

Statutory Report by the Board of Directors to the General Meeting of Shareholders

This Directors' Report presents a business and financial review of the Company's activities for the fiscal years ended March 31, 2010 and 2009. Unless otherwise noted herein, RHJ International SA, a Belgian limited company, is referred to as "RHJI". RHJ International SA and its business are referred to collectively as the "Company".

The Company's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The presentation currency is the Japanese Yen ("JPY").

1. Business and Financial Review of the Consolidated Financial Statements for the years ended March 31, 2010 and 2009

Overview

RHJ International is transforming itself from a diversified industrial holding into an active and dynamic financial services firm. The cornerstone of this transformation is the acquisition, on July 1, 2010, of Kleinwort Benson, a wealth management franchise and fiduciary business. Under Kleinwort Benson's brand, RHJI intends to add incremental new business and broaden its product offerings, focusing on wealth management (including fiduciary), specialized asset management and financial advisory services while maintaining a strong and liquid balance sheet. RHJI will gradually exit its industrial investments over time with a view to support Kleinwort Benson's growth strategy and add fee-earning, non capital intensive financial services business and to develop into a group with an exclusive focus on banking and financial services.

At March 31, 2010, RHJI's portfolio consisted of 5 controlling ownership interests, 4 investments in associates and several non-controlling minority ownership interests. The interests in Asahi Tec Corporation ("Asahi Tec"), Honsel AG ("Honsel"), Niles Co., Ltd. ("Niles"), Phoenix Resort K.K. ("Phoenix Seagaia Resort") and Shaklee Global Group, Inc. ("Shaklee"), were contributed to RHJI in connection with the initial offering and listing of its ordinary shares on Euronext Brussels on March 31, 2005. Prior to the acquisition of Kleinwort Benson, RHJI previously acquired interests in other smaller financial services companies, some of which are representative of the offering that it intends to develop as part of its financial services strategy. These investments include a 50% interest in Arecon Independent Asset Managers ("Arecon"), specializing in the management of absolute return funds, and a controlling interest in Belvall Capital S.A. ("Belvall"), an originator and asset manager of loans to midcap companies in Europe. RHJI further acquired a 27.8% stake in Quirin Bank AG ("Quirin"), a listed German bank engaged in private banking.

Acquisitions

New investments for the fiscal year ended March 31, 2010, can be summarized as follows:

- On May 20, 2009, Niles reinforced its capital structure through a capital injection of JPY 6,000 million, of which JPY 3,500 million, was provided by RHJI and JPY 2,500 million by a third party;
- In June 2009, RHJI invested JPY 102 million to acquire a controlling 50% stake in Belvall;
- On July 22, 2009, as part of the financial restructuring of Honsel, RHJI invested JPY 6,648 million (EUR 50 million). RHJI's ownership was diluted from 82% to 51% as a result of a debt-for-equity swap. Following the capital restructuring, the shares in Honsel are no longer held by

Honsel International Technologies (“HIT”), but by a newly created holding company, Shelon Holdings SA (“Shelon”), registered in Luxembourg. The investment in HIT was fully written off at March 31, 2009;

- On September 11, 2009, RHJI acquired a 20% ownership interest in Quirin for cash consideration of JPY 1,417 million. In December 2009, RHJI subscribed to another 4,585,711 shares for JPY 1,013 million in a private placement, increasing its share to 27.8%;
- On January 28, 2010, RHJI subscribed to JPY 400 million of new shares of Phoenix Seagaia Resort;

Disposals

During the fiscal year ended March 31, 2010, RHJI disposed of the following investments:

- RHJI sold its entire investment in Commercial International Bank (Egypt) SAE (“CIB”). The stake, which was initially bought for USD 40.7 million, was divested through open market sales between July 15, 2009 and September 3, 2009, for USD 86.8 million, yielding a capital gain of 68%, as reflected in RHJI’s JPY denominated financial statements;
- On January 21, 2010, RHJI announced the sale of its 25.5% ownership interest in CME to Faith Inc., a Japanese corporation which develops and licenses sound format for cellular phones, software tone generator for computers and game consoles, and music download technology. The common and preferred shares of CME owned by RHJI were sold at a price of JPY 31.37 and JPY 38.46 per share, respectively. Total cash proceeds from this transaction amounted to JPY 2,523 million, compared to a carrying value of JPY 3,000 million, which reflected an impairment charge of JPY 4,817 million recorded last fiscal year;
- During the first quarter of 2010, RHJI sold its interest in U-shin for total cash proceeds of JPY 3,445 million, compared to a carrying value of JPY 3,200 million, which reflected an impairment charge of JPY 4,838 million recorded last fiscal year.

Results of Operations

The industrial investments continued to suffer from the economic downturn. The first half of the fiscal year ended March 31, 2010, showed significantly lower customer demand, especially in the automotive industry. While sales gradually picked up throughout the second half of the fiscal year, total consolidated sales for the full fiscal year amounted to JPY 181,872 million, still 26% lower than the year before. All of the Company’s industrial portfolio companies deployed significant cost reduction and restructuring initiatives to mitigate the impact of the global economic crisis. Together with the slightly improved economic conditions during the second half of the fiscal year, these restructuring efforts contributed to the improvement of the operating results across all consolidated subsidiaries.

For purposes of preparing the consolidated financial statements, in accordance with IFRS, as of and for the fiscal year ended March 31, 2010, the Company carefully analyzed the performance of its consolidated businesses in order to determine whether or not there was any indication of impairment of their respective long-lived assets. The analysis included a review of the industry perspective, and of the impact of the expected performance of certain portfolio companies on the recoverable amount of goodwill and other long-lived intangible assets. The analysis resulted in impairment charges of JPY 2,386 million for the fiscal year ended March 31, 2010, primarily at Honsel and Asahi Tec. The impairment charge for the fiscal year ended March 31, 2009 amounted to JPY 123,259 million, of which JPY 56,270 million is now presented under the result of discontinued operations.

The consolidated income statement for the fiscal year ended March 31, 2009, has been restated to reflect the deconsolidation of Metaldyne and the sale of CME and U-shin. The operating results of these companies together with the results on disposal were presented as discontinued operations for both fiscal years presented.

Revenue for the fiscal year ended March 31, 2010 amounted to JPY 181,872 million, compared to JPY 245,647 million for the previous fiscal year, a 26% decrease, resulting from the global economic environment which only showed signs of recovery during the second half of the fiscal year.

Gross profit for the fiscal year ended March 31, 2010 amounted to JPY 18,975 million, representing 10.4% of revenue, compared to 8.3% for the fiscal year ended March 31, 2009. The increase in gross profit margin mainly resulted from the restructuring measures implemented to mitigate the impact of the economic crisis.

Selling, general and administrative expenses amounted to JPY 25,395 million for the fiscal year ended March 31, 2010. The decrease by 25.8% compared to the previous fiscal year equally reflected the impact of rigorous cost rationalization efforts across all consolidated subsidiaries. In line with expectations, selling, general and administrative expenses included JPY 3,491 million or EUR 26.6 million of fixed cash operating expenses of the holding company and its management subsidiaries. RHJI intends to gradually further reduce its fixed operating expenses, which are estimated below EUR 20 million for the fiscal year ending March 31, 2011. In addition to the fixed operating expenses, RHJI incurred non-recurring transaction related expenses of approximately EUR 16.3 million (JPY 2,053 million) in connection with several disposal and acquisition opportunities, including Kleinwort Benson.

Net other operating expenses amounted to JPY 1,768 million for the fiscal year ended March 31, 2010, compared to JPY 7,917 million during the previous fiscal year, which included non-recurring restructuring expenses of JPY 5,118 million at Honsel.

Loss from operations of JPY 11,874 million for the fiscal year ended March 31, 2010 was significantly reduced compared to the operating loss of JPY 91,254 million for the fiscal year ended March 31, 2009, which included impairment charges of JPY 66,539 million. Excluding impairment charges for both fiscal years, the operating loss amounted to JPY 9,488 million and JPY 24,715 million for the fiscal years ended March 31, 2010 and 2009, respectively.

Net financial income of JPY 55,597 million for the fiscal year ended March 31, 2010 included (a) a gain, net of expenses, of JPY 57,879 million resulting from Honsel's financial restructuring and (b) a gain of JPY 4,194 million on the disposal of certain financial assets, including the shares held in CIB. These gains were offset by financial costs including (a) net interest expense of JPY 5,206 million from consolidated subsidiaries and (b) net foreign exchange losses of JPY 1,631 million. Net interest expense decreased from JPY 9,744 million last fiscal year to JPY 5,206 million, mainly as a result of having delevered Honsel's and Niles' balance sheets in the course of the fiscal year ended March 31, 2010. More information on the nature of the gain recorded as a result of Honsel's financial restructuring can be found in notes 11 and 24 to the Consolidated Financial Statements.

Income tax benefit for the fiscal year ended March 31, 2010 amounted to JPY 7,220 million. Despite a profit before tax of JPY 44,849 million, no tax charge was recorded because the gain resulting from Honsel's capital restructuring is not taxable. Furthermore, Honsel, Asahi Tec, Phoenix Seagaia Resort and Niles recognized deferred tax assets of JPY 4,998 million in aggregate on net operating losses as the improved outlook is expected to enable them to offset such losses with taxable profits in the future.

Discontinued operations included (a) the net profit of CME until January 31, 2010 (JPY 1,694 million), (b) the net loss of Metaldyne until May 27, 2009 (JPY 1,488 million), (c) the profit on the deconsolidation of Metaldyne (JPY 9,982 million), (d) the Company's share in U-shin's profit (JPY 120 million), and (e) the consolidated result on the disposal of CME and U-shin (JPY 830 million). The breakdown of discontinued operations for the fiscal years ended March 31, 2010 and 2009 is as follows:

<i>(In millions)</i>	JPY		EUR	
	2010	2009 ^③	2010	2009 ^③
Revenue	25,970	201,206	206.2	1,597.8
Cost of sales	(18,741)	(167,552)	(148.8)	(1,330.5)
Gross profit	7,229	33,654	57.4	267.2
Selling, general and administrative expenses	(4,793)	(31,705)	(38.1)	(251.8)
Amortization of intangible assets	(1,285)	(3,777)	(10.2)	(30.0)
Impairment of property, plant, equipment and intangible assets	-	(56,720)	-	(450.4)
Other income (expense)	233	(4,626)	1.9	(36.7)
Profit (loss) from operations	1,384	(63,174)	11.0	(501.7)
Gain on disposals	830	12,991	6.6	103.2
Gain on deconsolidations	9,982	-	79.3	-
Net finance income (costs)	(934)	25,669	(7.4)	203.8
Share of profit (loss) of equity accounted investees (net of income tax)	120	(4,894)	1.0	(38.9)
Profit (loss) before income tax	11,382	(29,408)	90.4	(233.5)
Income tax benefit (expense)	(244)	2,366	(1.9)	18.8
Profit (loss) for the period	11,138	(27,042)	88.4	(214.7)
Attributable to:				
Owners of the Company	9,876	(17,034)	78.4	(135.3)
Non-controlling interests	1,262	(10,008)	10.0	(79.5)
Profit (loss) for the period	11,138	(27,042)	88.4	(214.7)

^③ Restated to present CME, Metaldyne and U-shin as discontinued operations.

Profit for the fiscal year ended March 31, 2010 amounted to JPY 63,207 million, of which JPY 48,312 million is attributable to the equity holders of the parent company, and compared to a net loss of JPY 131,271 million for the fiscal year ended March 31, 2009. The profit for the fiscal year ended March 31, 2010 was favorably impacted by the gain from Honsel's partial cancelation of debt and the gain arising upon the deconsolidation of Metaldyne. Excluding these non recurring items as well as non-cash impairment charges, the net loss amounted to JPY 2,268 million for the fiscal year ended March 31, 2010, compared to a net loss of JPY 8,012 million for the fiscal year ended March 31, 2009.

Liquidity and capital resources

Debt

Consolidated financial debt at March 31, 2010 amounted to JPY 73,335 million, compared to JPY 189,011 million at March 31, 2009. The decrease primarily resulted from (a) the deconsolidation of Metaldyne (JPY 52,878 million) and the sale of CME (JPY 1,457 million), (b) the waiver of JPY 46,400 million of debt at Honsel, (c) the reduction of debt by JPY 11,218 million at Niles following the capital increase and the sale of Fuji Electronics and (d) repayments of debt at Phoenix Seagaia Resort (JPY 1,286 million) and Asahi Tec (JPY 2,399 million).

Consolidated financial debt at March 31, 2010 and March 31, 2009 can be summarized as follows:

Asahi Tec

At March 31, 2010, Asahi Tec had outstanding indebtedness of JPY 24,089 million compared to JPY 79,366 million at March 31, 2009. The decrease in total indebtedness by JPY 55,277 million mainly resulted from (a) deconsolidating Metaldyne's debt of JPY 52,878 million and scheduled reimbursements of JPY 2,399 million. Asahi Tec's indebtedness included (a) JPY 13,196 million senior credit facilities, (b) JPY 4,000 million subordinated bank debt, (c) JPY 963 million lease obligations and (d) JPY 5,662 million, representing the liability associated with the Class C preferred shares.

Net debt will be further reduced through the conversion of the Class C Preferred shares held by Masco Corporation following the agreement of June 3, 2010, according to which Masco Corporation agreed to convert its Class C Preferred shares into common shares by February 28, 2011 in exchange for a reduction of the conversion price. The Class C Preferred shares were issued at the time of the acquisition of Metaldyne. Despite the dilution of RHJI's interest in Asahi Tec from 60.1% to 54.4% (excluding the conversion of Class A and B Preferred shares held by RHJI), the removal of the liability resulting from the mandatory redemption of the Class C Preferred shares is beneficial to Asahi Tec's shareholders. The Class C Preferred shares, which have a liquidation preference of approximately JPY 8,900 million, are recorded as a hybrid instrument with a liability component of JPY 5,662 million at March 31, 2010. The agreement was approved by Asahi Tec's lenders and by the general meeting of Shareholders on June 16 and June 25, 2010, respectively.

While Asahi Tec breached certain of its financial covenants under its credit agreements, its ability to service its debt obligations despite severe market conditions enabled the company to obtain covenant waivers throughout the fiscal year ended March 31, 2010. Asahi Tec may face further covenant breaches in the event of an adverse evolution of the global economic environment and its financial results. Asahi Tec will seek further waivers from its lenders as its management believes that liquidity will remain sufficient. In the event that Asahi Tec were not successful in obtaining such waivers, it would be in default of its obligations under its credit agreements, which would cast significant doubt on Asahi Tec's ability to operate as a going concern. Asahi Tec is in ongoing discussions with its senior lenders to refinance its senior debt, which matures on February 28, 2011.

At March 31, 2010, the effective interest rate on Asahi Tec's secured credit facilities was 3.63%

Honsel

At March 31, 2010, Honsel's indebtedness amounted to EUR 210.4 million compared to EUR 546.1 million at March 31, 2009. In addition to the restructuring of Honsel's senior and mezzanine debt, EUR 96.5 million of PIK (Payable in Kind) debt plus accrued interest at HIT, the former holding company of Honsel, was waived in the course of the second half of the fiscal year ended March 31, 2010. Honsel's new indebtedness includes (a) senior debt of EUR 110 million, (b) a mezzanine credit facility of EUR 30 million, (c) a revolving credit facility of EUR 40 million, (d) loans of EUR 30 million from customers and a key supplier, (e) a backstop facility and a liquidity facility of EUR 10 million each and (f) factoring and sale-and-lease back facilities of up to EUR 20 million. The aggregate outstanding amount of the backstop facility, the factoring and the sale and lease back facility, which are all provided by the Company, amounted to EUR 26.5 million at March 31, 2010. The liquidity facility remains undrawn. The new senior and mezzanine credit facilities are subject to certain financial covenants as from June 2010 onwards. Honsel was in compliance with such covenants at June 30, 2010.

The interest rates on Honsel's new senior term loan are determined as Euribor plus 5%. According to the terms of the new senior credit, Honsel must ensure that, during a period of three years after the closing date, it has hedging arrangements in place to cause at least 66^{2/3}% of the outstanding amounts under the

senior debt and the Customer Financing to bear interest at a fixed or capped rate. At March 31, 2010, the effective interest rate on these facilities amounted to 6.57%. The new mezzanine facility pays Euribor + 5% cash interest and 5% PIK interest. Honsel may at any time during the life of the Mezzanine Facility elect to have all interest capitalised at the end of each interest period, provided that, following the exercise of such election, interest shall accrue at a fixed rate of 16.00% PIK per annum. To date, Honsel has paid the cash interest.

Niles

On May 20, 2009, Niles bolstered its capital structure through a total capital injection of JPY 6,000 million of which JPY 3,500 million was provided by RHJI and JPY 2,500 million by a third party, which resulted in RHJI's ownership being reduced from 96.4% to 77.3%. Part of the proceeds was used to repay JPY 2,500 million of short-term debt that was secured by a cash deposit from RHJI.

At March 31, 2010, Niles had JPY 17,108 million of indebtedness outstanding on a consolidated basis, compared to JPY 28,326 million a year earlier. The credit facilities included senior term loans (JPY 12,525 million), revolving loans (JPY 3,000 million), and finance leases (JPY 1,481 million).

At March 31, 2010, the effective interest rate on Niles' secured credit facilities was 3.55%

Phoenix Seagaia Resort

At March 31, 2010, Phoenix Seagaia Resort's outstanding senior indebtedness amounted to JPY 5,858 million, which is to be repaid in 5 remaining quarterly installments of JPY 178 million each and a bullet payment of JPY 5,027 million in September 2011. The quarterly installments and total interest are guaranteed by RHJI. The amount of the outstanding guaranteed indebtedness is estimated at JPY 1,261 million at March 31, 2010. The outstanding balance of JPY 600 million of the intra-group revolving credit facility was repaid in accordance with the covenant, which requires the balance to be repaid once a year for a consecutive period of 10 days. At the same time, RHJI increased Phoenix Seagaia Resort's capital by JPY 400 million on January 28, 2010. RHJI intends to only make further capital contributions to Phoenix Seagaia Resort to the extent they will result in an equivalent reduction of the Company's exposure resulting from the guarantee and the intra-group revolving credit facility.

At March 31, 2010, the effective interest rate on Phoenix Seagaia Resort's secured credit facilities was 3.84%

More detailed information on the Company's interest-bearing debt and borrowings is included in note 24 to the Consolidated Financial Statements.

Cash Flows

Consolidated cash flows from investing activities of continuing operations for the fiscal year ended March 31, 2010, included:

- a) the proceeds from the sale of CME, net of cash disposed, U-shin and CIB (JPY 14,065 million);
- b) dividends received amounting to JPY 368 million;
- c) the repayment by Metaldyne of part of its outstanding loan to the Company (JPY 1,093 million);
- d) proceeds of the sale of the Kitago property for JPY 653 million;

- e) the investments in Quirin and Belvall for JPY 2,531 million; and
- f) net capital expenditures of JPY 6,418 million.

Cash flows from financing activities for the fiscal year ended March 31, 2010, reflected:

- a) the capital increase of JPY 2,500 million of Niles subscribed by a major stakeholder;
- b) the net cash outflow of JPY 11,080 million resulting from debt repayment;
- c) the payment of JPY 2,330 million of transaction expenses in connection with Honsel's financial restructuring;
- d) the repurchase of the Company's own shares for JPY 663 million.

Business Review

Because the consolidated results of operations are primarily an aggregation of the results of operations of its six consolidated businesses, the Company is presenting below the Income Statements for these businesses on an individual basis.

The individual companies' consolidated financial statements presented below have been prepared in accordance with IFRS and are presented in their respective functional currency. All financial information for the Japanese companies has been translated for convenience into Euros and for Honsel, into JPY, using the exchange rate prevailing at March 31, 2010 (EUR/JPY = 125.93).

INVESTMENTS IN SUBSIDIARIES

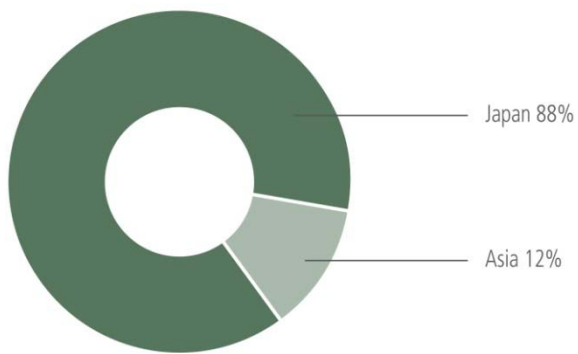


Headquarters: Japan
Industry: Automotive components - Cast auto parts segment
Tokyo stock exchange ticker: 5606.T
Total shares outstanding: 476,717,658
RHJI ownership as of March 31, 2010: 60.1% (286,314,061 shares)
Contribution price per share in March 2005: JPY 250
Closing price:
March 31, 2009 : JPY 35
March 31, 2010 : JPY 47

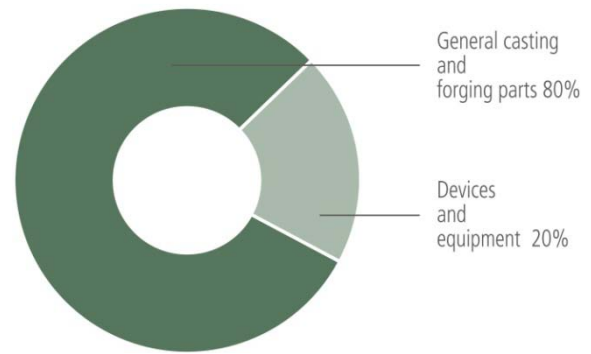
Overview of activities

Asahi Tec (www.asahitec.co.jp) primarily designs, manufactures and sells ductile iron cast auto parts for truck and construction machinery OEMs, aluminum casting parts for truck and passenger car OEMs and aluminum wheels for automobile OEMs. Asahi Tec also designs, manufactures and sells environmental systems, equipment and development technologies used by municipalities and electrical hardware and equipment used by electricity generators.

Geographic distribution of revenue



Revenue by operating segment



Key figures

Condensed consolidated income statement for the fiscal year ended March 31 ⁽¹⁾

(In millions)	JPY		EUR	
	2010	2009 ^②	2010	2009 ^②
Revenue	58,417	85,332	463.9	677.6
Gross profit	6,491	11,437	51.5	90.8
Gross margin	11.1 %	13.4 %	11.1 %	13.4 %
EBITDA	3,667	6,119	29.1	48.6
EBITDA margin	6.3 %	7.2 %	6.3 %	7.2 %
Operating profit (loss)	(1,372)	1,113	(10.9)	8.8
Profit from continuing operations	606	1,064	4.8	8.4
Profit (loss) from discontinued operations (net of income tax)	8,494	(25,058)	67.5	(199.0)
Profit (loss) for the period	9,159	(24,057)	72.7	(191.0)

① Including the effect of the purchase price allocation carried out in connection with the contribution of the ownership interests to the Company at March 31, 2005.

② Restated to present Metaldyne as discontinued operations.

Consolidated cash and cash equivalents and loans and borrowings as of March 31

(In millions)	JPY		EUR	
	2010	2009	2010	2009
Cash and cash equivalents	2,764	5,350	21.9	42.5
Loans and borrowings	24,089	79,366	191.3	630.2

Moderate volume recovery in the passenger car, heavy truck and construction equipment industries, and rigorous cost and cash management resulted in positive free cash flow and continued debt reduction

Asahi Tec reported consolidated revenue of JPY 58,417 million for the fiscal year ended March 31, 2010, compared to JPY 85,332 million during the previous fiscal year, which was restated to reflect the deconsolidation of Asahi Tec's U.S. subsidiary Metaldyne. Metaldyne filed for a voluntary petition to reorganize under Chapter 11 of the U.S. Bankruptcy Code on May 27, 2009, and its results were presented as discontinued operations for the fiscal years ended March 31, 2010 and 2009. Particularly during the first half of the fiscal year ended March 31, 2010, order volumes remained weak and recovery of customer demand was slower than expected, especially for parts for trucks and construction machinery. Sales increased during the second half of the fiscal year ended March 31, 2010 as tax incentives for eco-friendly passenger cars led to modest production increases. However, domestic demand for trucks and motorcycles remained weak, and the strengthening of the Japanese yen slowed down the recovery of the export driven demand. Strong demand for transmission and underground line equipment resulted in increased sales of Asahi Tec's Equipments and Systems segment, contributing JPY 11,565 million to consolidated revenue. Despite the current unstable economic environment, Asahi Tec projects consolidated revenue of JPY 67,200 million for the fiscal year ending March 31, 2011, based on its forecasts prepared under J-GAAP. The increase from JPY 58,242 million for the fiscal year ended March 31, 2010, is mainly driven by further customer expansion into new businesses and geographies and continued volume recovery, especially in China.

The operating loss for the fiscal year ended March 31, 2010 included a non-recurring loss of JPY 973 million on the disposal of land. Excluding this loss, the operating loss of JPY 1,955 million for the first half of the fiscal year ended March 31, 2010, was reduced to JPY 399 million for the full fiscal year through rigorous cost management and operational restructuring. The ongoing operational restructuring, which includes the planned relocation of certain Japanese manufacturing facilities to Thailand, resulted in impairment charges of JPY 749 million on idle property, plant and equipment. Asahi Tec's management will maintain its focus on tight cost management and further operational restructuring and, based on its management forecasts under J-GAAP, projects operating income of JPY 2,000 million and net income of JPY 550 million for the fiscal year ending March 31, 2011, compared to JPY 121 million and JPY -500 million for the fiscal year ended March 31, 2010.

Metaldyne deconsolidated as of May 27, 2009

As a result of Metaldyne filing for a voluntary petition to reorganize under Chapter 11 of the U.S. Bankruptcy Code on May 27, 2009, Metaldyne was deconsolidated as of the date of filing. Metaldyne's operating results for the period between April 1, 2009 and May 27, 2009 have been presented as discontinued operations in the Company's consolidated income statement for the fiscal year ended March 31, 2010. The result of discontinued operations also includes a gain of JPY 9,982 million resulting from the deconsolidation of Metaldyne and the elimination of Metaldyne's negative equity included in the Company's consolidated equity at March 31, 2009. At March 31, 2009, Metaldyne negatively contributed to the Company's consolidated equity mainly as a result of impairment losses. As neither the Company nor Asahi Tec had an obligation to cover such losses and are no longer controlling Metaldyne, this negative contribution was reversed upon the deconsolidation of Metaldyne.

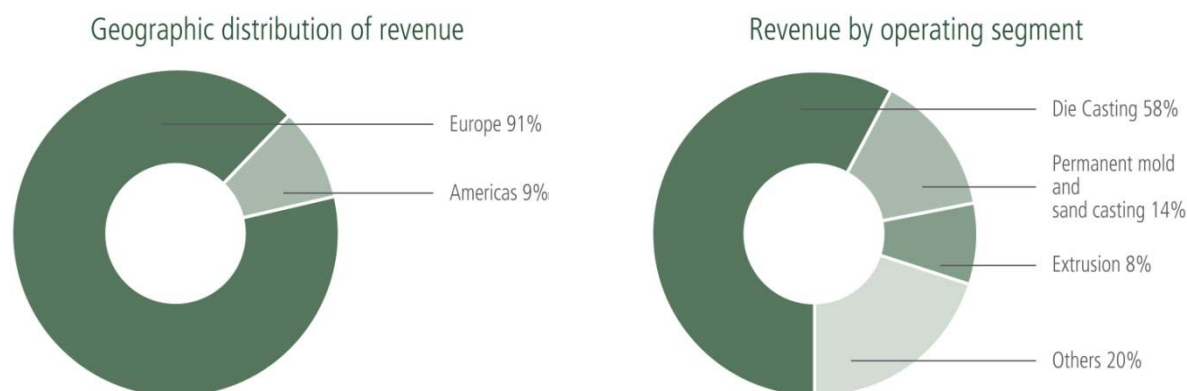
On November 24, 2009, Metaldyne repaid EUR 7 million of the demand loan of EUR 15 million (JPY 1,966 million) that the Company granted on February 26, 2008. The remaining outstanding balance was converted in a term loan to be repaid in six quarterly installments through May 15, 2011, two of which were repaid as scheduled. To date, the outstanding balance amounts to EUR 5.3 million or JPY 667 million.



Headquarters: Germany
 Industry: Automotive components - Cast auto parts segment
 Privately held
 RHI ownership as of March 31, 2010: 51.1 % (511,342 shares)

Overview of activities

Honsel (www.honsel.com) is a leading European supplier of light metal products to the automotive and heavy truck industries. Honsel principally designs, manufactures and sells aluminum and magnesium components and assemblies. Honsel has four main product categories: engine, transmission, suspension and body components. Honsel has a diverse customer base including a variety of large automobile and truck OEM manufacturers and other large OEM suppliers that ship directly to vehicle manufacturers. Honsel competes in the casting, machining and finishing phases of automotive light metal components manufacturing. Honsel seeks to capitalize on key trends in the light metal casting segment of the industry including: demand for new materials and technologies that reduce the overall weight of vehicles, increased outsourcing of light metals components manufacturing by automobile OEMs, preference of automobile OEMs for full service global suppliers, increased demand for suppliers with the capability to design and engineer components and assemblies, and consolidation opportunities due to the largely regional and fragmented nature of the Light Metals Casting segment.



Key figures

Condensed consolidated income statement for the fiscal year ended March 31

(In millions)	JPY		EUR	
	2010	2009	2010	2009
Revenue	67,901	89,838	539.2	713.4
Gross profit	2,435	1,196	19.3	9.5
Gross margin	3.6 %	1.3 %	3.6 %	1.3 %
EBITDA	3,111	1,750	24.7	13.9
EBITDA margin	4.6 %	1.9 %	4.6 %	1.9 %
Operating loss	(4,373)	(44,680)	(34.7)	(354.8)
Profit (loss) from continuing operations	40,647	(47,299)	322.8	(375.6)
Profit from discontinued operations (net of income tax)	-	1,687	-	13.4
Profit (loss) for the period	40,343	(45,133)	320.4	(358.4)

Consolidated cash and cash equivalents and loans and borrowings as of March 31

<i>(In millions)</i>	JPY		EUR	
	2010	2009	2010	2009
Cash and cash equivalents	653	1,801	5.2	14.3
Loans and borrowings	26,490	68,770	210.4	546.1

Volume recovery at major customers offset by operational issues around new product launches

Honsel recorded revenue of EUR 539.2 million for the fiscal year ended March 31, 2010, compared to EUR 713.4 million for the previous fiscal year, a decrease of 24.4%. While sales during the first half of the fiscal year were down by 43% compared to the same period a year earlier, sales steadily recovered across all major customers during the second half of the fiscal year ended March 31, 2010, and came in at EUR 290 million, or 4% higher than during the second half of the year before. Especially towards the end of the fiscal year ended March 31, 2010, volume recovery became stronger and more stable.

Despite the decrease in consolidated revenue, gross profit for the fiscal year ended March 31, 2010, amounted to EUR 19.3 million, representing a gross margin of 3.6%, compared to EUR 9.5 million or 1.3% during the fiscal year ending March 31, 2009. Restoration of the gross profit only started after the capital restructuring as Honsel had insufficient liquidity to implement its operational restructuring program to adjust its cost structure to collapsing production volumes until then. The capital restructuring was completed on July 22, 2009, after which Honsel implemented its operational restructuring efforts focused on significant labor cost savings, operating efficiency improvements and revenue generating initiatives. The comprehensive labor restructuring included a variety of measures, including reduction of headcount, tariff agreements with unions, termination of temporary workers and short time work arrangements. The positive impact of gradual volume recovery and the ongoing restructuring were partly offset by volume shortfalls and quality deficiencies in certain plants dealing with new product launches. The operating loss of EUR 34.7 million for the fiscal year ended March 31, 2010, included EUR 6.3 million of impairment charges on certain intangible and tangible assets. Excluding impairment losses for both years, the operating loss amounted to EUR 28.4 million for the fiscal year ended March 31, 2010, compared to EUR 109.2 million a year earlier.

Honsel's financial performance remained under pressure during the first quarter of the fiscal year ending March 31, 2011 as a result of several operating issues. Honsel has defined additional remedial action to address these issues and restore its operating profitability. Remedial action plans mainly focus on improving the profitability of certain large new programs Honsel is currently ramping up and are designed to improve overall equipment efficiency, reduce scrap rates, and improve workforce qualification. In the event that Honsel were not successful in implementing such actions, a further deterioration of financial performance could cast significant doubt on its ability to operate as a going concern. Despite this uncertainty Honsel's management believes that the going concern assumption is justified and appropriate and that the financial statements therefore do not need to include any adjustments or reclassifications.

New capital structure

As part of the capital restructuring, the Company invested EUR 50 million in exchange for a 51% controlling stake in Honsel. The remaining 49% is held by Honsel's former senior lenders following a debt-for-equity swap. At March 31, 2010, Honsel's indebtedness amounted to EUR 210.4 million

compared to EUR 546.1 million at March 31, 2009. In addition to the restructuring of Honsel's senior and mezzanine debt, EUR 96.5 million of PIK debt plus accrued interest at HIT, the former holding company of Honsel, was waived in the course of the second half of the fiscal year ended March 31, 2010.

The debt-for-equity swap and the PIK debt waiver resulted in a gain of EUR 326.1 million, net of restructuring expenses, representing the difference between (a) the carrying amount of the previously outstanding indebtedness and (b) the consideration received, consisting of the fair value of the lenders' equity and the carrying amount of the new senior and mezzanine credit facilities. Furthermore the Company recorded a gain of EUR 115.1 million resulting from the dilution of its ownership in Honsel from 82% to 51% as part of Honsel's losses previously allocated to the Company's shareholder's equity were reversed following the capital restructuring.

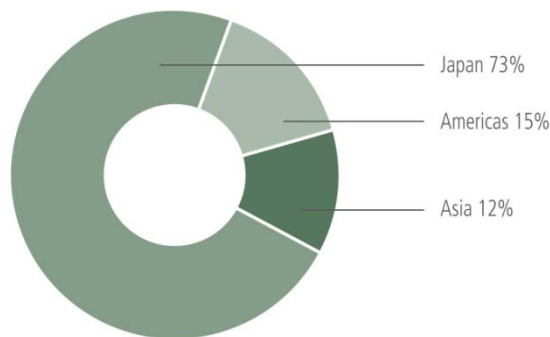


Headquarters: Japan
 Industry: Automotive components - Electronic components segment
 Privately held
 RHJI ownership as of March 31, 2010: 77.9 % (35,871,007 shares)

Overview of activities

Niles (www.niles.co.jp) manufactures switches for automobiles. The switches serve as key components in many vehicle systems that are typically developed and assembled by larger, more diversified suppliers or by automobile OEMs themselves. Niles' main switch product categories include those related to the steering column, doors and power-train/pedal. Niles also manufactures sensors for automobiles. Niles' customers are automobile OEMs, such as Nissan and General Motors, and suppliers to automobile OEMs. Niles seeks to capitalize on its production engineering capability, its quality control, and its ability to respond quickly to new design demands from its customers.

Geographic distribution of revenue (single operating segment)



Key figures

Condensed consolidated income statement for the fiscal year ended March 31 ⁽¹⁾

(In millions)	JPY		EUR	
	2010	2009	2010	2009
Revenue	41,499	45,444	329.5	360.9
Gross profit	7,920	6,089	62.9	48.4
Gross margin	19.1 %	13.4 %	19.1 %	13.4 %
EBITDA	5,474	2,846	43.5	22.6
EBITDA margin	13.2 %	6.3 %	13.2 %	6.3 %
Operating profit (loss)	1,920	(1,394)	15.2	(11.1)
Profit (loss) for the period	2,576	(5,795)	20.5	(46.0)

⁽¹⁾ Including the effect of the purchase price allocation carried out in connection with the contribution of the ownership interests to the Company at March 31, 2005.

Consolidated cash and cash equivalents and loans and borrowings as of March 31

<i>(In millions)</i>	JPY		EUR	
	2010	2009	2010	2009
Cash and cash equivalents	3,301	2,078	26.2	16.5
Loans and borrowings	17,108	28,326	135.9	224.9

EBITDA improves by 117% despite decreasing sales

Niles' consolidated revenue for the fiscal year ended March 31, 2010, amounted to JPY 41,499 million, down by 8.7% from JPY 45,444 million for the previous fiscal year. While sales in the first half of the fiscal year ended March 31, 2010, were down by 29.8% compared to the same period a year earlier, order volumes from Niles' major customers gradually increased during the second half of the fiscal year. On August 5, 2009, Niles reached an agreement to sell Fuji Electronics Industries, a subsidiary acquired in April 2006. The sale, which was completed in September of 2009, added JPY 1,548 million to Niles' cash position and yielded a capital gain of JPY 215 million. Excluding the contribution of Fuji Electronics Industries for both fiscal years, Niles' consolidated revenue amounted to JPY 39,408 million and JPY 40,871 million for the fiscal years ended March 31, 2010 and 2009, respectively.

Despite decreasing sales, Niles drastically improved its profitability through the implementation of a variety of restructuring measures. Gross profit margin increased from 13.4 % during the fiscal year ended March 31, 2009, to 19.1 % during the fiscal year ended March 31, 2010. Niles' US manufacturing operation, which ran at negative gross margins last fiscal year, was transferred to Japan and Thailand and it became a distribution center since September 2009. Through additional labor cost reductions, the operating loss of JPY 1,394 million for the fiscal year ended March 31, 2009, was turned into an operating profit of JPY 1,920 million for the fiscal year ended March 31, 2010. Excluding Fuji Electronics Industries, EBITDA for the fiscal year ended March 31, 2010, amounted to JPY 5,108 million, representing 13 % of sales and an improvement by 108 % compared to the previous fiscal year. Although certain implemented cost saving measures are only temporary, Niles intends to maintain profitability at current levels through further cost management and the improvement of manufacturing efficiencies.

The improved profitability, focused capital expenditure and the sale of Fuji Electronics Industries contributed to the reduction of Niles' net debt from JPY 26,248 million at March 31, 2009, to JPY 13,807 million at March 31, 2010. Net debt had already been reduced through Niles' capital restructuring, whereby capital was increased by JPY 6,000 million on May 20, 2009, of which JPY 3,500 million was provided by the Company. Part of the proceeds was used to repay JPY 2,500 million of short-term debt that was previously secured by a cash deposit from the Company. Furthermore, syndicate lenders agreed on a refinancing of the existing debt structure with new bullet loans maturing in June 2011. At March 31, 2010, Niles complied with all financial covenants of its syndicated debt.

Phoenix Seagaia Resort K.K.

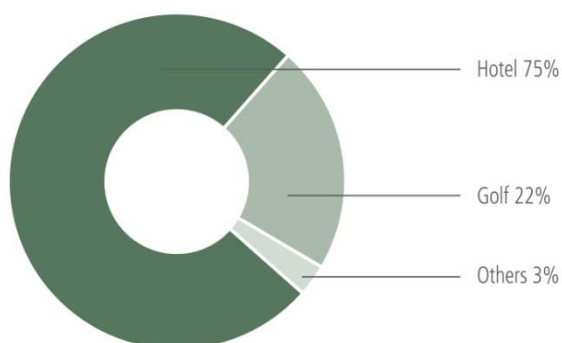


Headquarters: Japan
 Industry: Hospitality segment
 Privately held
 RHJI ownership as of March 31, 2010: 100.0 %

Overview of activities

Phoenix Seagaia Resort (www.seagaia.co.jp) is a resort complex located in Miyazaki Prefecture on Kyushu, the southernmost of the main islands of Japan. Miyazaki has a suitable climate for year-round outdoor activities. The principal assets of the Phoenix Seagaia Resort are situated in a historic 750-acre pine forest that extends over 10 kilometers along the Pacific Ocean coastline, which is just outside the city of Miyazaki and 20 minutes from the airport. Phoenix Seagaia Resort includes golf courses, lodging facilities, renovated spa (onsen) and fitness facilities, one of the largest convention centers in Japan and a tennis club.

Revenue by operating segment (single geographic distribution of revenue)



Key figures

Condensed consolidated income statement for the fiscal year ended March 31 (1)

<i>(In millions)</i>	JPY		EUR	
	2010	2009	2010	2009
Revenue	11,225	12,327	89.1	97.9
Gross profit	2,028	1,441	16.1	11.4
<i>Gross margin</i>	18.1 %	11.7 %	18.1 %	11.7 %
EBITDA	1,692	297	13.4	2.4
<i>EBITDA margin</i>	15.1 %	2.4 %	15.1 %	2.4 %
Operating profit (loss)	792	(14,800)	6.3	(117.5)
Profit (loss) for the period	1,072	(11,412)	8.5	(90.6)

③ Including the effect of the purchase price allocation carried out in connection with the contribution of the ownership interests to the Company at March 31, 2005.

Consolidated cash and cash equivalents and loans and borrowings as of March 31

<i>(In millions)</i>	JPY		EUR	
	2010	2009	2010	2009
Cash and cash equivalents	667	455	5.3	3.6
Loans and borrowings	5,878	7,144	46.7	56.7

Improved profitability despite lower occupancy

Phoenix Seagaia Resort recorded revenue of JPY 11,225 million for the fiscal year ended March 31, 2010, down by JPY 1,102 million or 8.9% compared the previous fiscal year. In a tourist market that remained challenging throughout the year, the resort's overall occupancy dropped to 42.3% during the fiscal year ended March 31, 2010, compared to 44.6% a year earlier. Lower occupancy was driven by reduced bookings of conferences, meetings and corporate events. Revenue from hotel operations was further negatively affected by lower customer spending in general, except for the number of golf rounds which increased by 1.6% following the implementation of more competitive pricing plans.

Although revenue decreased, Phoenix Seagaia Resort improved its profitability by implementing a rigorous cost reduction plan of approximately JPY 1,200 million. The plan included the reduction of salaries, the elimination of bonuses and tight control of overall headcount, and resulted in operating profit of JPY 792 million for the fiscal year ended March 31, 2010, compared to an operating loss of JPY 14,800 million for the previous fiscal year, which included JPY 13,993 million of non-recurring impairment charges on the resort's property and equipment. Accordingly, EBITDA for the fiscal year ended March 31, 2010 of JPY 1,692 million compared to JPY 297 million last fiscal year, and included a gain of JPY 418 million on the sale of Kitago.

Phoenix Seagaia Resort will maintain its focus on cost control and is implementing a plan to transform from a multi-complex resort to a 5-star facility focused around the Sheraton hotel and certain other profitable operations that add to the guest experience in order to focus resources on the core assets and to reduce capital expenditure. The plan entails the closure and the sale of certain properties. The Kitago hotel and golf course was sold on March 31, 2010 for cash consideration of JPY 653 million.

INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

Arecon AG



Headquarters: Switzerland
 Industry: Fund management
 Total shares outstanding: 2,500
 RHJI ownership as of March 31, 2010: 50.0 % (1,250 shares)
 Acquisition price per share: EUR 3,448

Key figures

Condensed consolidated income statement and balance sheet for the fiscal year ended December 31

(In millions)	JPY		EUR	
	2009	2008	2009	2008
Revenue	138	62	1,1	0,5
Operating profit	39	0	0,3	0,0
Net profit for the period	31	0	0,2	0,0
Total assets	215	127	1,7	1,0
Shareholders' equity	54	22	0,4	0,2

Quirin Bank AG



Headquarters: Germany
 Industry: Private banking
 Frankfurt stock exchange ticker: QB7
 Total shares outstanding: 43,106,000
 RHJI ownership as of March 31, 2010: 27.8 % (11,978,351 shares)
 Acquisition price per share: EUR 1.55
 Closing price:
 - March 31, 2009 : EUR 1.41
 - March 31, 2010 : EUR 2.44

Key figures

Condensed consolidated income statement and balance sheet for the fiscal year ended December 31

(In millions)	JPY		EUR	
	2009	2008	2009	2008
Revenue	3,582	2,400	28.4	19.1
Operating profit	(869)	(1,487)	(6.9)	(11.8)
Net profit for the period	(932)	(1,628)	(7.4)	(12.9)
Total assets	47,319	50,171	375.8	398.4
Shareholders' equity	5,193	4,653	41.2	37.0

Shaklee Global Group, Inc.



Headquarters: Japan
Industry: Consumer products - Nutrition products segment
Jasdaq stock exchange ticker: 8205.Q
Total shares outstanding: 25,920,000
RHJI ownership as of March 31, 2010: 42.5 % (10,531,000 shares)
Contribution price per share in March 2005: JPY 1,269
Closing price:
- March 31, 2009 : JPY 635
- March 31, 2010 : JPY 635

Key figures ⁽¹⁾

Condensed consolidated income statement for the fiscal year ended March 31

<i>(In millions)</i>	JPY		EUR	
	2010	2009	2010	2009
Revenue	23,436	24,685	186.1	196.0
Operating profit	3,805	3,086	30.2	24.5
EBITDA	5,922	4,842	47.0	38.4
EBITDA margin	25.3 %	19.6 %	25.3 %	19.6 %
Profit for the period	2,847	1,341	22.6	10.6

Consolidated cash and cash equivalents and loans and borrowings as of March 31

<i>(In millions)</i>	JPY		EUR	
	2010	2009	2010	2009
Cash and cash equivalents	6,810	5,273	54.1	41.9
Loans and borrowings	17,244	18,529	136.9	147.1

① Publicly available financial information prepared under J-GAAP.

SigmaXYZ Inc.



Headquarters: Japan
Industry: Information and Communication Technology (ICT)
consulting services
Privately held
RHJI ownership as of March 31, 2010: 21.8 % (980 shares)
Total shares outstanding: 4,500
Acquisition price per share: JPY 1,000,000

Key figures

Condensed consolidated income statement for the fiscal year ended March 31

<i>(In millions)</i>	JPY		EUR	
	2010	2009	2010	2009
Revenue	2,639	1,152	21.0	9.1
Operating loss	(1,994)	(1,580)	(15.8)	(12.5)
EBITDA	(1,812)	(1,476)	(14.4)	(11.7)
EBITDA margin	(68.7)%	(128.1)%	(68.7)%	(128.1)%
Loss for the period	(2,012)	(1,583)	(16.0)	(12.6)

Consolidated cash and cash equivalents and loans and borrowings as of March 31

<i>(In millions)</i>	JPY		EUR	
	2010	2009	2010	2009
Cash and cash equivalents	381	139	3.0	1.1
Loans and borrowings	72	273	0.6	2.2

2. Material events subsequent to March 31, 2010

Asahi Tec

On June 3, 2010, Asahi Tec reached an agreement with Masco Corporation according to which Masco Corporation agreed to convert its Class C Preferred shares into common shares by February 28, 2011 in exchange for a reduction of the conversion price. The Class C Preferred shares were issued at the time of the acquisition of Metaldyne. Despite the dilution of the Company's interest in Asahi Tec from 60.1% to 54.4% (excluding the conversion of Class A and B Preferred shares held by the Company), the removal of the liability resulting from the mandatory redemption of the Class C Preferred shares is beneficial to Asahi Tec's shareholders. The Class C Preferred shares, which have a liquidation preference of approximately JPY 8,900 million, are recorded as a hybrid instrument with a liability component of JPY 5,662 million at March 31, 2010. The agreement was approved by Asahi Tec's lenders and by the General Meeting of Shareholders on June 16 and June 25, 2010, respectively.

KBC Asset Management Limited

On June 21, 2010, RHJI announced the acquisition of KBC Asset Management Limited (Dublin) ("KBCAM Dublin") for a total upfront cash consideration of EUR 23.7 million, subject to closing adjustments. The Seller will also receive 50%, with a maximum of EUR 3.5 million, of a potential future capital reduction at KBCAM Dublin.

KBCAM Dublin is a high quality asset management firm which manages approximately EUR 4 billion (as of March 31, 2010) of discretionary assets for global institutional clients. KBCAM Dublin offers specialist equity products in three core competence areas with strong growth prospects: environmental equities, dividend oriented equities and multi assets strategies. Headquartered in Dublin, Ireland, KBCAM Dublin has a strong client base in Ireland, Asia and North America.

Kleinwort Benson

On July 1, 2010, RHJI announced that it had completed the acquisition of Kleinwort Benson from Commerzbank AG after having received all necessary regulatory approvals. Under the terms of the agreement RHJI acquires Kleinwort Benson Private Bank Limited and Kleinwort Benson Channel Islands Holdings Limited (together 'Kleinwort Benson') for total cash consideration of GBP 229.6 million, equivalent to EUR 251.9 million. The purchase price could be further revised subject to certain post-closing adjustments.

Kleinwort Benson offers a diverse range of private banking services to its customers, including investment management, deposit taking, and lending as well as private and corporate fiduciary services. Kleinwort Benson will be the cornerstone of RHJI's broader merchant banking strategy. Under the Kleinwort Benson brand, the company intends to add incremental new business and broaden its product offering focusing on wealth management, specialized asset management and financial advisory services. At December 31, 2009, Kleinwort Benson held approximately GBP 5.6 billion of assets under management. Subject to determining the fair value of the assets acquired and liabilities assumed, the purchase price could be provisionally allocated to Kleinwort Benson's net assets as follows:

<i>(In millions)</i>	July 1, 2010 ④	
	JPY	GBP
Debt and other fixed income securities	20,624	233.8
Loans and advances	130,852	1,483.4
Other assets	3,043	34.5
Total assets	154,519	1,751.7
Deposits by		
Banks	3,114	35.3
Customers	130,138	1,475.3
Other liabilities	3,423	38.8
Total liabilities	136,674	1,549.4
Net identifiable assets	17,845	202.3
Provisional goodwill on acquisition	2,408	27.3
Consideration paid, satisfied in cash	20,253	229.6

④ Unaudited proforma statement of financial position

3. Research & Development

RHJI's consolidated businesses, Asahi Tec and Honsel, incur certain amounts of expenses related to the development of new product designs and to the improvement of the efficiency and capabilities of their manufacturing processes and techniques. The Company incurred JPY 334 million and JPY 1,635 million of development expenses for the fiscal year ended March 31, 2010 and 2009, respectively.

4. Principal risks and uncertainties

Risks associated with strategy and operations

The Company, as any commercial enterprise, faces risks and uncertainties in its operations, financial performance, business strategy, structure and management.

Strategic risk

RHJI is transforming itself from a diversified industrial holding company into an active and dynamic financial services firm. The cornerstone of this transformation is the acquisition of Kleinwort Benson, a wealth management franchise and fiduciary business. Under Kleinwort Benson's brand, the Company intends to add incremental new business and broaden its product offerings, focusing on wealth management (including fiduciary), specialized asset management and financial advisory services while maintaining a strong and liquid balance sheet. RHJI will gradually exit its industrial investments over time with a view to supporting Kleinwort Benson's growth strategy and adding fee-earning, non capital intensive financial services business.

The availability of opportunities for additional acquisitions and investment in financial services is uncertain from time to time due to competition and macro-economic, political, social and market conditions. The Company may not be able to successfully execute the acquisition component of its business strategy because of difficulties identifying, acquiring, integrating or financing acquisitions, or unanticipated problems, which could negatively affect the Company's prospects. RHJI's ability to finance acquisitions will also largely depend on its ability to sell its industrial investments, which may be impaired by the restricted availability of credit, necessary to refinance the debt at the level of the industrial portfolio companies and to partly or wholly finance the purchase price.

The Company's strategy also includes purchasing non-controlling or minority interests in public and private companies and making co-investments in transactions led by third parties, such purchases or co-investments could be material and may involve relatively more risks due to its lack of control and may materially adversely affect the Company's financial condition and results of operations.

As a result of the acquisition of Kleinwort Benson, RHJI will be exposed to certain risks associated with financial services. All existing investments in financial services will be organized under the direct ownership of KB Financial Services Holding Limited, a wholly owned holding company incorporated in the UK. RHJI established a risk governance structure for Kleinwort Benson Group aimed at developing an effective, proactive, cross-disciplinary approach to enterprise-wide risk management built upon an invigorated risk-culture. The structure involves the set up of a Strategic Risk Committee at the level of Kleinwort Benson Group, to which tasks would be delegated by the boards of Kleinwort Benson Private Bank Limited and Kleinwort Benson Channel Islands Holdings Limited, with a view to (i) providing oversight and guidance for all risks arising across the business, and (ii) ensuring that sensible risks are taken in alignment with approved risk strategy in a properly controlled environment in accordance with the Firms' risk appetite. As part of its normal business Kleinwort Benson accepts and is exposed to the following principal risks:

- Credit and Counterparty risk
- Market risk
- Liquidity risk
- Operational risk
- Reputational risk

Operational risk

Prior to the transformation from a diversified industrial holding company into an active and dynamic financial services firm, the Company's business strategy included the acquisition of interests in financially distressed companies and the incurrence of significant levels of debt by such companies. Improving the performance of such companies typically takes time, the length of which may increase loss from operations and net loss. The Company has experienced losses from operations and net losses since incorporation and many of its portfolio holdings have experienced such losses in recent years. The Company may continue to incur losses and its businesses may continue to have risks associated with high levels of debt. In particular, current credit market conditions may impair the Company's ability to refinance existing debt or obtain covenant relief in the event of financial distress, in which case RHJI may not be successful in its efforts to sell its industrial investments.

Execution risk

The Company may not be able to successfully implement its turnaround strategy for portfolio holdings that it owns or may acquire due to specific risks and uncertainties relating to each company and to circumstances arising from macro-economic, political, social and market conditions. For the fiscal year ended March 31, 2010, approximately 71% of RHJI's total carrying value of its investment portfolio was attributable to three businesses in the automotive components industry and further volatility or weakness in that industry may continue to materially adversely affect the Company's financial condition and results of operations.

The Company may not be able to successfully execute its strategy to transform into a dynamic financial services firm. This strategy includes the development a business of financial advisory services, which will require the recruitment of a small number of high-profile, well-connected senior bankers.

RHJI also depends on a limited number of senior management and investment professionals with relevant experience in financial services and their departure from, or part-time commitment to, RHJI, or RHJI's inability to attract or retain suitable executives could adversely affect RHJI's ability to execute its business strategies and growth.

Risk related to Mr. Collins' other activities

The non-competition agreement with, Mr. Collins, Director and Chairman of RHJI's Investment and Strategy Committee, whereby he agreed not to participate, directly or indirectly, in any acquisitions of interests in Japanese companies except through RHJI, expired on March 23, 2007. Other information relating to Mr. Collins is set out in the Part III - Corporate Governance of the Annual.

Other risks

The Company and its portfolio holdings each face a combination of risks and uncertainties including:

- strategic risks related to macro-economic and market conditions, corporate and brand reputation, industry focus and business structure;
- operational risks (including in the highly competitive automotive components industry) related to competition, innovation, changing customer demand and customer satisfaction,
- supply and cost of raw materials, production and distribution, management resources, labor relations, intellectual property, product safety and liability, IT infrastructure, occupational health and safety, environmental protection, asset and data security and disaster recovery; and

- financial risks related to levels of indebtedness, treasury, tax and audit, accuracy of forecasting and budgeting, timeliness of reporting, integration and compliance with accounting standards and use of financial management tools such as hedging or derivative strategies.

The Company generally relies on the individual businesses' risk assessment and monitoring programs to manage the exposure to these and other risks. These programs have been designed based on the specific nature and size of the individual businesses' activity. While the Company monitors these programs and attempts to mitigate the negative effects from any of these risks through its representation on the businesses' Boards of Directors and through the implementation of certain reporting mechanisms, the Company may face negative consequences from inadequate risk assessment and ineffective control systems of risk detection and prevention at the level of each of the individual businesses.

Specific risks related to RHJI as a holding company

Interest rate risk

Beside their negative impact in connection with the borrowing activities of the Company's businesses described in note 24 to the consolidated financial statements, increasing interest rates may have a negative impact on the market valuation of certain Company assets due to their impact on discount rates and/or market multiples.

Currency exchange rate risk

Beside the translation and transaction risk arising from changes in currency exchange rates described in note 29 to the consolidated financial statements, RHJI's Euro denominated share price is exposed to changes in the exchange rate between the Euro and the Japanese Yen as a significant portion of the Company's assets is located in Japan and has book values denominated in Japanese Yen. Following the completion of the acquisition of Kleinwort Benson on July 1, 2010, RHJI's Euro denominated share price is further exposed to changes in the exchange rate between the Euro and the Pound Sterling. The Company does not currently hedge the above exposure.

RHJI's functional currency is the Japanese Yen. As a result of the Company's transformation and given the European focus on the further development of the financial services strategy, RHJI's functional currency will be Euro from April 1, 2010 onwards. Cash and cash equivalents are maintained in Euro, USD, Japanese Yen and Swiss Francs.

Liquidity risk

At March 31, 2010, prior to the completion of the acquisition of Kleinwort Benson, RHJI had approximately JPY 51.1 billion cash available to pursue its business strategy and had no indebtedness. RHJI's businesses have regular recourse to independent indebtedness by obtaining credit lines on their own merits. Except for an amount up to JPY 3,400 million related to the debt of Phoenix Seagaia Resort, certain pledges of shares as disclosed in note 24 to the consolidated financial statements, a commitment of EUR 10 million to fund a senior liquidity facility to the benefit of Honsel, and certain support to Kleinwort Benson, the businesses and their lenders generally do not benefit from any guarantee from RHJI. Although RHJI believes it can ensure sufficient liquidity to pursue its acquisition strategy, any shortage thereof might result in the disposal of certain businesses at unfavorable conditions.

Risk related to the stock market

Being listed on Euronext Brussels, RHJI is subject to Belgian legislation and regulation regarding, among others, financial, governance and other disclosure, internal controls and insider trading. As a result, it will continue to invest necessary resources to comply with evolving laws, regulations and standards and manage its risks related to its stock exchange. Further information about risks is provided in note 29 to the Consolidated Financial Statements. The risks and uncertainties described in this Annual Report or in information available on RHJI's website are not the only ones that the Company faces. There may be additional risks of which the Company is unaware, or risks that the directors now believe to be immaterial, but which could turn out to have a material adverse effect.

5. Risk management and the use of derivative financial instruments

From time to time, the Company uses financial derivative instruments to manage its exposure to various market risks.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented on the statement of financial position are the amounts, net of allowances for doubtful accounts, estimated by the management of the respective consolidated businesses based on the prior credit loss experience and the current economic environment.

The credit risk on derivative financial instruments is limited because the counterparties to the derivatives are major international financial institutions with high credit ratings assigned by international credit rating agencies.

Commodity risk

Certain consolidated businesses procure raw materials, most significantly aluminum, through a combination of contract commitments and spot market purchases. They are exposed to commodity price risk, which is moderated through the use of customer contracts that typically provide for sales price adjustments related to changes in the cost of light metal alloys. For Honsel primarily, the selling prices are however only adjusted periodically and as a result, Honsel is exposed to changes in aluminum prices within the contracts' price indexation periods. Accordingly, Honsel hedges a significant portion of its aluminum purchases by entering into forward purchase and sales contracts on the London Metal Exchange. As of March 31, 2010, Honsel had entered into forward contracts for notional amounts of JPY 70 million. The corresponding fair values of these contracts, designated as cash flow hedges for which hedge accounting is applied, amounted to JPY (9) million. As of March 31, 2009, Honsel had forward purchase contracts for notional amounts of JPY 946 million, with a corresponding fair value of JPY (134) million.

Interest rate risk

The Company is exposed to changes in interest rates primarily as a result of the borrowing activities of its consolidated businesses, which include borrowings used to maintain liquidity and to fund business operations and acquisitions. These borrowings consist primarily of floating rate debt. Except for Honsel as set out below, none of consolidated subsidiaries had derivative transactions outstanding at March 31, 2010 to manage the exposure associated with the floating rate borrowings.

According to the terms of the new senior credit, Honsel must ensure that, during a period of three years after the closing date, it has hedging arrangements in place to cause at least 66^{2/3}% of the outstanding amounts under the senior debt and the Customer Financing to bear interest at a fixed or capped rate. At March 31, 2010, Honsel had entered into an interest rate swap agreement with a notional amount of JPY 10,326 million, which was designated as a cash flow hedge with a fair value of JPY (188) million at March 31, 2010. Honsel also entered into three interest cap agreements, classified as held for trading, with an aggregate notional amount of JPY 30,727 million and a fair value of JPY 4 million.

Foreign Currency risk

The Company is exposed to market risk from changes in currency exchanges that could impact the results of operations and the financial position. The Company is exposed to both translation as well as transaction risk. The translation risk is the risk that the consolidated financial statements are affected by changes in the prevailing exchange rates of the various currencies of the businesses or their subsidiaries relative to the Japanese Yen. Transaction risk is the risk that the currency structure of the costs and liabilities deviates to some extent from the currency structure of the sales proceeds and assets.

Beside the translation and transaction risk arising from changes in currency exchange rates described above, RHJI's Euro denominated share price is exposed to changes in the exchange rate between the Euro and the Japanese Yen as a significant portion of the Company's assets is located in Japan and has book values denominated in Japanese Yen. Following the completion of the acquisition of Kleinwort Benson on July 1, 2010, RHJI's Euro denominated share price is further exposed to changes in the exchange rate between the Euro and the Pound Sterling. The Company does not currently hedge the above exposure.

RHJI's functional currency is the Japanese Yen. As a result of the Company's transformation and given the European focus on the further development of the financial services strategy, RHJI's functional currency will be Euro from April 1, 2010 onwards.. Cash and cash equivalents are maintained in Euro, USD, Japanese Yen and Swiss Francs.

The functional currency of the three consolidated businesses headquartered in Japan is the Japanese Yen. The Euro is the functional currency for Honsel. Companies that transact a material amount of business and have material assets and liabilities in currencies other than their functional currency include Asahi Tec (Thai Baht), Honsel (US Dollar, Brazilian Real and Mexican Peso) and Niles (Euro). These companies manage their exposures through normal operating and financing activities and, when appropriate, use forward foreign exchange contracts. Derivative financial instruments are not used for speculative purposes, and are accounted for as cash flow hedges. The total notional amount and fair value of cash flow hedges at March 31, 2010 was JPY 1,248 million and JPY (150) million, respectively.

Note 24 *Interest bearing loans and borrowings* and note 29 *financial risks and related instruments* of the consolidated Financial Statements contain further information on the Company's exposures to risk and its risk management policies.

Judgments made by management in the application of IFRS that have a significant effect on the Financial Statements and estimates with a significant risk of material adjustment are disclosed in the relevant notes of the consolidated Financial Statements. Information related to contingencies is disclosed in note 32 *Contingencies*, of the consolidated Financial Statements.

6. Disclosure required by article 34 of the Belgian Royal Decree of 14 November 2007

Article 34 of the Belgian Royal Decree of 14 November 2007 requires disclosing certain types of elements when these may be susceptible to have an adverse effect on the ability of a third party to launch a public take-over bid on RHJI.

According to this provision, RHJI discloses the following:

- In accordance with the provisions of Article 8 of RHJI's Articles of Association (as published on www.rhji.com) the Board of Directors may increase the capital of RHJI on one or more occasions by a maximum amount of EUR 604,562,379, subject to the requirements of Article 9. Any decision by the Board of Directors to increase the capital of RHJI may be effected:
 - by contribution in cash or in kind, including a contribution that includes an issue premium not available for distribution, or by the issuance of new Shares, as the Board of Directors deems appropriate, or
 - by capitalisation of reserves, including reserves not available for distribution, or capitalisation of the issue premium, with or without the issuance of new shares.

The Board of Directors shall have such authority for a period of five years, commencing on the date of Publication (as defined below) of an extract of the minutes of the Extraordinary Shareholders' Meeting held on September 15, 2009. For the purpose of these articles, "Publication" shall mean publication in the Belgian State Gazette.

In the event that the Board of Directors increases the capital of RHJI pursuant to its authority under this Article, it shall allocate any issue premium to an account not available for distribution that shall afford the same rights to third-parties as the share capital of RHJI and that may be reduced or cancelled only by a resolution of the Shareholders in accordance with Article 612 of the Belgian Companies Code (the "Companies' Code").

If the Board of Directors decides to increase the capital of RHJI pursuant to its authority under this Article, such increase will be deducted from the remaining part of the authorised capital specified in the first paragraph of this Article 8.

- In accordance with the provisions of with Article 12 of RHJI's Articles of Association (as published on www.rhji.com) RHJI may, without the prior approval of the Shareholders, in accordance with Articles 620 and following of the Companies Code, and within the limits set out in such provisions of the Companies Code and in this Article, acquire, whether or not by means of a transaction effected on a stock exchange, Shares, at a price per share that shall comply with any applicable legal requirements and that, in any event, shall not be lower by more than twenty percent, and shall not be higher by more than twenty percent, respectively, of the lowest and highest closing prices of the Shares on Eurolist by Euronext Brussels during the period of thirty stock market trading days preceding the date of such acquisition. Such authority covers any such acquisition whether or not by means of a transaction effected on a stock exchange by a direct subsidiary of RHJI within the meaning and the limits set out by Article 627, first paragraph of the Companies Code. If RHJI acquires Shares other than by means of a transaction effected on a stock exchange, even if RHJI acquires such Shares from a subsidiary of RHJI, RHJI shall, in

either case, make an offer on the same terms and conditions to all the Shareholders, in accordance with Article 620, § 1, paragraph 1, 5° of the Companies Code. The above authority is valid for a five years period, beginning on the date of the Extraordinary Shareholders' Meeting held on September 15, 2009. RHJI may, without the prior approval of the Shareholders, without any limit as to time, and in accordance with Article 622, § 2, second indent of the Companies Code, divest itself of its own Shares by means of a transaction effected on a stock exchange. Such authority also extends to the divestment by means of a transaction effected on a stock exchange of Shares by any direct subsidiary of RHJI. RHJI may, without the prior approval of the Shareholders, without any limit as to time, and in accordance with Article 622, § 2, first indent of the Companies Code, divest itself of its own Shares other than by means of a transaction effected on a stock exchange, on conditions determined by the Board of Directors. Such authority also extends to the divestment other than by means of a transaction effected on a stock exchange of Shares by any direct subsidiary of RHJI, on conditions determined by the Board of Directors of such direct subsidiary. The Board of Directors is authorised, subject to compliance with the provisions of Articles 620 and following of the Companies Code, to purchase its own Shares for RHJI's account where such purchase is necessary to avoid serious and imminent harm to RHJI. Such authority is valid for three years from the date of Publication of an extract of the minutes of the Extraordinary Shareholders' Meeting held on September 16, 2008.

7. Independence and competence of the Audit Committee members – Article 119 of the Belgian Companies Code

Article 119 of the Belgian Companies Code requires the justification of the independence and competency in the areas of auditing and accounting of at least one member of the Audit Committee. The Board of Directors confirms that the Audit Committee is composed of three members, which are all three independent pursuant the criteria set forth in article 526ter of the Belgian Companies Code. The Board of Directors further confirms that all three members are sufficiently competent in the areas of auditing and accounting given their degrees and their professional background. All three members held several senior positions in major financial institutions. Biographies of each member of the Audit Committee may be viewed on RHJI's website at www.rhji.com or in Part III Corporate Governance of the Annual Report for the fiscal year ended March 31, 2010.

Leonhard Fischer
Director

D. Ronald Daniel
Director