



RYOBI



SEMIANNUAL REPORT

(Unaudited)

For the six months ended September 30, 2006



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A MESSAGE FROM THE MANAGEMENT

Guided by its corporate philosophy, "Create a sound and dynamic corporation through technology, trust and challenge," the Ryobi Group seeks to establish itself as an indispensable existence by responding to the needs of customers and society, through innovative, top-quality products and services. While developing its Die Castings Business in tandem with its finished products, Ryobi continues to make every effort to reinforce market competitiveness and improve earnings power.

With regard to corporate social responsibility (CSR), the Ryobi Group considers the implementation of its corporate philosophy as CSR promotion itself. With this in mind, Ryobi will strive to enhance its corporate governance by conducting timely disclosure of information, compliance with statutory regulations, risk management, internal control and other related activities.

BUSINESS DEVELOPMENT

With the aim of sustained growth and development for the future, the Ryobi Group continues to implement various measures in each of its operations to further boost market presence, while also providing technology, products, and services that only Ryobi can deliver. Ryobi is working to bolster each of its businesses by reducing costs amid continued conditions of rising material prices and declining product prices. Trends in business development for each segment are as follows:

1) DIE CASTINGS

Ryobi aims to strengthen and expand relationships with automobile manufacturers by utilizing our know-how as a world-leading die casting manufacturer with a production structure operating in Japan, the United States, and Europe. Ryobi has established a production base in Dalian, China, in pursuit of redoubling efforts to promote our global die castings business strategy. 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 increasingly attracted attention in fields such as electronics and telecommunications as an effective technology for the protection of the environment, including the conservation of energy and resources.

2) PRINTING EQUIPMENT

The Company is striving to increase multicolor performance precision, 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 and the strengthening of production and marketing capabilities. Through the development of products in response to advancements in IT and digitization, and the creation of environmentally friendly products, we are working to expand our lineup in line with market needs. At our Hiroshima East Plant, a second plant was established in response to increased demand for medium-size offset printing presses, with full-scale operations commencing in October 2006. We plan to begin construction of a third plant in January 2007 as we strive to reinforce our production capacity.

3) POWER TOOLS AND BUILDERS' HARDWARE

In the power tools business, which includes lawn and garden equipment, Ryobi focuses on the concept of producing compact and lightweight tools. Utilizing manufacturing collaboration between Japan and Dalian, China, the Company delivers products in response to the needs of professionals and DIY enthusiasts alike. We continue to further strengthen competitiveness by focusing efforts on bolstering product planning and marketing capabilities and improving productivity.

In our builders' hardware business, we aim to improve profitability by focusing on developing unique products, reducing costs through productivity enhancements, and reinforcing price competitiveness. Our mainstay door closers are manufactured primarily at our manufacturing subsidiary in Dalian, China, and affiliate in Taiwan.

PERFORMANCE

In the six-month period ended September 30, 2006, consolidated net sales increased 18.4% compared with the same period of the previous fiscal year to ¥97,974 million, with domestic net sales rising 15.8% to ¥67,719 million and overseas net sales growing 24.7% to ¥30,255 million.

Operating income for the period increased 28.6% to ¥8,129 million, and net income expanded 34.6% to ¥5,461 million.

Net sales increased across each of the Company's Die Castings, Printing Equipment, and Power Tools and Builders' Hardware Businesses, resulting in three consecutive six-month periods of increased revenue. Performance in the Die Castings and Printing Equipment Businesses were especially healthy.

The increase in sales and Ryobi's efforts to reduce costs led to a fifth consecutive six-month period of growth in operating income. Interim net income grew in two consecutive six-month periods. Furthermore, Ryobi recorded a historical high for operating income.

By segment, net sales in the Die Castings Business rose 22.4% to ¥66,161 million and operating income surged 41.7% to ¥4,385 million, resulting in a ratio of operating income to net sales of 6.6% compared with 5.7% in the same period last year. Sales to domestic and American automobile manufacturers solidified and increased revenues. On the earnings front, Ryobi's undertakings to reduce costs and increase sales successfully resulted in profit growth, even amidst the continuation of severe conditions that included downward pressure on product prices and rising material costs. Since die castings are an effective technology that realizes environmental protection and the conservation of resources and energy, which are important global concerns, continuous growth in die castings is expected. We will continue to pursue activities geared toward the non-automobile segment as well as expanding automobile applications, while simultaneously giving more attention to enhancing productivity and reducing costs.

Net sales in the Printing Equipment Business climbed 18.4% to ¥18,618 million, as did operating income by 38.6% to ¥2,682 million, resulting in a ratio of operating

income to net sales of 14.4%, compared with 12.3% from the previous corresponding period. Exports to Europe, the Americas and Asian countries were strong, and sales of medium-size offset printing presses grew significantly, resulting in an increase in revenues. Contributing to higher earnings were increased net sales and efforts to step up reductions in costs. With the aim of increasing earnings still further, Ryobi will continue to actively develop products that fully consider user needs, enhance marketing efforts and expand production capacity in response to increased demands for medium-size offset printing presses.

In the Power Tools and Builders' Hardware Business, net sales rose 1.8% to ¥13,195 million while operating income decreased 17.8% to ¥1,062 million, resulting in a ratio of operating income to net sales of 8.0%, compared with 10.0% in the same period last year. Amid intensifying competition, domestic sales of power tools as well as domestic sales and exports of builders' hardware grew slightly. On the earnings front, however, profit declined. We will continue to leverage our overseas production capabilities with the aim of reducing costs and to deliver unique and price competitive products.

Ryobi is committed to consistently strengthening and enhancing measures designed to create a sound and dynamic corporation. We thank you for your continued support and understanding.

December 2006



Hiroshi Urakami
Chairman and CEO



Susumu Yoshikawa
President and COO

CONSOLIDATED BALANCE SHEETS

Ryobi Limited and Consolidated Subsidiaries
(As of September 30 and March 31, 2006) (Unaudited)

	Millions of yen		Thousands of U.S. dollars*
	September 30 2006	March 31 2006	September 30 2006
ASSETS			
Current assets			
Cash and cash equivalents	¥ 17,891	¥ 16,097	\$ 151,747
Time deposits	1,248	2,402	10,585
Notes and accounts receivable, less allowances	50,818	44,899	431,026
Inventories	35,474	31,919	300,882
Prepaid expenses and other	1,682	1,575	14,267
Total current assets	107,113	96,892	908,507
Net property, plant and equipment	66,953	60,306	567,880
Investments and other assets			
Investments in securities	12,891	14,856	109,338
Investments in and advances to unconsolidated subsidiaries and affiliates	353	408	2,994
Intangible fixed assets	1,887	1,828	16,005
Deferred tax assets	1,367	1,312	11,595
Other	2,209	2,263	18,736
Total investments and other assets	18,707	20,667	158,668
Total	¥192,773	¥177,865	\$1,635,055
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	¥ 18,699	¥ 19,841	\$ 158,601
Current portion of long-term debt	3,615	6,584	30,662
Notes and accounts payable	61,194	44,698	519,033
Accrued expenses	4,488	4,589	38,066
Income taxes payable	2,877	3,374	24,402
Other current liabilities	3,322	4,503	28,176
Total current liabilities	94,195	83,589	798,940
Long-term liabilities			
Long-term debt	15,747	13,398	133,562
Accrued severance indemnities	6,663	6,906	56,514
Other long-term liabilities	5,775	6,275	48,982
Total long-term liabilities	28,185	26,579	239,058
Minority interests	—	941	—
Equity			
Common stock			
Authorized: 500,000,000 shares			
Issued: 171,230,715 shares	18,472	18,472	156,675
Capital surplus	23,681	23,681	200,857
Retained earnings	29,628	25,885	251,298
Unrealized gain on available-for-sale securities	5,148	6,229	43,664
Deferred loss on derivatives under hedge accounting	(0)	—	(0)
Land revaluation reserve	626	626	5,310
Foreign currency translation adjustments	(7,336)	(7,370)	(62,223)
Treasury stock	(771)	(767)	(6,539)
Total	69,448	66,756	589,042
Minority interests	945	—	8,015
Total equity	70,393	66,756	597,057
Total	¥192,773	¥177,865	\$1,635,055

*U.S. dollar amounts in this report, solely for the convenience of the reader, are translated from yen at the rate of ¥117.90 = US\$1, the exchange rate prevailing on September 30, 2006.

CONSOLIDATED STATEMENTS OF INCOME

Ryobi Limited and Consolidated Subsidiaries
(Six months ended September 30, 2006 and 2005) (Unaudited)

	Millions of yen		Thousands of U.S. dollars*
	September 30 2006	September 30 2005	September 30 2006
Net sales	¥97,974	¥82,735	\$830,992
Cost of sales	78,116	65,084	662,561
Gross profit	19,858	17,651	168,431
Selling, general and administrative expenses	11,729	11,329	99,483
Operating income	8,129	6,322	68,948
Other income			
Interest and dividends	110	101	933
Gain on sales of investment securities	771	—	6,539
Other	916	765	7,770
Total other income	1,797	866	15,242
Other expenses			
Interest	380	335	3,223
Other	1,192	477	10,110
Total other expenses	1,572	812	13,333
Income before income taxes and minority interests	8,354	6,376	70,857
Income taxes	2,876	2,160	24,394
Minority interests	17	158	144
Net income	¥ 5,461	¥ 4,058	\$ 46,319

CONSOLIDATED STATEMENTS OF CASH FLOWS

Ryobi Limited and Consolidated Subsidiaries
(Six months ended September 30, 2006 and 2005) (Unaudited)

	Millions of yen		Thousands of U.S. dollars*
	September 30 2006	September 30 2005	September 30 2006
Net cash provided by operating activities	¥ 9,134	¥ 7,971	\$ 77,472
Investing activities			
Purchase of property, plant and equipment	(5,995)	(3,437)	(50,848)
Other	1,972	(171)	16,717
Net cash used in investing activities	(4,023)	(3,608)	(34,131)
Financing activities			
Proceeds from long-term debt	4,056	3,450	34,402
Repayments of long-term debt	(4,654)	(7,456)	(39,474)
Decrease in short-term borrowings, net	(1,053)	(194)	(8,931)
Cash dividends paid	(1,681)	(1,260)	(14,258)
Other	(4)	18	(34)
Net cash used in financing activities	(3,336)	(5,442)	(28,295)
Foreign currency translation adjustments on cash and cash equivalents	19	16	162
Net increase (decrease) in cash and cash equivalents	1,794	(1,063)	15,208
Cash and cash equivalents at beginning of year	16,097	15,303	136,539
Cash and cash equivalents at end of the period	¥17,891	¥14,240	\$151,747
Additional cash flow information			
Interest paid	¥ 373	¥ 341	\$ 3,164

INDUSTRY SEGMENT INFORMATION

(Six months ended September 30, 2006 and 2005)

	Millions of yen				
	2006				
	Die castings	Printing equipment	Power tools and builders' hardware	Eliminations	Consolidated
Net sales:					
Unaffiliated customers	¥66,161	¥18,618	¥13,195	¥ —	¥97,974
Intersegment	113	—	1	(114)	—
Total	66,274	18,618	13,196	(114)	97,974
Operating costs and expenses..	61,889	15,936	12,134	(114)	89,845
Operating income	¥ 4,385	¥ 2,682	¥ 1,062	¥ 0	¥ 8,129

	Millions of yen				
	2005				
	Die castings	Printing equipment	Power tools and builders' hardware	Eliminations	Consolidated
Net sales:					
Unaffiliated customers	¥54,044	¥15,726	¥12,965	¥ —	¥82,735
Intersegment	110	—	1	(111)	—
Total	54,154	15,726	12,966	(111)	82,735
Operating costs and expenses..	51,059	13,791	11,674	(111)	76,413
Operating income	¥ 3,095	¥ 1,935	¥ 1,292	¥ 0	¥ 6,322

	Thousands of U.S. dollars*				
	2006				
	Die castings	Printing equipment	Power tools and builders' hardware	Eliminations	Consolidated
Net sales:					
Unaffiliated customers	\$561,162	\$157,913	\$111,917	\$ —	\$830,992
Intersegment	958	—	8	(966)	—
Total	562,120	157,913	111,925	(966)	830,992
Operating costs and expenses..	524,928	135,165	102,917	(966)	762,044
Operating income	\$ 37,192	\$ 22,748	\$ 9,008	\$ 0	\$ 68,948

GEOGRAPHICAL SEGMENT INFORMATION

(Six months ended September 30, 2006 and 2005)

	Millions of yen				
	2006				
	Japan	North America	Other	Eliminations	Consolidated
Net sales:					
Unaffiliated customers	¥ 82,498	¥ 11,432	¥ 4,044	¥ —	¥ 97,974
Intersegment	1,279	284	2,993	(4,556)	—
Total	83,777	11,716	7,037	(4,556)	97,974
Operating costs and expenses..	77,282	10,679	6,504	(4,620)	89,845
Operating income	¥ 6,495	¥ 1,037	¥ 533	¥ 64	¥ 8,129

	Millions of yen				
	2005				
	Japan	North America	Other	Eliminations	Consolidated
Net sales:					
Unaffiliated customers	¥ 70,349	¥ 8,575	¥ 3,811	¥ —	¥ 82,735
Intersegment	957	3	2,597	(3,557)	—
Total	71,306	8,578	6,408	(3,557)	82,735
Operating costs and expenses..	66,426	7,942	5,617	(3,572)	76,413
Operating income	¥ 4,880	¥ 636	¥ 791	¥ 15	¥ 6,322

	Thousands of U.S. dollars*				
	2006				
	Japan	North America	Other	Eliminations	Consolidated
Net sales:					
Unaffiliated customers	\$ 699,729	\$ 96,963	\$ 34,300	\$ —	\$ 830,992
Intersegment	10,848	2,409	25,386	(38,643)	—
Total	710,577	99,372	59,686	(38,643)	830,992
Operating costs and expenses..	655,488	90,577	55,165	(39,186)	762,044
Operating income	\$ 55,089	\$ 8,795	\$ 4,521	\$ 543	\$ 68,948

EXPORT SALES AND SALES BY OVERSEAS SUBSIDIARIES

(Six months ended September 30, 2006 and 2005)

	Millions of yen		Thousands of U.S. dollars*	Percentage against consolidated net sales	
	2006	2005	2006	2006	2005
	North America	¥ 14,078	¥ 11,586	\$ 119,406	14.4%
Europe	10,285	8,616	87,235	10.5%	10.4%
Other	5,892	4,062	49,975	6.0%	4.9%
Total	¥ 30,255	¥ 24,264	\$ 256,616	30.9%	29.3%

CORPORATE INFORMATION

CORPORATE DATA

Company Name
RYOBI LIMITED

Established
December 16, 1943

Major Products
Die cast products
Printing equipment
(offset printing presses, page layout software, etc.)
Power tools
(electric power tools, lawn and garden equipment, etc.)
Builders' hardware
(door closers, hinges, architectural hardware, etc.)

MANAGEMENT MEMBERS (As of January 1, 2007)

BOARD OF DIRECTORS

Chairman and Representative Director

Hiroshi Urakami

President and Representative Director

Susumu Yoshikawa

Directors

Takao Tanaka

Takashi Yokoyama

Mikio Kamura

Shiro Muroya

Koji Ishii

Akira Urakami

Kenjiro Suzuki

Satoshi Ohoka

Outside Director

CORPORATE AUDITORS

Standing Corporate Auditor Shozo Kobayashi

Corporate Auditor Hiroaki Takahashi

Outside Corporate Auditors Kunihiro Toyota
Tairo Katoh

SHAREHOLDER INFORMATION

Number of Shares Issued
(As of September 30, 2006)

171,230,715

Listing

Common Stock—Tokyo

Head Office

762 Mesaki-cho, Fuchu-shi, Hiroshima-ken 726-8628, Japan
Tel. 81-847-41-1111

Tokyo Branch

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Tel. 81-3-3927-5541

Toranomon Office

Toranomon Central Building
1-7-1 Nishishinbashi, Minato-ku, Tokyo 105-0003, Japan
Tel. 81-3-3927-5541

CORPORATE OFFICERS

Chief Executive Officer

Hiroshi Urakami

Chief Operating Officer

Susumu Yoshikawa

Executive Corporate Officers

Takao Tanaka

Takashi Yokoyama

Mikio Kamura

Shiro Muroya

Corporate Officers

Koji Ishii

Kenjiro Suzuki

Kuniyuki Ito

Naomichi Honkawa

Kazuaki Danjo

Shoji Osawa

Hideki Domoto

Transfer Agent

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