

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, 2008 and 2007. Unless otherwise noted herein, RHJ International SA, a Belgian limited company, is referred to as "RHJI" or "RHJ International". RHJ International SA and its businesses 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 reporting currency is the Japanese Yen ("JPY").

1. Business and Financial Review of the Consolidated Financial Statements for the years ended March 31, 2008 and 2007

Overview

RHJI is a diversified holding company focused on creating long-term value for its shareholders by acquiring and operating businesses. The Company's portfolio consists of six controlling ownership interests, two investments in associates and several non-controlling minority ownership interests. The interests in Asahi Tec Corporation ("Asahi Tec"), Honsel International Technologies SA ("HIT"), Niles Co., Ltd. ("Niles"), D&M Holdings Inc. ("D&M"), Columbia Music Entertainment, Inc. ("CME"), Phoenix Resort K.K. ("Phoenix Seagaia Resort") and Shaklee Global Group, Inc. ("Shaklee"), were contributed to the Company in connection with the initial offering and listing of its ordinary shares on Euronext Brussels in March 2005. The Company seeks to enhance the value of these businesses through strategic acquisitions and operating improvements through its industrial partnership approach.

Acquisitions

During the fiscal year ended March 31, 2008, RHJI continued to build its existing holdings into stronger global competitors:

- On December 14, 2007, HIT completed the acquisition of Tafime, a high-end supplier of high-pressure die-cast aluminum and thermoplastic injection components based in Madrid, Spain. The purchase price of JPY 14,163 million (EUR 90 million) was provisionally allocated to specific assets and liabilities based on their estimated fair values as of the acquisition date, with JPY 7,987 million (EUR 50.7 million) recorded as goodwill. The estimated fair values of assets and liabilities as of the acquisition date are summarized in note 4 to the Consolidated Financial Statements.
- CME acquired 100% of TDK core, renamed to Creative Core, from TDK Corporation. TDK Core is engaged in the production and sale of music, game and educational software and was acquired to diversify CME's activity and support further growth. The allocation of the purchase price of JPY 1,295 million resulted in goodwill of JPY 580 million.
- Following the acquisition in February 2006 of 66% of Techno-Metal, formerly known as Mitsubishi Fuso Techno-Metal, and in accordance with the stock purchase agreement, Asahi Tec purchased the remaining 34% of Techno-Metal on August 29, 2007 for an amount of JPY 1,670 million.
- On August 21, 2007, D&M acquired Calrec Audio Limited, a UK based leading designer and manufacturer of premium audio products and live-to-air consoles for the

broadcast market. Subsequent to March 31, 2008, D&M also acquired Allen & Heath Holdings Limited of Penryn, Cornwall, England, a leading designer and manufacturer of audio mixing consoles for professional sound engineers, live sound installations and DJs.

Disposals

Throughout the fiscal year ended March 31, 2008, the Company systematically reviewed various strategic alternatives for some of its holdings. Subsequent to March 31, 2008, this process resulted in the following disposals:

- On May 23, 2008, the Company disposed of a non-controlling, minority interest in a Japanese listed company, previously reported as a non-disclosed available-for-sale financial asset, for JPY 9,030 million, yielding a capital gain of JPY 3,230 million, which will be recorded as income in the Company's financial statements for the fiscal year ending March 31, 2009.
- On June 20, 2008, the Company entered into an agreement, subject to closing conditions to tender all of its shares in D&M at 510 JPY a share, representing a 120% premium to the value at which D&M was contributed to RHJ International. The proceeds of this divestment will generate cash proceeds of JPY 23,115 million. The gain on disposal of JPY 12,600 million will be recorded as income in the Company's financial statements for the fiscal year ending March 31, 2009. The take over bid is expected to be launched by the end of July 2008.

Results of Operations

The consolidated net loss for the fiscal year ended March 31, 2008, of JPY 61,251 million, increased compared to JPY 22,409 million a year earlier. The deteriorated result mainly reflected Asahi Tec's exposure to the weakness of the North American auto industry through its US based subsidiary Metaldyne, and included impairment charges on certain of Metaldyne's intangible assets. Asahi Tec is however committed to take remedial action as the long-term investment rationale remains intact. The Company's other assets in the automotive industry, Niles, HIT and U-shin, also operated in difficult market conditions, but reported improved operational results after having successfully implemented programs designed to restore profitability. The consolidated results further included losses incurred by CME, which operated in an overall declining CD market. CME expects to restore profitability through further diversifying its business and through the continued implementation of a cost reduction program that was launched in March 2008.

The consolidated income statement for the fiscal year ended March 31, 2007 has been restated to reflect the presentation of D&M and HIT's Canadian operations as discontinued operations. Asahi Tec's US subsidiary Metaldyne was acquired on January 11, 2007 and only contributed to the Company's consolidated results for 81 days. Metaldyne's full year contribution for the fiscal year ending March 31, 2008 is therefore a significant element of variance when comparing income statements for both periods.

Revenue for the fiscal year ended March 31, 2008 amounted to JPY 550,066 million, an increase of JPY 184,678 million compared to the previous fiscal year, of which JPY 158,501 million is attributable to Metaldyne's full year contribution, compared to the 81 days contributed last fiscal

year. Beside Metaldyne, the increased sales relate to Asahi Tec's other operations (JPY 12,059 million), Niles (JPY 3,518 million) and HIT (JPY 4,500 million). CME reported a decrease in revenue for the fiscal year ended March 31, 2008 of JPY 3,790 million, compared to a year earlier.

Gross profit for the fiscal year ended March 31, 2008 amounted to JPY 61,325 million, representing 11.1% of revenue, compared to 13.3% for the fiscal year ended March 31, 2007. The decrease in gross profit margin is mainly due to the inclusion of Metaldyne's results for a full year.

Selling, general and administrative expenses amounted to JPY 52,878 million for the fiscal year ended March 31, 2008, representing 9.6% of revenue compared to 12.0% during the previous fiscal year. The relative decrease of selling, general and administrative expenses resulted from the benefits of scale from adding Metaldyne.

Loss from operations before financing costs for the fiscal year ended March 31, 2008 of JPY 34,106 million compared to a loss from operations of JPY 22,676 million during the previous fiscal year. The increase primarily resulted from increased amortization and impairment charges on intangible assets. Following weaker than expected performance in North America, Metaldyne recorded impairment charges of JPY 29,249 million on certain intangible assets and goodwill, recorded as part of the purchase price allocation, in addition to the regular amortization of such intangible assets of JPY 4,026 million. During the fiscal year ended March 31, 2007, the loss from operations included similar amortization and impairment charges for JPY 24,320 million, primarily on certain of HIT's intangible assets. Excluding the non-cash charges related to impairment and amortization of intangible assets for both years, operating profit for the fiscal year ended March 31, 2008 amounted to JPY 3,853 million, an improvement of JPY 2,209 million compared with the fiscal year ended March 31, 2007, reflecting improved operating profitability at all subsidiaries, except CME.

Net financing costs of JPY 27,012 million for the fiscal year ended March 31, 2008 mainly included (a) net interest expense of JPY 22,301 million from consolidated subsidiaries, (b) the write-off of previously deferred financing fees and transaction costs in connection with HIT's debt refinancing (JPY 2,526 million), (c) foreign currency exchange losses of JPY 4,913 million, offset by (d) interest income of JPY 2,971 million, mainly resulting from the parent company's cash investments.

The increase in interest expenses of JPY 9,684 million compared to the fiscal year ended March 31, 2007, primarily resulted from adding Metaldyne's interest cost of JPY 10,872 million, partially offset by the effects of reducing debt at Niles and Phoenix Seagaia Resort and the reclassification of D&M to discontinued operations. The foreign currency exchange loss of JPY 4,913 million, compared to a net foreign exchange gain for the fiscal year ended March 31, 2007, predominantly resulted from the impact of the appreciation of the Japanese Yen on the parent company's US Dollar denominated cash investments.

Income tax benefit for the fiscal year ended March 31, 2008 amounted to JPY 186 million compared to JPY 5,487 million for the previous fiscal year, which included the profit from reversing a deferred tax liability of JPY 7,719 million following the impairment charge recorded on certain of HIT's intangible assets.

Discontinued operations reflected D&M, HIT's Canadian operations and a residual non-cash foreign exchange gain related to CME's discontinued CD/DVD pressing business in the US. The

result from D&M included the net income of JPY 1,644 million for the fiscal year ended March 31, 2008. The gain on disposal of D&M of JPY 12,600 million is, subject to a successful take over bid, expected to be recorded in the income statement for the six months ended September 30, 2008. The breakdown of discontinued operations for the fiscal years ended March 31, 2008 and 2007 is as follows:

	Discontinued Operations for Years Ended March 31,			
	2008 <i>In JPY millions</i>	2007	2008 <i>In EUR millions</i>	2007
Revenue	120,206	113,764	763.8	722.9
Cost of sales	(76,140)	(75,224)	(483.8)	(478.0)
Gross profit	44,066	38,540	280.0	244.9
Selling, general and administrative expenses	(35,269)	(32,968)	(224.1)	(209.5)
Amortization of identifiable intangible assets	(1,548)	(719)	(9.8)	(4.6)
Other operating income (expenses)	(4,333)	(3,537)	(27.5)	(22.5)
Gain on sale	0	285	0.0	1.8
Profit from operations	2,916	1,602	18.5	10.2
Net financing cost	(1,090)	(446)	(6.9)	(2.8)
Loss from associates	(55)	0	(0.3)	0.0
Income tax expense	(2,948)	(1,982)	(18.7)	(12.6)
Net loss	(1,177)	(827)	(7.5)	(5.3)

Net loss of the fiscal year ended March 31, 2008 amounted to JPY 61,251 million, of which JPY 33,221 million is attributable to the equity holders of the parent company.

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 HIT, into JPY, using the exchange rate prevailing at March 31, 2008 (EUR/JPY = 157.37).

Investment in subsidiaries

Asahi Tec Corporation

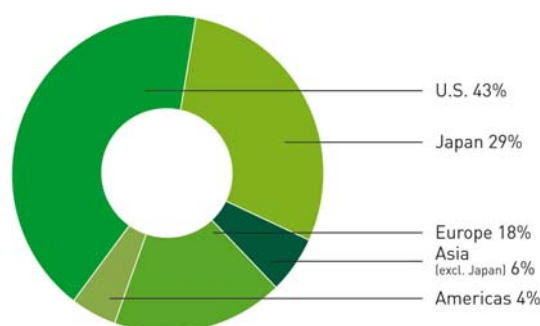


- Headquarters: Japan
- Industry: Automotive Components – Cast Auto Parts Segment
- Tokyo Stock Exchange ticker: 5606.T
- Total Shares Outstanding: 299,005,853
- RHJI ownership as of March 31, 2008: 36.9% (110,450,678 shares)
- Contribution price per share (March 23, 2005): JPY 250
- Closing share price on March 31, 2007: JPY 208
- Closing share price on March 31, 2008: JPY 88

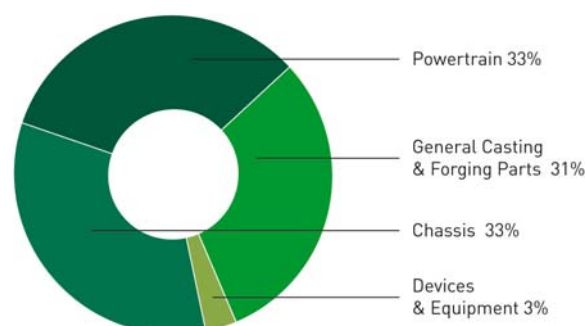
Overview of Activities

Asahi Tec (www.asahitec.co.jp and www.metaldyne.com) primarily designs, manufactures and sells ductile iron cast auto parts for truck and construction machinery original equipment manufacturers (“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. Its subsidiary, Metaldyne, is a leading global designer and supplier to the automotive industry of metal-based components, assemblies and modules for transportation related powertrain and chassis applications including engine, transmission/transfer case, wheel-end and suspension, axle and driveline, and noise and vibration control products.

Geographic distribution of net sales



Net sales by operating segment



Key Figures

	Condensed Consolidated Income Statements for the Years Ended March 31 ⁽¹⁾			
	2008		2007	
	In JPY millions		In EUR millions	
Revenue	315,768	145,208	2,006.5	922.7
Gross profit	29,528	16,863	187.6	107.2
Gross margin	9.4 %	11.6 %	9.4 %	11.6 %
EBITDA	24,744	11,270	157.2	71.6
EBITDA margin	7.8 %	7.8 %	7.8 %	7.8 %
Operating profit (loss)	(25,074)	2,767	(159.3)	17.6
Net profit (loss)	(41,059)	2,203	(260.9)	14.0

(1) Excluding 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. Financial information including this effect is presented in note 2 to the consolidated financial statements.

	March 31,		March 31,	
	2008		2007	
	In JPY millions		In EUR millions	
Cash	6,530	8,732	41.5	55.5
Financial debt	117,457	131,818	746.4	837.6

Strong demand in Europe and Asia offset by continued weakness of the North American auto market

Asahi Tec reported consolidated revenue of JPY 315,768 million for the fiscal year ended March 31, 2008, including JPY 209,531 million from its US-based subsidiary Metaldyne, which was acquired on January 11, 2007 and which only contributed for 81 days during the previous fiscal year. Excluding Metaldyne in both years, Asahi Tec's revenue increased by 12.8%, fueled by (a) continuously strong demand for truck, auto and construction equipment parts in emerging Asian markets, (b) increased volume in auto parts following model changes and (c) successful turnaround and new product launches in the aluminum wheel segment. The robust growth of Asahi Tec's performance in Japan and certain emerging markets in Asia has, however, been offset by declining volumes from North American car manufacturers, leaving Metaldyne with lower than expected revenue. Metaldyne's chassis operation suffered most from the softness of the North American market and the resulting volume cuts from the US largest auto makers. Despite the impact from the US downturn, Metaldyne's overall sales for the fiscal year ended March 31, 2008, exceeded last year's as European components performed ahead of expectations.

The impact of reduced volumes in North America has been compounded by excess costs associated with the launch of new products. The shortfall in results from Metaldyne's US activities resulted in an impairment charge of JPY 29,249 million, related to certain intangible assets, including goodwill, identified in connection with the initial purchase price allocation. Excluding the impairment of certain intangible assets, operating profit for the fiscal year ended March 31, 2008, amounted to JPY 4,175 million, an increase of JPY 1,408 million or 51% compared to the fiscal year ended March 31, 2007.

Despite the lower than expected financial performance of Metaldyne, Asahi Tec's management believes that the strategic rationale for the acquisition of Metaldyne has been confirmed as demonstrated by significant new business awards, and therefore remains committed to Metaldyne's integration into a global metal-forming company. The expected effects of the continued weakness of the North American auto industry and the uncertainty as to how it might impact the European auto market are being addressed through an increased focus on the cost structure and the synergies from sustained integration efforts. In January 2008, Metaldyne launched its "Plan to Win", which resulted in a significant headcount reduction of 370 employees and the closure of certain North American chassis manufacturing facilities.

Based on its management projections, prepared under J-GAAP, Asahi Tec publicly disclosed its outlook for the fiscal year ending March 31, 2009, with revenue of JPY 299,000 million, operating profit of JPY 5,600 million and net loss of JPY 8,600 million, compared to reported revenue, operating profit and net loss for the fiscal year ended March 31, 2008, of JPY 315,885 million, JPY 3,340 million and JPY 34,818 million, respectively.

Following the acquisition in February 2006 of 66% of Techno-Metal, formerly known as Mitsubishi Fuso Techno-Metal, and in accordance with the stock purchase agreement, Asahi Tec purchased the remaining 34% of Techno-Metal on August 29, 2007 for an amount of JPY 1,670 million.

Various strategies under investigation to secure Metaldyne's future covenant compliance, awaiting refinancing of global debt

Asahi Tec had JPY 117,457 million of outstanding indebtedness at March 31, 2008 compared to JPY 131,818 million at March 31, 2007. The decrease primarily resulted from the impact of the

depreciation of the US Dollar against the Japanese Yen on Metaldyne's USD denominated debt. The global tightening of the credit markets following the US sub prime mortgage crisis has delayed Asahi Tec's intended global refinancing of its consolidated debt. Awaiting more favorable market conditions, Asahi Tec continues to investigate alternative options to improve its global capital structure and reduce financing costs.

Metaldyne has several credit facilities, including term facilities of JPY 44.1 billion (USD 443 million), a revolving facility of maximum JPY 14.9 billion (USD 150 million) and a deposit linked synthetic supplemental letter of credit facility ("the synthetic facility") of JPY 6.0 billion (USD 60 million). The term, revolving and synthetic facilities contain certain covenants, including (a) a minimum interest expense coverage ratio and fixed charge coverage ratio, in each case computed on the trailing four quarters and (b) a maximum leverage ratio, computed quarterly.

Although as of March 31, 2008, Metaldyne was in compliance with the financial covenants of the term, revolving and synthetic facilities, lower than expected volumes and operational issues related to the launch of new products, are expected to negatively affect its ability to continue to comply with such financial covenants in future periods. The Metaldyne "Plan to Win" program will help ensure continued compliance with such financial covenants, by reducing costs and facilitating the sale of non-core assets, the proceeds of which can be used to reduce outstanding financial indebtedness. In addition, Asahi Tec is considering increasing the debt at the level of the Japanese parent company to allow for an infusion of equity to Metaldyne for purposes of strengthening Metaldyne's financial base, supporting its restructuring efforts and paying down or redeeming portions of Metaldyne debt. Asahi Tec and the Company are also prepared to invest additional equity of up to JPY 3,200 million, if and to the extent necessary, to prevent or cure, as permitted by the credit agreements, any breach of covenants. To that end, the Company announced on June 13, 2008, that it would subscribe to newly issued shares of Asahi Tec at JPY 80 per share, up to JPY 3,200 million in aggregate. On July 15, 2008, the Company subscribed to 22,500,000 of such shares of Asahi Tec for JPY 1,800 million in aggregate, as described in section 2 of this Director's Report. Following this capital injection, the Company's ownership in Asahi Tec increased from 36.9% to 41.4%.

The fixed charge coverage ratio exists only under the revolving facility and is tested only when excess availability is below USD 40 million. During the quarter ended March 31, 2008, the Company granted a loan of USD 22 million (JPY 2,190 million) payable upon demand to Metaldyne to ensure the required excess availability of USD 40 million and avoid subjecting Metaldyne to the minimum fixed charge coverage ratio at March 31, 2008. This loan is expected to be reimbursed with the proceeds of capital injections and/or refinancings.

Honsel International Technologies SA



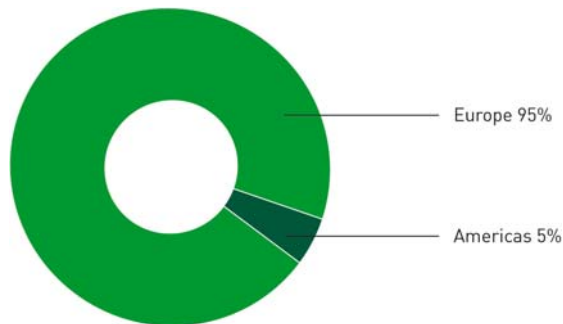
- Headquarters: Belgium
- Industry: Automotive Components – Cast Auto Parts segment
- Privately held
- RHJI ownership as of March 31, 2008: 81.8%

Overview of Activities

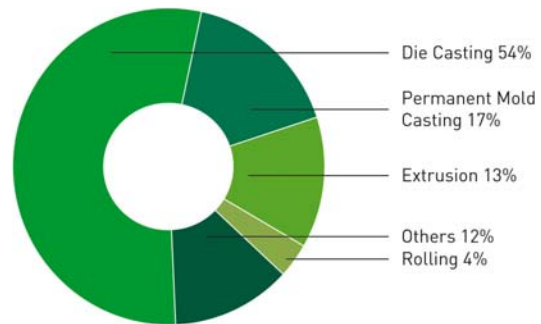
HIT (www.honsel.com) is a leading European supplier of light metal products to the automotive and heavy truck industries. HIT principally designs, manufactures and sells aluminum and magnesium components and assemblies. HIT has four main product categories: engine, transmission, suspension and body components. HIT 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.

HIT competes in the casting, machining and finishing phases of automotive light metal components manufacturing. HIT 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.

Geographic distribution of net sales



Net sales by operating segment



Key Figures

	Condensed Consolidated Income Statements for the			
	Years Ended March 31,			
	2008	2007 ⁽¹⁾	2008	2007 ⁽¹⁾
	<i>In JPY millions</i>		<i>In EUR millions</i>	
Revenue	138,196	133,696	878.2	849.6
Gross profit	12,535	11,825	79.7	75.1
Gross margin	9.1 %	8.8 %	9.1 %	8.8 %
EBITDA	11,165	9,405	70.9	59.8
EBITDA margin	8.1 %	7.0 %	8.1 %	7.0 %
Operating loss	(449)	(17,553)	(2.9)	(111.5)
Loss after tax, before discontinued operations	(2,874)	(18,183)	(18.3)	(115.5)
Discontinued operations, net of tax	(3,325)	(4,279)	(21.1)	(27.2)
Net loss	(6,254)	(22,459)	(39.7)	(142.7)

(1) Restated to reflect HIT's Canadian operations as discontinued operations

	March 31,	March 31,	March 31,	March 31,
	2008	2007	2008	2007
	<i>In JPY millions</i>		<i>In EUR millions</i>	
Cash	6,235	5,176	39.6	32.9
Financial debt	73,576	71,172	467.5	452.3

Refinancing combined with restructuring and cost rationalization successfully repositioned HIT for growth

During the fiscal year ended March 31, 2008, HIT reported revenue of EUR 878.2 million compared to EUR 849.6 million a year earlier. HIT's Canadian subsidiary, which continued to suffer losses as a result of a continuously weak demand from North American car manufacturers, went into receivership in October 2007, and is presented as discontinued operations for both periods.

Excluding its Canadian operations, HIT performed in line with the expectations set when the company's debt was refinanced. In order to avoid a breach of covenants under its credit facilities, HIT entered into definitive agreements with lenders on June 27, 2007 for a refinancing of its global debt. The new credit comprises EUR 335 million senior and EUR 75 million mezzanine facilities together with a EUR 71.4 million PIK (Payable in Kind) facility and 2,053,580 HIT warrants. After a capital injection of EUR 10 million in April 2007 as provided for by amendments to the previous credit arrangement, the Company made a further capital subscription of EUR 38.3 million in HIT as part of the refinancing. The proceeds from the PIK facility were used to pay off the entire bank debt of the Canadian operations.

Operating loss for the fiscal year ended March 31, 2008 of EUR 2.9 million compared to an operating loss of EUR 111.5 million a year earlier, which included an impairment charge of EUR 102.9 million on certain intangible assets. HIT's operating performance has been positively affected by stable volumes from its customers and the implementation of a program to improve the profitability of its German operations. Non-recurring costs associated with this program amounted to EUR 16.1 million and mainly related to accrued severance payments and consulting

fees. EBITDA for the fiscal year ended March 31, 2008, adjusted for such non-recurring costs, amounted to EUR 87.1 million.

HIT's net loss for the fiscal year ended March 31, 2008 amounted to EUR 39.7 million compared to EUR 142.7 million a year earlier and included (a) EUR 12.6 million of previously deferred financing fees and transaction costs associated with HIT's credit facilities and (b) a net tax benefit of EUR 51.5 million following the reduction of the corporate tax rate in Germany, the legal restructuring of HIT's German entities and assessment of recoverability of net operating losses. The net loss from discontinued Canadian operations amounted to EUR 21.1 million.

HIT acquires Tafime and expands manufacturing footprint

On December 14, 2007, HIT completed the acquisition of Tafime, a high-end supplier of high-pressure die-cast aluminum and thermoplastic injection components based in Madrid, Spain.

The acquisition expanded HIT's customer base and manufacturing capabilities. Tafime's Mexican facility will be particularly beneficial as a potential low cost manufacturing platform given that HIT has been awarded significant new casting business from a major North American car manufacturer.

The acquisition price of EUR 90 million, plus transaction fees and debt issue discounts, was funded by an equity subscription of EUR 32.7 million from RHJ International SA, the majority shareholder of HIT, and EUR 55 million of new debt, with the remaining consideration being provided as deferred payments subject to net debt and working capital adjustments, warranty and other contingent claims. This new capital injection increased the Company's stake in HIT to 81.8%, up from 76.5% at September 30, 2007.

Since January 1, 2008, Tafime contributed positively to HIT's consolidated results with revenue of EUR 19.4 million and EBITDA of EUR 1.6 million.

Niles Co., Ltd.

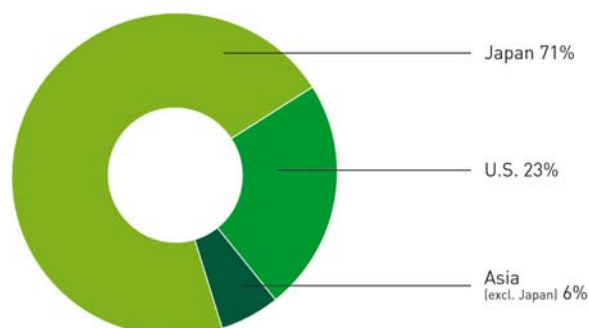


- Headquarters: Japan
- Industry: Automotive Components – Electronics Components segment
- Privately held
- RHJI ownership as of March 31, 2008: 95.3%

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.

Geographical distribution of net sales (single operating segment)



Key Figures

	Condensed Consolidated Income Statements for the			
	Years Ended March 31, ⁽¹⁾			
	2008	2007	2008	2007
	<i>In JPY millions</i>		<i>In EUR millions</i>	
Revenue	59,318	55,800	376.9	354.6
Gross profit	10,278	7,510	65.3	47.7
Gross margin	17.3 %	13.5 %	17.3 %	13.5 %
EBITDA	6,299	3,759	40.0	23.9
EBITDA margin	10.6 %	6.7 %	10.6 %	6.7 %
Operating profit (loss)	2,351	(716)	14.9	(4.5)
Net profit (loss)	1,887	(2,327)	12.0	(14.8)

(1) Excluding 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. Financial information including this effect is presented in note 2 to the consolidated financial statements.

	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
	<i>In JPY millions</i>		<i>In EUR millions</i>	
Cash	2,957	4,869	18.8	30.9
Financial debt	27,741	29,807	176.3	189.4

Niles turns around its operations, reporting operating profit of JPY 2,351 million and an EBITDA margin in excess of 10%

During the fiscal year ended March 31, 2008, Niles recorded revenue of JPY 59,318 million, a 6.3% increase over the previous fiscal year. JPY 1,691 million of the total increase was attributable to the acquisition of Fuji Electronics, contributing for a full fiscal year as opposed to only nine months of the previous fiscal year. Excluding Fuji Electronics' contribution for both years, Niles' revenue increased by 2.8% reflecting strong order volumes from its main customer Nissan. Niles also further expanded its customer base, with sales to Honda, Suzuki and Fuji Heavy Industries increasing more rapidly than expected.

During the fiscal year ended March 31, 2008, Niles recorded an operating profit of JPY 2,351 million compared to an operating loss of JPY 716 million for the fiscal year ended March 31, 2007. In addition to the impact of increasing sales, the turn-around mainly resulted from the successful implementation of a global program to restore profitability. As part of the program, Niles closed down Microcraft, its loss-making North American power seat and switch manufacturer. Losses from this facility for the fiscal year ended March 31, 2008 were limited to JPY 224 million, with no further losses to be expected. Furthermore, the expansion of Niles' capacity for manufacturing combination switches in Thailand was accelerated and productivity rapidly improved. Finally, Niles was able to resolve last fiscal year's supply chain issues caused by system implementation problems that resulted in excessive shipping costs. The successful implementation of these measures caused EBITDA to increase by 67.6% from JPY 3,759 million for the fiscal year ended March 31, 2007 to JPY 6,299 million for the fiscal year ended March 31, 2008.

The net profit of JPY 1,887 million for the fiscal year ended March 31, 2008, compared to a net loss of JPY 2,327 million a year earlier, included a net deferred tax benefit of JPY 1,209 million following a review of the recoverability of net operating losses. Excluding the deferred tax benefit and despite the negative impact of JPY 581 million resulting from the weakening of the US Dollar, net profit amounted to JPY 678 million for the fiscal year ended March 31, 2008.

For the fiscal year ending March 31, 2009, Niles is committed to protecting its earnings from potential exposure to a further softening of the North-American auto industry and to increasing raw material cost by securing new manufacturing and procurement capacity in low-cost countries in addition to its Thai capacity. Furthermore, the projected growth of Asian car OEM's is expected to further improve profitability now that Niles has successfully diversified its customer base.

Niles refinanced the majority of its credit facilities

At March 31, 2008, Niles had JPY 27,741 million of indebtedness outstanding, which included JPY 12,263 million of short-term debt and JPY 9,781 million of short term portion of the long-term debt. On July 10, 2008, Niles refinanced JPY 19,356 million of its debt. More information on the refinancing is presented in section 2 of this report.

D&M Holdings Inc.

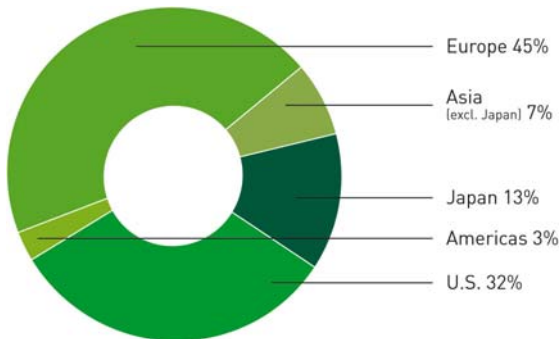


- Headquarters: Japan
- Industry: Consumer Electronics – Audio - Visual/Home Theater-Related Segment
- Tokyo Stock Exchange ticker: 6735.T
- Total Shares Outstanding: 92,717,214
- RHJI ownership as of March 31, 2008: 48.9% (45,323,160 shares)
- Contribution price per share (March 23, 2005): JPY 232
- Closing share price on March 31, 2007: JPY 456
- Closing share price on March 31, 2008: JPY 340

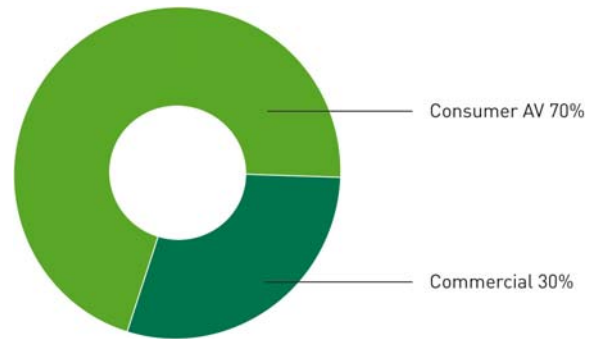
Overview of activities

D&M Holdings Inc. (www.dm-holdings.com) is based in Kawasaki, Japan and owns the Denon®, Marantz®, McIntosh® Laboratory, Boston Acoustics®, Snell Acoustics, Calrec Audio, Allen & Heath, D&M Professional, D&M Premium Sound Solutions, Denon DJ, ReplayTV® and Escient® brands. Denon, Marantz, McIntosh and D&M Professional are global industry leaders in the specialist home theater, audio/video consumer electronics or professional audio markets, with a strong and long-standing heritage of manufacturing and marketing high performance audio and video components. Boston Acoustics, with its signature The Boston Sound, is a leader in premium loudspeakers for home and automotive audio markets. Snell is a super premium speaker brand. The ReplayTV and Escient brands represent award-winning technologies in digital home entertainment. D&M Premium Sound Solutions manufactures high-quality, Hi-Fi audio products for the B2B automotive and consumer electronics markets.

Geographic distribution of net sales



Net sales by operating segment



Key Figures

	Condensed Consolidated Income Statements for the			
	Years Ended March 31, ⁽¹⁾			
	2008	2007	2008	2007
	<i>In JPY millions</i>		<i>In EUR millions</i>	
Revenue	112,125	100,040	712.5	635.7
Gross profit	44,565	38,652	283.2	245.6
Gross margin	39.7 %	38.6 %	39.7 %	38.6 %
EBITDA	8,937	7,551	56.8	48.0
EBITDA margin	8.0 %	7.5 %	8.0 %	7.5 %
Operating profit	6,309	5,367	40.1	34.1
Profit after tax, before discontinued operations	1,742	3,004	11.1	19.1
Discontinued operations, net of tax	(65)	0	(0.4)	0.0
Net profit	1,644	2,975	10.4	18.9

(1) Excluding 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. Financial information including this effect is presented in note 2 to the consolidated financial statements.

	March 31,	March 31,	March 31,	March 31,
	2008	2007	2008	2007
	<i>In JPY millions</i>		<i>In EUR millions</i>	
Cash	1,503	2,801	9.6	17.8
Financial debt	26,765	19,942	170.1	126.7

Take-over bid on D&M after another record year

At March 31, 2008, the Company classified D&M as a current asset held for sale in its consolidated financial statements as it had entered into a formal process to divest its controlling stake in D&M. The classification followed the Company's assessment of the probability of a sale after having received several non-binding offers in March 2008. On June 20, 2008, the Company entered into a binding agreement with a corporation owned by investment funds advised by Bain Capital Partners, LLC to tender its shares in D&M at JPY 510 per share or JPY 23,115 million in aggregate. The gain on disposal of JPY 12,600 million, representing an absolute return of 120% over the carrying value of JPY 10,515 million, is expected to be recorded in the Company's financial statements for the six months ending September 30, 2008.

In accordance with the provisions of IFRS, D&M is presented separately on the Company's consolidated balance sheet for the fiscal year ended March 31, 2008 and as discontinued operations in the consolidated income and cash flow statements for the fiscal years ended March 31, 2008 and 2007. During the fiscal year ended March 31, 2008, D&M recorded revenue of JPY 112,125 million, in excess of management's expectations and 12.1% higher than during the previous fiscal year. Revenue from D&M's Commercial Audio Visual segment increased from JPY 18,146 million during the fiscal year ended March 31, 2007 to JPY 33,094 million during the fiscal year ended March 31, 2008. This increase is mainly attributable to the newly acquired businesses Premium Sound Solutions (previously known as Philips Sound Solutions) ("PSS") and Calrec Audio, Ltd. ("Calrec"). Consumer AV sales for the fiscal year ended March 31, 2008, amounted to JPY 79,029 million, down 3.5% from the last fiscal year as sales of standard DVD players slowed down in anticipation of the release of D&M's new high definition Blu-ray products in the fourth quarter of the fiscal year.

D&M's results for the fiscal year ended March 31, 2008, further included an operating profit of JPY 6,309 million, compared to JPY 5,367 million a year earlier, and a net profit of JPY 1,644 million. Net profit was negatively affected by a provision for taxes of JPY 1,400 million, following an assessment received subsequent to year-end from the Japanese tax authorities regarding the possibility of carrying forward certain tax losses incurred prior to the merger between Denon and Marantz.

Columbia Music Entertainment, Inc.



- Headquarters: Japan
- Industry: Media and Entertainment – Music Entertainment Segment
- Tokyo Stock Exchange ticker: 6791.T
- Total Shares Outstanding: 260,870,117
- RHJI ownership as of March 31, 2008: 25.5% (66,503,000 shares)
- Contribution price per share (March 23, 2005): JPY 118
- Closing share price on March 31, 2007: JPY 113
- Closing share price on March 31, 2008: JPY 60

Overview of Activities

CME (www.columbia.co.jp) is engaged in music production and entertainment in Japan. CME seeks to capitalize on its substantial music catalog, which generates cash flow from the sale of its content and the continuous addition of content to the catalog to ensure it remains dynamic, both in the high-growth music genres such as Japanese-Pop and Japanese Rock as well as in Enka, Japanese country music. The Columbia brand name is one of the most widely recognized brand names in music entertainment in Japan, which helps attract new artists. CME has a strong national Japanese sales force and established relationships with leading retailers in Japan. CME also distributes music from third party labels providing both profits and additional marketing and retail strength to its operations.

Key Figures

	Condensed Consolidated Income Statements for the			
	Years Ended March 31, ⁽¹⁾			
	2008	2007	2008	2007
	<i>In JPY millions</i>		<i>In EUR millions</i>	
Revenue	18,569	22,359	118.0	142.1
Gross profit	6,920	11,122	44.0	70.7
Gross margin	37.3 %	49.7 %	37.3 %	49.7 %
EBITDA	(984)	2,085	(6.3)	13.2
EBITDA margin	(5.3)%	9.3 %	(5.3)%	9.3 %
Operating profit (loss)	(1,508)	1,649	(9.6)	10.5
Profit (loss) after tax, before discontinued operations	(1,627)	1,497	(10.3)	9.5
Discontinued operations net of tax	292	111	1.9	0.7
Net profit (loss)	(1,335)	1,608	(8.5)	10.2

(1) Excluding 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. Financial information including this effect is presented in note 2 to the consolidated financial statements.

	March 31,	March 31,	March 31,	March 31,
	2008	2007	2008	2007
	<i>In JPY millions</i>		<i>In EUR millions</i>	
Cash	2,506	5,233	15.9	33.3
Financial debt	517	375	3.3	2.4

CME's earnings affected by a declining CD market and non-recurring losses

CME reported revenue of JPY 18,569 million for the fiscal year ended March 31, 2008, compared to JPY 22,359 million for the fiscal year ended March 31, 2007.

On November 1, 2007, CME acquired TDK Core from TDK Corporation. TDK Core is engaged in the production and sale of music, game and educational software and was acquired to diversify CME's activity and support further growth. Excluding TDK Core, renamed Creative Core, revenue for the fiscal year ended March 31, 2008 amounted to JPY 16,947 million or 24.2% lower than last fiscal year. The overall decline of the CD market and the absence of hit titles, by contrast to the previous fiscal year, negatively affected CME's J-Pop and J-Rock sales. CME maintained its leading position in the traditional Enka music market and recorded increased sales in its Animation and Education segment.

Gross profit of JPY 6,920 million for the fiscal year ended March 31, 2008, decreased by JPY 4,202 million from JPY 11,122 million a year earlier and caused EBITDA to decrease from last fiscal year's record high of JPY 2,085 million to a negative JPY 984 million during the fiscal year ended March 31, 2008.

During the fiscal year ended March 31, 2008, CME recorded a net loss of JPY 1,335 million, which included non-recurring charges in connection with (a) the termination of the licensing agreement with the UK-based V2 Music Group (JPY 660 million) and (b) an early retirement program entered into effect in November 2007 (JPY 415 million). The net result was positively affected by a foreign currency exchange gain on the discontinued CD/DVD pressing business, previously recorded in equity.

Further cost rationalization and synergies from Creative Core designed to restore profitability

During the fiscal year ending March 31, 2009, Creative Core is expected to bring further cost synergies and improve profitability in music, video, and gaming segments, and contribute to future growth beyond the traditional music business. CME is further committed to restoring profitability by a sustained focus on fewer, but profitable artists with significant hit potential, and further cost rationalization. On April 4, 2008, CME announced a headcount reduction of approximately 17% of total headcount, through a combination of voluntary retirement and contract termination. The costs savings associated with the headcount reduction from the fiscal year ending March 31, 2009 onwards are estimated at JPY 600 million.

Based on its management forecasts prepared under J-GAAP, CME projects revenue of JPY 21,000 million and operating profit of JPY 250 million for the fiscal year ending March 31, 2009, compared to revenue of JPY 19,214 million and an operating loss of JPY 737 million for the fiscal year ended March 31, 2008.

Phoenix Resort K.K.

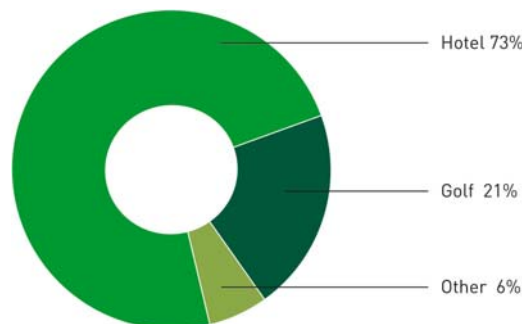


- Headquarters: Japan
- Industry: Hospitality segment
- Privately held
- RHJI ownership as of March 31, 2008: 100.0%

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.

Net sales by operating segment (single geographic segment)



Key Figures

	Condensed Consolidated Income Statements for the			
	Years Ended March 31, ⁽¹⁾			
	2008	2007	2008	2007
	In JPY millions		In EUR millions	
Revenue	14,478	14,569	92.0	92.6
Gross profit	2,260	2,501	14.4	15.9
Gross margin	15.6 %	17.2 %	15.6 %	17.2 %
EBITDA	989	925	6.3	5.9
EBITDA margin	6.8 %	6.3 %	6.8 %	6.3 %
Operating profit (loss)	(112)	164	(0.7)	1.0
Net loss	(547)	(391)	(3.5)	(2.5)

(1) Excluding 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. Financial information including this effect is presented in note 2 to the consolidated financial statements.

	March 31,	March 31,	March 31,	March 31,
	2008	2007	2008	2007
	In JPY millions		In EUR millions	
Cash	644	1,034	4.1	6.6
Financial debt	7,777	8,570	49.4	54.5

EBITDA remains level with last year as growing hotel activity was offset by declining performance of the bridal segment

During the fiscal year ended March 31, 2008, Phoenix Seagaia Resort recorded revenue of JPY 14,478 million, in line with the previous fiscal year. During the fiscal year ended March 31, 2008, Phoenix Seagaia Resort reported improvement of its main key operating indicators compared to last fiscal year. After having achieved occupancy rates in excess of 50% for the first time during the fiscal year ended March 31, 2007, room sales increased again during the fiscal year ended March 31, 2008, resulting in overall occupancy of 52.2%. Focused marketing and enticing pricing have successfully positioned the resort as an attractive destination for corporate events. Improved performance was achieved by all hotels in the resort, including Kitago, for which a turnaround plan had been designed in the last fiscal year. Except for Kogen, increased golf revenue during the fiscal year ended March 31, 2008 also supported the growth in hotel activity.

EBITDA for the fiscal year ended March 31, 2008 amounted to JPY 989 million, an increase of 6.9% compared to the previous year. The growing hotel activity was offset by slower performance of the bridal segment which faced fierce competition. A successful bridal fair held in January and a renewed bridal product offering are expected to restore Phoenix Seagaia Resort's market share.

Phoenix Seagaia Resort's financial debt was further reduced from JPY 8,570 million at March 31, 2007 to JPY 7,777 million at March 31, 2008. The guarantee of Phoenix Seagaia Resort's senior debt by the Company amounted to JPY 349 million, covering scheduled reimbursement of principal throughout September 30, 2009. Although Phoenix Seagaia Resort paid down debt during the fiscal year ended March 31, 2008 without any additional equity injection from the Company, JPY 300 million was injected on June 19, 2008 to help cover repayments scheduled during the fiscal year ending March 31, 2009.

Closure of the Ocean Dome

In July 2007, Phoenix Seagaia Resort announced the closure of the Ocean Dome. Opened in 1993 as the world's largest indoor swimming pool, the Ocean Dome had aged and customer visits decreased as demands continued to change. Phoenix Seagaia Resort invested significantly in new infrastructure over the past years to better respond to those needs and decided to close down the Ocean Dome from October 1, 2007 onwards. The net loss for the fiscal year ended March 31, 2008 includes the write-down of the Ocean Dome's net book value of JPY 437 million.

Options for the property on which the Ocean Dome is located are currently being reviewed as part of a larger plan to explore the potential of developing the resort's land. Meanwhile, Phoenix Seagaia Resort will invest in new attractions to continue to enhance the customer experience and mitigate the potential impact of the closure on room sales.

Investments in associates

Shaklee Global Group, Inc.



- Industry: Consumer Products – Nutrition Products Segment
- Jasdq Stock Exchange ticker: 8205.Q
- Total Shares Outstanding: 25,920,000
- RHJI ownership as of March 31, 2008: 40.7% (10,074,000 shares)
- Contribution price per share (March 23, 2005): JPY 1,269
- Closing share price on March 31, 2007: JPY 844
- Closing share price on March 31, 2008: JPY 709

Overview of Activities

Shaklee is a leading provider of premium quality and natural nutrition, personal care, household and air and water treatment products. Shaklee operates in the United States, Japan, Malaysia, Canada and Mexico. The United States is Shaklee's largest market in terms of sales, with Japan as its second largest market. Shaklee uses a sales force of self-employed, independent distributors to sell its products and has over 750,000 members and distributors.

Key Figures

	Condensed Consolidated Income Statements for the Years Ended March 31,			
	2008 <i>In JPY millions</i>	2007	2008 <i>In EUR millions</i>	2007
Revenue	27,322	26,540	173.6	168.6
Operating profit	2,945	2,466	18.7	15.7
EBITDA	3,499	3,049	22.2	19.4
EBITDA margin	12.8 %	11.5 %	12.8 %	11.5 %
Net profit	1,441	377	9.2	2.4

	March 31, 2008 <i>In JPY millions</i>	March 31, 2007	March 31, 2008 <i>In EUR millions</i>	March 31, 2007
Cash	4,699	3,504	29.9	22.3
Financial debt	18,177	19,266	115.5	122.4

Revenue for the fiscal year ended March 31, 2008, increased by 3% compared to last year driven by strong demand in the US and growing business in international markets led by Canada and Mexico. Operating profit for the fiscal year ended March 31, 2008 increased by 19.4% to JPY 2,945 million. Lower gross profit was offset by decreased selling, general & administrative expenses that included non-recurring expenses associated with Shaklee's 50th Anniversary campaign during the fiscal year ended March 31, 2007. Net profit for the fiscal year ended March 31, 2008 of JPY 1,441 million compared to JPY 377 million a year earlier and included nonrecurring pension curtailment gains and non-recurring amortization of intangible assets. The net profit for the fiscal year ended March 31, 2007 was further negatively affected by accelerated amortization of prepaid financing costs following the refinancing of Shaklee's bank borrowings.

Based on its management projections under J-GAAP, Shaklee expects revenue for the fiscal year ending March 31, 2009 to increase to JPY 27,578 million, with projected growth of its business anticipated to be offset by a stronger Japanese Yen against the US Dollar. Operating income for the fiscal year ending March 31, 2009 is projected to decrease to JPY 2,481 million, but includes a charge of JPY 584 million following new J-GAAP reporting provisions regarding amortization of goodwill.

U-shin Ltd.



- Headquarters: Japan
- Industry: Automotive Components - Electronics Components Segment
- Tokyo Stock Exchange ticker: 6985.T
- Total Shares Outstanding: 31,995,502
- RHJI ownership as of March 31, 2008: 20.0% (6,400,000 shares)
- Acquisition price per share (April 13, 2006): JPY 1,244
- Closing share price on March 31, 2008: JPY 401

Overview of Activities

U-shin (www.u-shin-ltd.com) is a company engaged in manufacturing and sales of automobile components such as key sets, door locks, heater control panels and switches, various instruments for farm machinery, construction machinery and machine tools, other industrial machinery, and housing equipment such as locks for houses, hotels and buildings.

Key Figures

	Condensed Consolidated Income Statements for the Years Ended February 28,			
	2008	2007	2008	2007
	<i>In JPY millions</i>		<i>In EUR millions</i>	
Revenue	77,963	69,438	495.4	441.2
Operating profit	3,357	1,080	21.3	6.9
EBITDA	7,584	4,587	48.2	29.1
<i>EBITDA margin</i>	9.7 %	6.6 %	9.7 %	6.6 %
Net profit (loss)	339	(688)	2.2	(4.4)

	February 28,	February 28,	February 28,	February 28,
	2008	2007	2008	2007
	<i>In JPY millions</i>		<i>In EUR millions</i>	
Cash	9,290	7,324	59.0	46.5
Financial debt	22,472	21,765	142.8	138.3

As U-shin's fiscal year ends on November 30, the Company used financial information for the twelve months ended February 28, 2008, compiled from publicly disclosed unaudited quarterly financial information, for the purposes of preparing the Company's consolidated financial statements as of and for the fiscal year ended March 31, 2008. Financial information for the twelve months ended February 28, 2007, has been compiled on the same basis for comparative purposes.

U-shin reported revenue of JPY 77,963 million for the twelve months ended February 28, 2008, compared to JPY 69,438 million for the same period last year. The increase of 12% was mainly driven by increased sales in the automotive division, led by U-shin's operation in Thailand. Net profit for the twelve months ended February 28, 2008 of JPY 339 million compared to a net loss of JPY 688 million for the same period a year earlier, which included costs related to increased product warranty reserves and to the impairment of certain intangible assets, partly offset by the gain on the liquidation of a subsidiary. Profit for both periods was favorably impacted by gains on the disposal of investment securities of JPY 1,136 million and JPY 1,120 million in 2008 and 2007, respectively.

Based on its management projections under J-GAAP, U-shin forecasts revenue of JPY 76,400 million, an operating profit of JPY 2,900 million and a net profit of JPY 1,760 million for the fiscal year ending November 30, 2008. During the first quarter of its fiscal year ending November 30, 2008, U-shin reported revenue of JPY 20,130 million and net profit of JPY 626 million, compared to JPY 16,939 million and JPY 150 million during the same period a year earlier.

2. Material events subsequent to March 31, 2008

Asahi Tec

On June 13, 2008, the Company announced that it was prepared to invest additional equity of up to JPY 3,200 million, if and to the extent necessary, to prevent or cure, as permitted by Metaldyne's credit agreements, any breach of covenants relating to Metaldyne's credit facilities. To that end, the Company announced on June 13, 2008, that it would subscribe to newly issued shares of Asahi Tec at JPY 80 per share, up to JPY 3,200 million in aggregate. On July 15, 2008,

the Company subscribed to 22,500,000 newly issued shares of Asahi Tec for JPY 1,800 million in aggregate. Following this capital injection, the Company's ownership in Asahi Tec increased from 36.9% to 41.3%.

Niles

On July 10, 2008, Niles refinanced JPY 19,356 million of its debt. The new syndicated credit facility has a 3 year term and consists of a secured term loan and a commitment line of JPY 6,500 million and JPY 8,160 million, respectively. Interest rates on both loans are based on TIBOR plus a variable margin depending on Niles' consolidated leverage ratio. In addition to the syndicated loan, Niles expects to enter into a short term loan agreement by mid August for JPY 2,500 million, guaranteed by the Company. In anticipation of this agreement, the Company granted Niles a short term bridge loan of JPY 700 million.

HIT

HIT's Canadian subsidiary, that went into receivership in October of 2007, was fully consolidated as of and for the fiscal year ended March 31, 2008. Following its liquidation, initiated in May 2008, it will no longer be consolidated in the fiscal year ending March 31, 2009. No losses are expected to arise from the liquidation process.

D&M

On June 20, 2008, the Company announced it had agreed to tender its 49% interest to the take over bid to be launched by K.K. BCJ-2, a corporation owned by investments funds advised by Bain Capital Partners, LLC, at a purchase price of JPY 510 per share in cash. The take over bid is expected to be launched by the end of July 2008.

In addition to the sale of its ownership interest in D&M, RHJI also disposed of a minority interest in a company active in a related industry. On May 23, 2008, the Company sold this investment for JPY 9,030 million, yielding a gain of JPY 3,230 million over the initial purchase price of JPY 5,800 million. The Company used the selling price of the investment as an indication of its fair value at March 31, 2008 and recorded the corresponding increase in fair value directly in equity. The gain on disposal will be recorded in the income statement for the six months ending September 30, 2008.

Phoenix Seagaia Resort

Although Phoenix Seagaia Resort paid down debt during the fiscal year ended March 31, 2008 without any additional equity injection from the Company, JPY 300 million was injected on June 20, 2008, to help cover repayments scheduled during the fiscal year ending March 31, 2009.

3. Research & Development

With the exception of D&M and HIT, the consolidated businesses do not incur significant amounts of research and development expenses, which are normally grouped under the selling, general and administration expense category in the Consolidated Income Statements. D&M incurred JPY 3,166 million and JPY 4,140 million of research and development expenses for the fiscal year ended March 31, 2008 and 2007, respectively, which are included in the loss from discontinued operations. During the fiscal year ended March 31, 2008, D&M mainly focused its

efforts on the research and development of advanced DVD technology and home networking technology.

HIT incurred development costs of approximately JPY 760 million in connection with new customer projects, and which in accordance with IAS 38 were recognized as internally generated intangible assets.

Other research and development expense associated with the Company's continuing operations amounted to JPY 340 million and JPY 276 million for the fiscal years ended March 31, 2008 and 2007, 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

The availability of opportunities for additional acquisitions and investment 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, cause its growth to decline and increase its losses. As 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.

Operational risk

The Company's business strategy includes 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.

Execution risk

The Company's business strategy includes 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.

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Risk related to the Co-CEO

The non-competition agreement with RHJI's Co-Chief Executive Officer, Mr. Collins, whereby he agreed not to participate, directly or indirectly, in any acquisitions of interests in Japanese companies except through RHJI, has expired on March 23, 2007. Mr. Collins can determine in his sole discretion whether to allocate acquisition opportunities to the Company or to his private equity fund or similar entities. As a result and although Mr. Collins has agreed to use reasonable effort to provide additional acquisition opportunities that are consistent with its strategy, the Company may have a limited opportunity to execute the acquisition component of its growth strategy.

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 (including in Japan), 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

As a holding company, RHJI is further exposed to risks associated with general, economic and market conditions, such as the risk of fluctuating interest rates and currency exchange rates,

liquidity risk and risks related to the stock market, all of which may have a significant effect on the value of the Company's assets.

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 24 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 have book values denominated in Japanese Yen.

Liquidity risk

RHJI had approximately JPY 50 billion available to pursue its business strategy and has no indebtedness. RHJI's businesses have regular recourse to independent indebtedness by obtaining credit lines on their own merits. Except for JPY 349 million related to the debt of Phoenix Seagaia Resort and certain pledges of shares as disclosed in note 20 to the consolidated financial statements, 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 24 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 balance sheets 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 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 HIT primarily, the selling prices are however only adjusted periodically and as a result, HIT is exposed to changes in aluminum prices within the contracts' price indexation periods. Accordingly, HIT 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, 2008, HIT had forward purchase contracts for notional amounts of JPY 3,360 million. The corresponding fair values of these contracts, designated as cash flow hedges for which hedge accounting is applied, amounted JPY 135 million. As of March 31, 2007, HIT had forward purchase and sale contracts for notional amounts of JPY 4,886 million and JPY 1,038 million, respectively. The corresponding fair values of these contracts, designated as cash flow hedges for which hedge accounting is applied, amounted JPY 4,857 million and JPY 1,155 million, respectively.

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. The Company intends to maintain a balanced mix of fixed and floating rate borrowings, and accordingly has entered into derivative transactions to manage the exposure associated with the floating rate borrowings. As of March 31, 2008 and 2007, approximately 40% and 50%, respectively of the outstanding consolidated debt balance has been effectively hedged against changes in interest rates. All the derivative transactions, JPY 44,405 million in aggregate at March 31, 2008, compared to JPY 62,389 million at March 31, 2007, are accounted for as cash flow hedges with a fair value of JPY 158 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 have book values denominated in Japanese Yen. The Company does not

hedge this exposure.

RHJI's functional currency is the Japanese Yen. Cash and cash equivalents are maintained in Euro, USD and Japanese Yen.

The functional currency of the five consolidated businesses headquartered in Japan is the Japanese Yen. The Euro is the functional currency for HIT. Companies that transact a material amount of business and have material assets and liabilities in currencies other than their functional currency include Asahi Tec through its acquisition of Metaldyne (US Dollar), HIT (US Dollar, Brazilian Real and Mexican Peso) and Niles (US Dollar). 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, 2008 was JPY 7,160 million and -JPY 8 million, respectively.

Note 20 *Interest bearing loans and borrowings* and note 24 *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 27 *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 the Company on one or more occasions by a maximum amount of EUR 663,955,470, subject to the requirements of Article 9 below. Any decision by the Board of Directors to increase the capital of the Company 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 March 23, 2005. 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 the Company 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 the Company and that may be reduced or cancelled only by a resolution of the Shareholders in accordance with Article 612 of the Companies Code.

The Board of Directors is expressly authorised, in the event of a public takeover bid for the securities of the Company, to increase the capital of the Company, in accordance with Article 607 of the Companies Code. Such authority is granted for a period of three years, commencing on the date of the Extraordinary Shareholders' Meeting held on March 23, 2005. If the Board of Directors decides to increase the capital of the Company 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) the Company 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 the Company within the meaning and the limits set out by Article 627, first paragraph of the Companies Code. If the Company acquires Shares other than by means of a transaction effected on a stock exchange, even if the Company acquires such Shares from a subsidiary of the Company, the Company 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 an 18-month period, beginning on the date of the Extraordinary Shareholders' Meeting held on March 27, 2007. The Company 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 the Company. The Company 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 the Company, 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 the Company's account where such purchase is necessary to avoid serious and imminent harm to the Company. 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 March 23, 2005.

Timothy C. Collins
Director

D. Ronald Daniel
Director