>2,338</b>	(374)	<b>21,016</b>
<b>Cash and cash equivalents at beginning of year</b> .....	<b>17,845</b>	13,879	<b>160,404</b>
<b>Cash and cash equivalents at end of year</b> .....	<b>¥ 20,183</b>	<b>¥ 13,505</b>	<b>\$ 181,420</b>
<b>Additional cash flow information</b>			
Interest paid .....	¥ 584	¥ 783	\$ 5,249

## Industry Segment Information

(Six months ended 30th September 2003 and 2002)

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

	Millions of Yen					
	2002					
	Die castings	Printing equipment	Power tools	Other	Eliminations	Consolidated
Net sales						
Unaffiliated customers .....	¥52,562	¥10,859	¥12,384	¥504	¥ —	¥76,309
Intersegment .....	122	—	4	—	(126)	—
Total .....	52,684	10,859	12,388	504	(126)	76,309
Operating costs and expenses .....	49,940	10,774	11,612	562	(126)	72,762
Operating income (loss) .....	¥ 2,744	¥ 85	¥ 776	¥ (58)	¥ 0	¥ 3,547

	Thousands of U.S.dollars*					
	2003					
	Die castings	Printing equipment	Power tools	Other	Eliminations	Consolidated
Net sales						
Unaffiliated customers .....	\$462,930	\$105,420	\$110,643	\$3,200	\$ —	\$682,193
Intersegment .....	1,151	—	45	—	(1,196)	—
Total .....	464,081	105,420	110,688	3,200	(1,196)	682,193
Operating costs and expenses .....	440,782	97,339	100,791	3,434	(1,196)	641,150
Operating income (loss) .....	\$ 23,299	\$ 8,081	\$ 9,897	\$ (234)	\$ 0	\$ 41,043

## Geographical Segment Information

(Six months ended 30th September 2003 and 2002)

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

	Millions of Yen				
	2002				
	Japan	North America	Other overseas	Eliminations	Consolidated
Net sales					
Unaffiliated customers .....	¥60,288	¥ 13,208	¥2,813	¥ —	¥ 76,309
Intersegment .....	1,820	—	2,355	(4,175)	—
Total .....	62,108	13,208	5,168	(4,175)	76,309
Operating costs and expenses ....	59,278	12,918	4,697	(4,131)	72,762
Operating income .....	¥ 2,830	¥ 290	¥ 471	¥ (44)	¥ 3,547

	Thousands of U.S.dollars*				
	2003				
	Japan	North America	Other overseas	Eliminations	Consolidated
Net sales					
Unaffiliated customers .....	\$550,624	\$100,387	\$31,182	\$ —	\$682,193
Intersegment .....	12,333	—	19,955	(32,288)	—
Total .....	562,957	100,387	51,137	(32,288)	682,193
Operating costs and expenses ....	534,202	94,247	45,097	(32,396)	641,150
Operating income .....	\$ 28,755	\$ 6,140	\$ 6,040	\$ 108	\$ 41,043

## Export Sales and Sales by Overseas Subsidiaries

(Six months ended 30th September 2003 and 2002)

	Millions of Yen		Thousands of U.S. dollars*	Percentage against consolidated net sales	
	2003	2002	2003	2003	2002
	North America .....	¥13,361	¥15,451	\$120,099	17.6%
Europe .....	6,634	6,661	59,631	8.7%	8.7%
Other .....	2,599	2,364	23,362	3.5%	3.1%
Total .....	¥22,594	¥24,476	\$203,092	29.8%	32.1%

## *Company Outline*

### MAJOR PRODUCTS:

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

### HEAD OFFICE, BRANCH:

- HEAD OFFICE 762, Mesaki-cho, Fuchu, Hiroshima 726-8628, Japan  
Telephone: 81-847-41-1111
- TOKYO BRANCH 5-2-8, Toshima, Kita-ku, Tokyo 114-8518, Japan  
Telephone: 81-3-3927-5541
- TOKYO BRANCH  
TORANOMON OFFICE Toranomom Central Building 4th Floor, 1-7-1, Nishi-Shinbashi, Minato-ku, Tokyo 105-0003, Japan  
Telephone: 81-3-3501-0511

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

## *Shareholder Information*

1. NUMBER OF SHARES ISSUED:  
171,230,715 Shares
2. LISTING:  
Common Stock—Tokyo
3. TRANSFER AGENT:  
The Mitsubishi Trust and Banking Corporation  
4-5, Marunouchi 1-chome, Chiyoda-ku,  
Tokyo 100-8212, Japan
4. RELAYING OFFICES:  
All domestic branches of The Mitsubishi Trust and Banking Corporation