

Message from the Management

SOUND MANAGEMENT PLAN

Following the announcement of its Sound Management Plan in March 2000, Ryobi Limited has made Companywide efforts to fulfill its objectives. Through a sweeping review that considers curtailing and withdrawing from unprofitable businesses, the plan aims to build a stable, high earnings structure by concentrating management resources to the fullest extent possible in such fields of expertise as die casting and printing equipment. The focus of the review is on the power tool business in North America, the power tool business outside North America and the fishing tackle business. At this time, we are roughly on schedule to complete the plan.

The objectives and status of the Sound Management Plan are as follows:

- 1) Plans called for transferring to third parties the North America power tool and lawn and garden equipment businesses. Transfer of the North America power tool business to TechTronic Industries Co., Ltd. (Hong Kong) was completed in August 2000. Transfer of the North America lawn and garden equipment business to MTD Products Inc (U.S.A.) was completed in June 2000.
- 2) In the power tool business outside North America, the Company is proceeding to strengthen cross-sectional management of the Group while streamlining the organizational structure and reducing personnel. In addition, Ryobi Limited aims to improve profitability and strengthen competitiveness by transferring production to a subsidiary in Dalian, China, which has lower manufacturing costs, and by unifying and eliminating models.
- 3) A sweeping review was conducted in the fishing tackle business. Due to continued challenges in achieving profitability, however, the business was transferred to Johshuya Co., Ltd. (Japan) in September 2000.
- 4) In the die casting business, Ryobi Limited is focusing efforts on the expansion of relationships with customers, especially automobile manufacturers, and on bolstering its three-region structure of Japan, the United States and Europe to maintain the Company's position as a world-leading die casting manufacturer.
- 5) In the printing equipment business, we will further enhance our high acclaim on the world market by pursuing high-precision multicolor and advanced functions. The Company aims to expand from small-size to medium-size printing presses and provide total printing systems from prepress to press.

PERFORMANCE

During the six months ended 30th September 2000, consolidated net sales totaled ¥99,157 million, with domestic net sales of ¥58,764 million accounting for 59.3% and overseas net sales of ¥40,393 million making up 40.7% of the total.

Operating income amounted to ¥6,640 million. Owing to an extraordinary loss recorded in accordance with losses on the sale of the North America lawn and garden equipment business and fishing tackle business, a net loss of ¥410 million was registered.

By segment, sales of the die casting business were ¥53,317 million, or 53.8% of consolidated net sales, and operating income totaled ¥4,721 million, or 71.1% of consolidated operating income. As a result, the ratio of operating income to net sales for the segment was 8.9%. Sales increased on the back of favorable exports of domestic automobile manufacturers to North America and Asia.

Sales of the printing equipment business amounted to ¥11,676 million, accounting for 11.8% of consolidated net sales. Operating income was ¥526 million, or 7.9% of consolidated operating income, resulting in a ratio of operating income to net sales of 4.5% for the segment. In addition to a reduction in exports to Europe due to the strong yen and the weak euro, price competition spurred by European manufacturers intensified in Europe and Japan.

Sales of the power tool business totaled ¥32,080 million, or 32.4% of consolidated net sales. Operating income was ¥1,761 million, representing 26.5% of consolidated operating income. The ratio of operating income to net sales was 5.5%. Net sales declined due to the exclusion of sales of the North America power tool business from the interim period under review. Although sales of the North America lawn and garden equipment business were included, they will be excluded from the six-month period ending 31st March 2001, in line with the sale of the business.

Sales of other business amounted to ¥2,084 million, representing 2.1% of consolidated net sales. An operating loss of ¥372 million was recorded. Sales of fishing tackle fell sharply owing to a drop in domestic demand. As previously mentioned, the fishing tackle business was transferred to Johshuya Co., Ltd. in September 2000.

Conditions in the Japanese economy are expected to remain severe, owing to lackluster consumer spending, intensified price competition and the stronger yen compared with the euro. In addition, worries of deceleration of growth in the U.S. economy and rising oil prices represent unclear and unstable signs of the future.

Under these circumstances, Ryobi Limited will concentrate efforts on adjusting the scale of each business, strengthening the management structure and enhancing results based on the Sound Management Plan.

Ryobi Limited will make every effort to be a “Sound and Dynamic Corporation” to meet the expectations of its shareholders, customers and business associates. Thank you for your continued support.

December 2000



Hiroshi Urakami
President

Consolidated Balance Sheets

Ryobi Limited and Consolidated Subsidiaries (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars*
	30th September 2000	31st March 2000	30th September 2000
ASSETS			
Current assets			
Cash and cash equivalents	¥ 30,547	¥ 23,082	\$ 282,843
Time deposits	10,631	2,453	98,435
Marketable securities	—	629	—
Notes and accounts receivable, less allowances	50,050	51,661	463,426
Inventories	37,919	44,873	351,102
Prepaid expenses and other	4,421	4,952	40,935
Total current assets	133,568	127,650	1,236,741
Net property, plant and equipment	62,114	72,353	575,130
Investments and other assets			
Investments in securities	12,480	6,697	115,555
Investments in and advances to unconsolidated subsidiaries and affiliates	612	790	5,667
Intangible fixed assets	2,565	12,069	23,750
Other	8,853	10,449	81,972
Total investments and other assets	24,510	30,005	226,944
Adjustment on foreign currency statement translation	—	8,072	—
Total	¥220,192	¥238,080	\$2,038,815
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings	¥ 50,337	¥ 61,581	\$ 466,083
Current portion of long-term debt	11,367	13,273	105,250
Notes and accounts payable	49,082	43,437	454,463
Accrued expenses	6,192	6,371	57,333
Income taxes payable	531	285	4,917
Accrued loss on disposal of business segment	1,526	12,625	14,130
Other current liabilities	6,598	6,367	61,093
Total current liabilities	125,633	143,939	1,163,269
Long-term liabilities			
Long-term debt	58,928	53,340	545,630
Accrued severance indemnities	4,072	3,897	37,704
Other long-term liabilities	3,511	2,696	32,509
Total long-term liabilities	66,511	59,933	615,843
Minority interests	982	848	9,092
Shareholders' equity			
Common stock, par value ¥50 per share:			
Authorised: 500,000,000 shares			
Issued: 171,230,715 shares	18,472	18,472	171,037
Additional paid-in capital	23,517	23,517	217,750
Deficits	(8,969)	(8,555)	(83,046)
Valuation reserve of available-for-sale securities	3,025	—	28,009
Adjustments on foreign currency statement translation	(8,902)	—	(82,426)
Treasury stock	(77)	(74)	(713)
Total shareholders' equity	27,066	33,360	250,611
Total	¥220,192	¥238,080	\$2,038,815

* U.S. dollar amounts in this report, solely for the convenience of the reader, are translated from yen at the rate of ¥108.00=US\$1, the exchange rate prevailing on 29th September 2000.

Consolidated Statement of Operations

Ryobi Limited and Consolidated Subsidiaries
(Six months ended 30th September 2000) (Unaudited)

	Millions of Yen	Thousands of U.S. Dollars*
Net sales	¥99,157	\$918,120
Cost of sales	75,741	701,305
Gross profit	23,416	216,815
Selling, general and administrative expenses	16,776	155,333
Operating income	6,640	61,482
Other income		
Interest and dividends	213	1,972
Other	757	7,009
Total other income	970	8,981
Other expenses		
Interest	1,981	18,343
Loss on disposal of business segment	4,615	42,731
Other	919	8,509
Total other expenses	7,515	69,583
Income before income taxes and other items	95	880
Income taxes	431	3,991
Minority interests	(74)	(685)
Net loss	¥ (410)	\$ (3,796)

Consolidated Statement of Cash Flows

Ryobi Limited and Consolidated Subsidiaries
(Six months ended 30th September 2000) (Unaudited)

	Millions of Yen	Thousands of U.S. Dollars*
Net cash provided by operating activities	¥ 10,556	\$ 97,741
Investing activities		
Payments for purchase of property, plant and equipment	(3,506)	(32,463)
Proceeds from sale of property, plant and equipment	328	3,037
Increase in deposit	(8,179)	(75,731)
Proceeds from sale of business segment	17,632	163,259
Payment for sale of business segment	(874)	(8,093)
Other, net	33	306
Net cash provided by investing activities	5,434	50,315
Financing activities		
Proceeds from long-term debt	13,700	126,852
Repayments of long-term debt	(10,176)	(94,222)
Decrease in short-term borrowings	(11,843)	(109,657)
Other	(157)	(1,454)
Net cash used in financing activities	(8,476)	(78,481)
Effect of exchange rate changes on cash and cash equivalents	(49)	(454)
Net increase in cash and cash equivalents	7,465	69,121
Cash and cash equivalents at beginning of period	23,082	213,722
Cash and cash equivalents at end of period	¥ 30,547	\$ 282,843
Additional cash flow information		
Interest paid	¥ (2,256)	\$ (20,889)

Industry Segment Information

(Six months ended 30th September 2000)

	(Millions of Yen)					
	Die castings	Printing equipment	Power tools	Other	Eliminations	Consolidated
Net sales						
Unaffiliated customers	¥ 53,317	¥ 11,676	¥ 32,080	¥ 2,084	¥ —	¥ 99,157
Intersegment	238	—	39	—	(277)	—
Total	53,555	11,676	32,119	2,084	(277)	99,157
Operating costs and expenses	48,834	11,150	30,358	2,456	(281)	92,517
Operating income (loss)	4,721	526	1,761	(372)	4	6,640

	(Thousands of U.S. Dollars*)					
	Die castings	Printing equipment	Power tools	Other	Eliminations	Consolidated
Net sales						
Unaffiliated customers	\$ 493,676	\$ 108,111	\$ 297,037	\$ 19,296	\$ —	\$ 918,120
Intersegment	2,204	—	361	—	(2,565)	—
Total	495,880	108,111	297,398	19,296	(2,565)	918,120
Operating costs and expenses	452,167	103,241	281,092	22,740	(2,602)	856,638
Operating income (loss)	43,713	4,870	16,306	(3,444)	37	61,482

Geographical Segment Information

(Six months ended 30th September 2000)

	(Millions of Yen)				
	Japan	North America	Other overseas	Eliminations	Consolidated
Net sales					
Unaffiliated customers	¥66,919	¥ 24,829	¥7,409	¥ —	¥ 99,157
Intersegment	2,686	850	2,449	(5,985)	—
Total	69,605	25,679	9,858	(5,985)	99,157
Operating costs and expenses	65,448	23,864	9,119	(5,914)	92,517
Operating income (loss)	4,157	1,815	739	(71)	6,640

	(Thousands of U.S. Dollars*)				
	Japan	North America	Other overseas	Eliminations	Consolidated
Net sales					
Unaffiliated customers	\$ 619,620	\$ 229,898	\$ 68,602	\$ —	\$ 918,120
Intersegment	24,871	7,870	22,676	(55,417)	—
Total	644,491	237,768	91,278	(55,417)	918,120
Operating costs and expenses	606,000	220,963	84,435	(54,760)	856,638
Operating income (loss)	38,491	16,805	6,843	(657)	61,482

Export Sales and Sales by Overseas Subsidiaries

(Six months ended 30th September 2000)

	Millions of Yen	Thousands of U.S. Dollars*	Percentage against consolidated net sales
North America	¥27,757	\$ 257,009	28.0%
Other	12,636	117,000	12.7%
Total	40,393	374,009	40.7%

Company Outline

MAJOR PRODUCTS:

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

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Shareholder Information

1. **NUMBER OF SHARES ISSUED:**
171,230,715 Shares
2. **LISTINGS**
Common Stock—Tokyo, Osaka
Continental Depository Receipts—Frankfurt
3. **TRANSFER AGENT:**
The Mitsubishi Trust and Banking Corporation
11-1, Nagata-cho 2-chome, Chiyoda-ku,
Tokyo 100-8212, Japan
4. **RELAYING OFFICES:**
All domestic branches of The Mitsubishi Trust and Banking Corporation