

2002

Ryobi Limited
Semiannual Report (Unaudited)

For the six months ended 30th September 2002

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

Ryobi announced its Sound Management Plan in March 2000, and has since made a concerted effort to optimize the scale and reinforce the structure of each of its businesses to create a high-earnings structure. Although the operating environment has turned considerably harsher since the formulation of this plan, we have implemented it, and have achieved positive results from business restructuring and reductions in interest-bearing debt. Specific efforts by business segment and the corresponding progress of the plan are as follows.

1) Die Casting Business

Ryobi is expanding and strengthening its relationships with automobile manufacturers by providing timely, accurate and global responses through its three-region structure of Japan, the United States and Europe, and by drawing on its know-how as a world-leading die casting manufacturer. Our aluminum die casting products, already used by automobile manufacturers for their light weight, durability and recycling ease, are drawing much attention from businesses operating outside such automotive fields as electronics and communications, as an effective technology that is both energy-efficient and environmentally friendly.

2) Printing Equipment Business

Ryobi is bolstering new product development in the pursuit of high-precision multicolor printing and sophisticated functionality, and increasing manufactur-

ing capacity and sales capabilities to further reinforce its solid reputation in world markets. We are also expanding the field of small to medium-size printing presses and responding to advancements in information technology (IT) and digitization.

3) Power Tools Business

(1) We have undertaken a sweeping restructuring of the power tools business and the lawn and garden equipment business, selling subsidiaries in North America, Europe and Oceania. In Japan, we have improved lateral management among Group companies, while streamlining the organization, reducing personnel and unifying and eliminating models to improve profitability and strengthen competitiveness. We are also taking steps to build a more competitive production structure, notably by accelerating the transfer of production to our manufacturing subsidiary in Dalian, China.

(2) In the builders’ hardware business, such mainstay products as door closers are now produced mainly by our subsidiary in Dalian, China, and an affiliated company in Taiwan. By taking advantage of the merits of overseas manufacturing to produce price-competitive products and develop distinctive new ones, Ryobi is making moves toward greater profitability.

4) Other Businesses

The fishing tackle business has been sold, and we have ceased manufacturing and marketing of sporting goods (golf clubs).

PERFORMANCE

During the six-month period ended 30th September 2002, consolidated net sales declined 4.5% to ¥76,309 million, with domestic net sales down 0.9% to ¥51,833 million and overseas net sales down 11.5% to ¥24,476 million, compared with the same period of the previous fiscal year.

Operating income increased 13.1% from the same period last year to ¥3,547 million, and net income rose 57.5% to ¥1,284 million.

Although die casting business increased due to improved sales to U.S. and Japanese automobile manufacturers, the sale of four overseas sales subsidiaries in the power tools business led to an overall decline in net sales. Profitability improved owing to positive effects realized from cost reductions and business restructuring carried out under the Sound Management Plan. This is the second consecutive six-month period in which earnings have increased.

By segment, sales in the die casting business were up 4.3% to ¥52,562 million and operating income dropped 0.5% to ¥2,744 million, resulting in a ratio of operating income to sales of 5.2%, compared with 5.5% from the same period last year. Although sales increased to U.S. and Japanese automobile manufacturers, intense pressure from these manufacturers to reduce prices led to flat earnings. In the automotive field, we redoubled our marketing efforts for cylinder blocks. We also found new, diverse applications for die casting products in such non-automotive products as office furniture, plasma televisions and lighting for expressways. With environmental preservation, resource conservation and reduced energy use increasingly becoming worldwide priorities, die casting products are expected to grow as the operative technology to realize these goals.

Sales in the printing equipment business fell 6.7% to ¥10,859 million and operating income declined 65.5% to ¥85 million, resulting in a ratio of operating income to sales of 0.8%, compared with 2.1% from the previous corresponding period. The main reasons for the decline were a slowdown in capital investment due to sluggish economies both in Japan and internationally, and to intensification of price competition. By product, sales of medium-size offset printing presses (B2, A2 and B3 paper sizes) are on an upward

trend, while small offset printing presses (A3 size paper) are on a downward one. Ryobi will continue to work to create demand with proposals that fully consider user needs, and by actively conducting demonstrations.

Sales in the power tools business fell 27.3% to ¥12,384 million and operating income jumped 2.4 times the amount from the corresponding previous period to ¥776 million, resulting in a ratio of operating income to sales of 6.3%, compared with 1.9% from the same period last year. Although sales declined owing to the sale of four overseas sales subsidiaries during the previous fiscal year and a decline in housing construction in Japan, improvement in earnings was the result of the positive effects realized from business restructuring carried out under the Sound Management Plan. We will take advantage of the merits of overseas manufacturing to produce price-competitive products and develop distinctive new ones.

Sales in other businesses dropped 44.5% to ¥504 million and an operating loss of ¥58 million was posted, compared with an operating loss of ¥196 million in the same period last year. The decline in sales was due to our ceasing manufacturing and marketing of sporting goods (golf clubs) during the previous fiscal year.

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 2002



Hiroshi Urakami
President

Consolidated Balance Sheets

Ryobi Limited and Consolidated Subsidiaries (Unaudited)

| | Millions of Yen | | Thousands of U.S. Dollars* |
|--|------------------------|--------------------|-------------------------------|
| | 30th September 2002 | 31st March 2002 | 30th September 2002 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | ¥ 13,505 | ¥ 13,879 | \$ 110,155 |
| Time deposits | 2,568 | 2,715 | 20,946 |
| Notes and accounts receivable, less allowances | 32,286 | 33,099 | 263,344 |
| Inventories | 29,563 | 30,026 | 241,134 |
| Prepaid expenses and other | 3,178 | 3,006 | 25,922 |
| Total current assets | 81,100 | 82,725 | 661,501 |
| Net property, plant and equipment | 56,193 | 58,629 | 458,344 |
| Investments and other assets | | | |
| Investments in securities | 10,906 | 10,876 | 88,956 |
| Investments in and advances to unconsolidated subsidiaries and affiliates | 309 | 342 | 2,520 |
| Intangible fixed assets | 1,895 | 2,109 | 15,457 |
| Deferred tax assets | 6,444 | 7,594 | 52,561 |
| Other | 2,922 | 3,126 | 23,834 |
| Total investments and other assets | 22,476 | 24,047 | 183,328 |
| Total | ¥159,769 | ¥165,401 | \$1,303,173 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Short-term borrowings | ¥ 28,224 | ¥ 28,963 | \$ 230,212 |
| Current portion of long-term debt | 20,671 | 22,297 | 168,605 |
| Notes and accounts payable | 30,358 | 31,449 | 247,618 |
| Accrued expenses | 3,988 | 5,392 | 32,529 |
| Income taxes payable | 335 | 205 | 2,733 |
| Other current liabilities | 6,272 | 7,122 | 51,158 |
| Total current liabilities | 89,848 | 95,428 | 732,855 |
| Long-term liabilities | | | |
| Long-term debt | 25,466 | 27,202 | 207,716 |
| Accrued severance indemnities | 5,758 | 5,111 | 46,966 |
| Other long-term liabilities | 3,743 | 3,658 | 30,530 |
| Total long-term liabilities | 34,967 | 35,971 | 285,212 |
| Minority interests | 582 | 623 | 4,747 |
| Shareholders' equity | | | |
| Common stock | | | |
| Authorised: 500,000,000 shares | | | |
| Issued: 171,230,715 shares | 18,472 | 18,472 | 150,669 |
| Capital surplus | 23,517 | 23,517 | 191,819 |
| Deficits | (2,822) | (4,106) | (23,018) |
| Land revaluation reserve | 610 | 610 | 4,976 |
| Unrealised gain on available-for-sale securities | 2,671 | 2,641 | 21,786 |
| Adjustments on foreign currency statement translation | (7,999) | (7,689) | (65,245) |
| Treasury stock | (77) | (66) | (628) |
| Total shareholders' equity | 34,372 | 33,379 | 280,359 |
| Total | ¥159,769 | ¥165,401 | \$1,303,173 |

* U.S. dollar amounts in this report, solely for the convenience of the reader, are translated from yen at the rate of ¥122.60 = US\$1, the exchange rate prevailing on 30th September 2002.

Consolidated Statements of Operations

Ryobi Limited and Consolidated Subsidiaries
(Six months ended 30th September 2002 and 2001) (Unaudited)

| | Millions of Yen | | Thousands of U.S. Dollars* |
|---|------------------------|------------------------|-------------------------------|
| | 30th September 2002 | 30th September 2001 | 30th September 2002 |
| Net sales | ¥76,309 | ¥79,943 | \$622,423 |
| Cost of sales | 61,789 | 64,477 | 503,989 |
| Gross profit | 14,520 | 15,466 | 118,434 |
| Selling, general and administrative expenses | 10,973 | 12,331 | 89,503 |
| Operating income | 3,547 | 3,135 | 28,931 |
| Other income | | | |
| Interest and dividends | 138 | 198 | 1,126 |
| Gain on sales of investment in securities | 3 | 351 | 24 |
| Other | 705 | 691 | 5,751 |
| Total other income | 846 | 1,240 | 6,901 |
| Other expenses | | | |
| Interest | 750 | 1,314 | 6,117 |
| Early retirement benefits | 568 | 551 | 4,633 |
| Loss on disposal of business segment | — | 113 | — |
| Other | 604 | 909 | 4,927 |
| Total other expenses | 1,922 | 2,887 | 15,677 |
| Income before income taxes and other items | 2,471 | 1,488 | 20,155 |
| Income taxes | 1,195 | 966 | 9,747 |
| Minority interests | 8 | 293 | 65 |
| Net income | ¥ 1,284 | ¥ 815 | \$ 10,473 |

Consolidated Statements of Cash Flows

Ryobi Limited and Consolidated Subsidiaries
(Six months ended 30th September 2002 and 2001) (Unaudited)

| | Millions of Yen | | Thousands of U.S. Dollars* |
|---|------------------------|------------------------|-------------------------------|
| | 30th September 2002 | 30th September 2001 | 30th September 2002 |
| Net cash provided by operating activities | ¥ 4,222 | ¥ 3,842 | \$ 34,437 |
| Investing activities | | | |
| Purchase of property, plant and equipment | (2,032) | (2,131) | (16,574) |
| Proceeds from sale of property, plant and equipment | 508 | 370 | 4,144 |
| Proceeds from sale of investments in securities | 33 | 553 | 269 |
| Increase (decrease) in deposit | 146 | (206) | 1,191 |
| Proceeds from sale of business segment | — | 731 | — |
| Payments for sale of business segment | — | (102) | — |
| Other, net | 99 | (546) | 807 |
| Net cash used in investing activities | (1,246) | (1,331) | (10,163) |
| Financing activities | | | |
| Proceeds from long-term debt | 6,719 | 2,000 | 54,804 |
| Repayments of long-term debt | (9,782) | (5,004) | (79,788) |
| Decrease in short-term borrowings | (36) | (2,671) | (294) |
| Other | (200) | (181) | (1,631) |
| Net cash used in financing activities | (3,299) | (5,856) | (26,909) |
| Effect of exchange rate changes on cash and cash equivalents | (51) | 211 | (416) |
| Net decrease in cash and cash equivalents | (374) | (3,134) | (3,051) |
| Cash and cash equivalents at beginning of year | 13,879 | 18,669 | 113,206 |
| Cash and cash equivalents at end of year | ¥13,505 | ¥15,535 | \$110,155 |
| Additional cash flow information | | | |
| Interest paid | ¥ 783 | ¥ 1,413 | \$ 6,387 |

Industry Segment Information

(Six months ended 30th September 2002 and 2001)

| | 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 |

| | Millions of Yen | | | | | |
|------------------------------------|-----------------|--------------------|-------------|---------|--------------|--------------|
| | 2001 | | | | | |
| | Die castings | Printing equipment | Power tools | Other | Eliminations | Consolidated |
| Net sales | | | | | | |
| Unaffiliated customers | ¥50,373 | ¥11,638 | ¥17,023 | ¥ 909 | ¥ — | ¥79,943 |
| Intersegment | 232 | — | 5 | — | (237) | — |
| Total | 50,605 | 11,638 | 17,028 | 909 | (237) | 79,943 |
| Operating costs and expenses | 47,849 | 11,391 | 16,703 | 1,105 | (240) | 76,808 |
| Operating income (loss) | ¥ 2,756 | ¥ 247 | ¥ 325 | ¥ (196) | ¥ 3 | ¥ 3,135 |

| | Thousands of U.S. dollars* | | | | | |
|------------------------------------|----------------------------|--------------------|-------------|----------|--------------|--------------|
| | 2002 | | | | | |
| | Die castings | Printing equipment | Power tools | Other | Eliminations | Consolidated |
| Net sales | | | | | | |
| Unaffiliated customers | \$428,728 | \$ 88,573 | \$101,011 | \$ 4,111 | \$ — | \$622,423 |
| Intersegment | 995 | — | 33 | — | (1,028) | — |
| Total | 429,723 | 88,573 | 101,044 | 4,111 | (1,028) | 622,423 |
| Operating costs and expenses | 407,341 | 87,880 | 94,715 | 4,584 | (1,028) | 593,492 |
| Operating income (loss) | \$ 22,382 | \$ 693 | \$ 6,329 | \$ (473) | \$ 0 | \$ 28,931 |

Geographical Segment Information

(Six months ended 30th September 2002 and 2001)

| | 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 |

| | Millions of Yen | | | | |
|-----------------------------------|-----------------|---------------|----------------|--------------|--------------|
| | 2001 | | | | |
| | Japan | North America | Other overseas | Eliminations | Consolidated |
| Net sales | | | | | |
| Unaffiliated customers | ¥60,104 | ¥ 10,764 | ¥9,075 | ¥ — | ¥ 79,943 |
| Intersegment | 2,191 | 2 | 1,934 | (4,127) | — |
| Total | 62,295 | 10,766 | 11,009 | (4,127) | 79,943 |
| Operating costs and expenses | 60,208 | 10,521 | 10,410 | (4,331) | 76,808 |
| Operating income | ¥ 2,087 | ¥ 245 | ¥ 599 | ¥ 204 | ¥ 3,135 |

| | Thousands of U.S. dollars* | | | | |
|-----------------------------------|----------------------------|---------------|----------------|--------------|--------------|
| | 2002 | | | | |
| | Japan | North America | Other overseas | Eliminations | Consolidated |
| Net sales | | | | | |
| Unaffiliated customers | \$491,746 | \$107,732 | \$22,945 | \$ — | \$622,423 |
| Intersegment | 14,845 | — | 19,209 | (34,054) | — |
| Total | 506,591 | 107,732 | 42,154 | (34,054) | 622,423 |
| Operating costs and expenses | 483,508 | 105,367 | 38,312 | (33,695) | 593,492 |
| Operating income | \$ 23,083 | \$ 2,365 | \$ 3,842 | \$ (359) | \$ 28,931 |

Export Sales and Sales by Overseas Subsidiaries

(Six months ended 30th September 2002 and 2001)

| | Millions of Yen | | Thousands of | Percentage against | |
|---------------------|-----------------|---------|---------------|------------------------|-------|
| | 2002 | 2001 | U.S. dollars* | consolidated net sales | |
| | 2002 | 2001 | 2002 | 2002 | 2001 |
| North America | ¥15,451 | ¥13,927 | \$126,028 | 20.3% | 17.4% |
| Europe | 6,661 | 9,433 | 54,331 | 8.7% | 11.8% |
| Other | 2,364 | 4,288 | 19,282 | 3.1% | 5.4% |
| Total | ¥24,476 | ¥27,648 | \$199,641 | 32.1% | 34.6% |

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. LISTINGS
Common Stock—Tokyo, Osaka
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