

## **PRESS RELEASE**

**For immediate release**

### **RHJ INTERNATIONAL REPORTS CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2006**

Brussels, December 29, 2006 – RHJ International (the “Company”) today published its Condensed Consolidated Financial Statements for the six months ended September 30, 2006. The Condensed Consolidated Financial Statements of the Company, prepared in accordance with International Reporting Standards (“IFRS”), are attached to this press release.

During the first six months of the fiscal year ending March 31, 2007, the Company continued to execute its strategy of creating long-term value.

- The Company continues to build its existing holdings into stronger global competitors. Asahi Tec Corporation (“Asahi Tec”) announced the proposed acquisition of U.S. based Metaldyne Corporation (“Metaldyne”), a leading global supplier of aluminum and ductile castings for the automotive industry. Niles Co.,Ltd. (“Niles”) acquired Fuji Electronics Industries, expanding its precision stamping, insert molding and assembly capability. The Company acquired a 20% shareholding in U-Shin Ltd. (“U-Shin”), a Japanese manufacturer of electrical components for automobiles. In November, D&M Holdings Inc. (“D&M”) announced the proposed acquisition of Philips Sound Solutions, further expanding its foothold in the automotive OEM business.
- The Company continued to seek opportunities to build new industry platforms. It confirmed in October that it entered into a non-binding memorandum of understanding, in consortium with Videocon Industries Ltd., for the proposed purchase of Daewoo Electronics Corporation, in the consumer durables segment.
- The Company also seeks to create shareholders’ value through influential minority interests and opportunistic co-investments. As of September 30, 2006, the Company recorded JPY 687 million of fair value increment on those investments owned on that date, and realized a JPY 206 million profit on the disposal of such an investment.
- The portfolio companies continued to seek sustainable improvement of their operating performance. Asahi Tec, D&M and Phoenix Resort K.K. (“Phoenix Seagaia Resort”) reported improvements in financial performance compared to the six months ended September 30, 2005. Honsel International Technologies SA (“HIT”), Columbia Music Entertainment Inc. (“CME”) and Niles Co.,Ltd. (“Niles”) continued to address operational challenges and reported lower operating results during the six months ended September 30, 2006 compared to the same period last year.

- The Company strengthened its industrial partner network with the employment of Hideki Kurashige, former President and Chief Executive Officer of Japan Telecom and affiliation with Greg Brenneman, former Chief Executive Officer of Burger King.

More detailed information about the Company's activity and financial results for the six months ended September 30, 2006 is presented below.

## 1. Portfolio as of September 30, 2006

The Company's portfolio consists of 6 controlling ownership interests, 2 investments in associates and several non-controlling minority ownership interests. The interests in Asahi Tec, HIT, Niles, D&M, CME, Phoenix Seagaia Resort and Shaklee Global Group, Inc. ("Shaklee"), were contributed to the Company on March 31, 2005 in connection with a private placement and a global offering of its ordinary shares on Euronext Brussels in March 2005. The net book value of the Company's portfolio as reflected in its non-consolidated balance sheet can be summarized as follows:

<i>(In JPY millions)</i>	<b>September 30, 2006</b>	<b>March 31, 2006</b>
<i><u>Investment in subsidiaries</u></i>		
Asahi Tec	15,951	15,951
CME	7,817	7,817
D&M	10,515	10,515
HIT	16,496	15,314
Niles	16,605	15,108
Phoenix Seagaia Resort	<u>21,827</u>	<u>17,927</u>
	<b>89,211</b>	<b>82,632</b>
<i><u>RHJ International's management subsidiaries</u></i>		
	<b>1,512</b>	<b>428</b>
<i><u>Investment in associates</u></i>		
Shaklee	12,244	12,244
U-Shin	<u>8,010</u>	=
	<b>20,254</b>	<b>12,244</b>
<i><u>Other investments</u></i>		
	<b>15,109</b>	<b>13,895</b>
<i><b>Total investments</b></i>		
	<b>126,086</b>	<b>109,199</b>
<i><b>Cash and cash equivalents (parent company only)</b></i>		
	<u><b>89,559</b></u>	<u><b>101,615</b></u>
	<b>215,645</b>	<b>210,814</b>

The increase in investments in subsidiaries is attributable to additional capital invested in HIT (JPY 1,181 million), Niles (JPY 1,497 million) and Phoenix Seagaia Resort (JPY 3,900 million). The investments in associates include the 20% ownership interest in U-Shin, acquired in April for

JPY 8,010 million. In addition to those investments of JPY 14,588 million in aggregate, other main sources and uses of cash at the parent company level during the six months ended September 30, 2006 related to (a) funding of management subsidiaries (JPY 1,083 million), (b) operating expenses (JPY 849 million), (c) a net cash inflow from the sale of an available-for-sale investment (JPY 1,200 million) and (d) favorable foreign currency exchange fluctuations (JPY 3,063 million).

Other investments in subsidiaries and associates are presented at cost. The other investments, which comprise several non-controlling ownership interests, such as the investment in the Commercial International Bank of Egypt S.A.E., are recorded as “available-for-sale financial assets” and are recorded at fair market value. Since March 31, 2006 the Company has sold one available-for-sale investment on which a gain of JPY 206 million was realized. At September 30, 2006, JPY 687 million of increase in fair value of the available-for-sale investments was recorded.

The net book value of the Company’s portfolio is not intended to be an indication of its intrinsic value. The inherent inadequacies of book value may result in significant disparity with the investments’ intrinsic value. As intrinsic value is based on a variety of elements including estimations and projections, the Company does not present its view on intrinsic value.

## 2. Business Review for the six months ended September 30, 2006

The individual companies’ consolidated financial statements presented below have been prepared in accordance with IFRS. All financial information has been translated for convenience into Euro using the exchange rate prevailing at September 30, 2006 (EUR/JPY = 149.622).

The financial information presented below does not reflect the effects of the purchase price allocation carried out in connection to the contribution of the ownership interests to the Company at March 31, 2005, for purposes of preparing the Company’s consolidated financial statements.

### ASAHI TEC

Headquarters: Japan

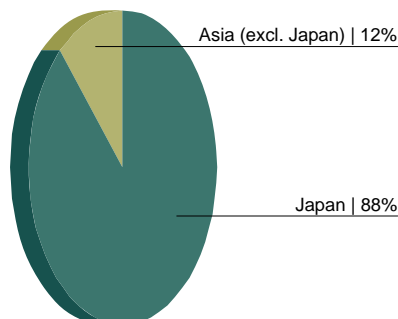
Industry: Automotive Components – Cast Auto Parts Segment

Tokyo Stock Exchange ticker: 5606.T

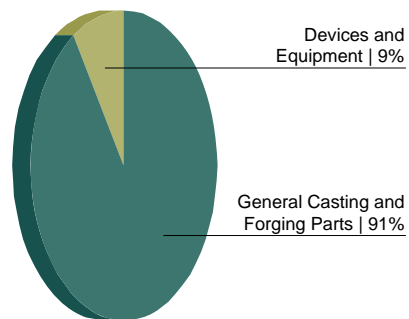
Total Shares Outstanding: 99,398,397

RHJI ownership as of September 30, 2006: 62.8% (62,394,316 shares)

**Geographic distribution of net sales**



**Net sales by operating segment**



### Key Figures

	Six months ended September 30,			
	2006	2005	2006	2005
	In JPY millions		In EUR millions	
Net sales	43,837	26,439	293.0	176.7
Gross profit	5,165	4,313	34.5	28.8
Gross margin	11.8%	16.3%	11.8%	16.3%
Operating profit	814	1,123	5.4	7.5
EBITDA	3,231	2,261	21.6	15.1
EBITDA margin	7.4%	8.6%	7.4%	8.6%
Net profit	38	626	0.25	4.2

	September 30,	March 31,	September 30,	March 31,
	2006	2006	2006	2006
	In JPY millions		In EUR millions	
Cash	4,664	4,119	31.2	27.5
Financial debt	25,053	25,572	167.4	170.9

### Consolidation of position in the Cast Auto Parts Industry

In the Cast Auto Parts business, the Company believes that there is an increasing preference by automobile OEM's for global suppliers. With the announcement on September 1, 2006 of Asahi Tec's proposed acquisition of U.S.-based Metaldyne, a leading supplier of systems and modules that utilize aluminum and ductile castings for the automotive industry, the Company intends to expand the global reach of its Cast Auto Parts business. Asahi Tec has a significant presence in Japan, with additional operations in Thailand and China while Metaldyne offers significant presence and operations in North America, Europe, China and Korea and growing business in India and Brazil. The total transaction consideration, including the refinancing of Metaldyne's existing interest-bearing debt, is expected to be approximately USD 1.2 billion. The Company has committed to invest USD 85 million in Asahi Tec as part of a USD 213 million private placement. At the closing of the transaction, which is expected to be no later than January 16, 2007, the Company will at the time of the closing hold approximately 41% of Asahi Tec and will remain the controlling shareholder through its ability to appoint the majority of Asahi Tec's Board of Directors. Following this acquisition, Asahi Tec should have combined annual revenues of approximately JPY 318 billion or EUR 2.1 billion.

Through this transaction, Asahi Tec will gain access to Metaldyne's value added engineering, design and manufacturing capabilities and will strengthen its product portfolio. As a result Asahi Tec will be better positioned to respond flexibly to OEMs' needs for higher value-added products globally, and for product modules locally. In addition, it will offer a broadened range of complementary manufacturing capabilities, including aluminum castings, ductile iron castings, powdered metals and precision machining.

### Acquisition of Techno Metal drives increase in net sales for the six months ended September 30, 2006

The increase in Asahi Tec's net sales of 65.8% from JPY 26,439 million for the six months ended September 30, 2005 to JPY 43,837 million for the first six months of the current fiscal year, is largely attributable to Mitsubishi Fuso Techno-Metal ("MFTM"), the ductile manufacturer acquired in February 2006, which accounted for 97% of the increase. With net sales of JPY

16,830 million and a operating margin of 2.5% of net sales for the six months ended September 30, 2006, MFTM exceeded expectations.

During the six months ended September 30, 2005, gross profit was affected by a reversal of the reserve for loss contracts of JPY 561 million. For the first six months of this fiscal year, the reserve was further reduced as the outlook on future results improved, but the impact was limited to JPY 309 million. Furthermore, the performance of the first half of the fiscal year ending March 31, 2007 has been affected by increasing aluminum prices and the negative impact of the appreciated Thai Baht on the manufacturing cost. Gross margins for the six months ended September 30, 2006 has therefore decreased to 11.8% compared to 16.3% during the same period last year.

Net income for the six months ended September 30, 2006, amounted to JPY 38 million and was affected by higher financial expenses following the increase of debt associated with the acquisition of MFTM.

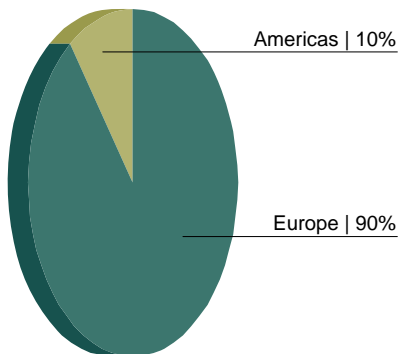
**Relocation of aluminum wheel production to Thailand starts to yield benefits**

Asahi Tec has transferred production of aluminum wheels to Thailand and has also reverted to proven technology to improve profitability. While intended cost savings were initially offset by operational issues related to the start-up, the relocation, together with the reduced impact of aluminum price increases, is expected to positively contribute to the results of the second half of the year that are forecasted by Asahi Tec to be in line with its management’s earlier projections.

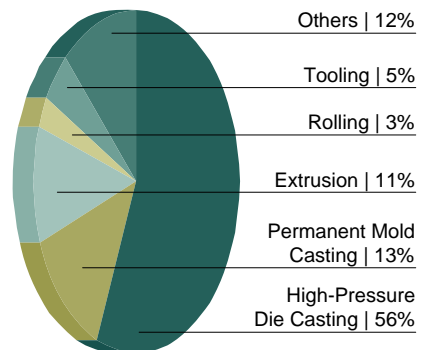
**HIT**

Headquarters: Germany  
 Industry: Automotive Components – Cast Auto Parts Segment  
 Privately Held  
 RHJI ownership as of September 30, 2006: 57.9%

**Geographic distribution of net sales**



**Net sales by operating segment**



## Key Figures

	Six months ended September 30,			
	2006	2005	2006	2005
	In JPY millions		In EUR millions	
Net sales	66,659	58,303	445.5	389.7
Gross profit	5,433	5,074	36.3	33.9
Gross margin	8.2%	8.7%	8.2%	8.7%
Operating loss	(16,884)	(657)	(112.8)	(4.4)
EBITDA	3,814	5,120	25.5	34.2
EBITDA margin	5.7%	8.8%	5.7%	8.8%
Loss after tax, before discontinued operations	(13,391)	(2,623)	(89.5)	(17.5)
Net loss	(13,391)	(1,331)	(89.5)	(8.9)

	September 30,	March 31,	September 30,	March 31,
	2006	2006	2006	2006
	In JPY millions		In EUR millions	
Cash	3,001	3,831	20.1	25.6
Financial debt	68,223	63,388	456.0	423.7

### Performance of North American subsidiaries and operational issues in Germany depress results of the first half of the fiscal year ending March 31, 2007

During the first half of the fiscal year ending March 31, 2007, HIT reported revenue of JPY 66,659 million, an increase of 14.3% compared to JPY 58,303 million for the six months ended September 30, 2005. Excluding the impact of translating HIT's Euro denominated revenue to the weakened JPY, the revenue increased by 6.2%. The remaining increase is primarily due to the impact of higher metal prices passed through in sales prices and stronger than expected demand of some European customers. However, sales to North American customers decreased as HIT's Canadian operations suffered from declining volumes and pricing pressure.

Operating results for the six months ended September 30, 2006 are below HIT's management expectations. Based on the weaker than expected performance, HIT has recorded an impairment charge of JPY 15,836 million, mainly related to the customer relations intangible assets. Excluding the impairment charge, the operating loss for the six months ended September 30, 2006 amounted to JPY 1,048 million, compared to an operating loss of JPY 657 million during the same period last year. The decline results from the weak performance of the Canadian operations as well as from high labor cost necessary to support new product launches in Germany. Besides declining volumes from its North American customers, HIT's Canadian operations faced increased raw material prices and high labor costs. HIT also incurred non-recurring expenses associated with the renegotiations of credit facility terms and the investigation of various plans to restore profitability.

### HIT renegotiates terms of senior and subordinated credit facilities.

At September 30, 2006, HIT had outstanding indebtedness of JPY 68,223 million compared to JPY 61,645 million at September 30, 2005 and JPY 63,388 million at March 31, 2006. Excluding the impact of the weakening JPY on HIT's Euro denominated net debt, the increase since March 31, 2006 amounts to JPY 1,424 million.

As a result of the poor financial performance for the six months ended September 30, 2006, HIT was in breach of certain covenants on its EUR 395 million senior and EUR 110 million mezzanine credit facilities. After having amended both facilities initially in June, HIT has entered into a further amendment with its banks on November 15, 2006. According to the arrangement reached with the lenders, the breach of covenants is waived and the covenants under the original agreements are suspended and replaced with a revised minimum EBITDA covenant threshold until June 30, 2007.

In order to avoid potential future breaches of covenants as defined in the amended agreement, HIT is currently (a) reorganizing its operations to reduce fixed costs, which includes workforce reductions and other cost savings measures, (b) initiating a refinancing of the current debt and (c) proceeding with the sale of Grenville Castings Limited (“Grenville”), a Canadian subsidiary. In the event of (a) Grenville not being sold by April 30, 2007, (b) a breach of the minimum EBITDA requirement through June 30, 2007 or (c) any event of default occurs on or after June 30, 2007, an additional investment of EUR 10 million is required under the terms of the agreement.

In connection with the amendments of its credit facilities in June and, subsequent to September 30, 2006, in November 2006, HIT’s equity has been increased by cash contributions of EUR 31.6 million (JPY 4,732 million) since March 31, 2006. RHJ International S.A. (“RHJI”) funded EUR 29.8 million of the increase, of which EUR 21.6 million was through the subscription of preferred equity.

More detailed information on certain terms and conditions of HIT’s amended credit facilities can be found in the notes to the condensed consolidated financial statements for the six months ended September 30, 2006, in appendix A to this press release and available on the Company’s website ([www.rhji.com](http://www.rhji.com)).

## **NILES**

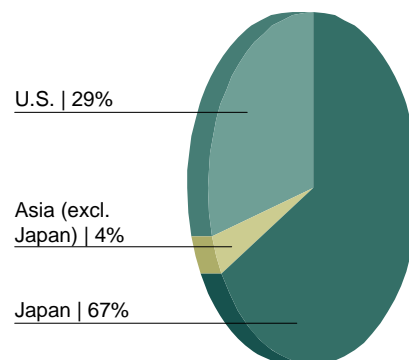
Headquarters: Japan

Industry: Automotive Components – Electronics Components Segment

Privately Held

RHJI ownership as of September 30, 2006: 96.2%

### **Geographical distribution of net sales (single operating segment)**



## Key Figures

	Six months ended September 30,			
	2006	2005	2006	2005
	In JPY millions		In EUR millions	
Net sales	26,433	26,287	176.7	175.7
Gross profit	3,632	4,011	24.3	26.8
Gross margin	13.7%	15.3%	13.7%	15.3%
Operating loss	(724)	(73)	(4.8)	(0.5)
EBITDA	1,345	1,673	9.0	11.2
EBITDA margin	5.1%	6.4%	5.1%	6.4%
Net profit/(loss)	(1,401)	73	(9.4)	0.5

	September 30,	March 31,	September 30,	March 31,
	2006	2006	2006	2006
	In JPY millions		In EUR millions	
Cash	4,735	2,876	31.6	19.2
Financial debt	29,368	26,720	196.3	178.6

### **Fuji Electronics' positive contribution to Niles' financial results for the first half of the fiscal year ending March 31, 2007 offset by weak performance of Niles' North American operations**

Niles reported consolidated revenues of JPY 26,433 million for the six months ended September 30, 2006, compared to JPY 26,287 million during the same period last year. Niles acquired Fuji Electronics Industries in June 2006. Fuji Electronics specializes in precision stamping, insert molding and assembly of electronic components primarily for the automotive and telecommunications industry. Fuji Electronics contributed JPY 1,586 million to Niles' consolidated revenue, representing 3 months of sales.

Net sales have continued to be hurt by volume declines for two of Niles' major customers. Niles also suffered from pricing pressure. Sales in North America were particularly affected by weak demand from those customers and reported a decrease in net sales by 6.9% from the six months ended September 30, 2005, excluding the impact of the strengthened USD.

Gross profit for the six months ended September 30, 2006 amounted to JPY 3,632 million or 13.7% of net sales compared to JPY 4,011 million or 15.3% of net sales during the same period last year. Despite lower overall volumes and lower margins at Fuji Electronics, the accelerated expansion of manufacturing capability in Thailand started to yield targeted cost savings.

Operating loss of JPY 724 million was higher than during the first half of the previous fiscal year. Despite efforts to improve operations at power seat- and mirror switch manufacturer Microcraft, and after having relocated manufacturing from Michigan to Georgia (United States), this subsidiary has continued to depress results as it has been negatively affected by weak demand from General Motors. Operating expenses for the six months ended September 30, 2006 included higher than expected shipping costs as a result of ongoing supply chain issues. During the first half of the previous fiscal year, the operating profit was negatively affected by a bad debt allowance of JPY 418 million, which was reversed during the second half of the year.

Niles is currently studying options related to its U.S. operations, which may result in a rationalization of its U.S. manufacturing operations, transfer of production and restructuring actions in the second half of the current fiscal year.

## **D&M**

Headquarters: Japan

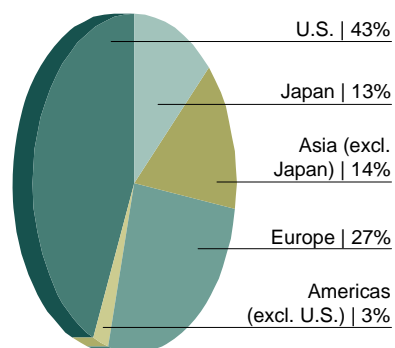
Industry: Consumer Electronics – Audio - Visual/Home Theater-Related Segment

Tokyo Stock Exchange ticker: 6735.T

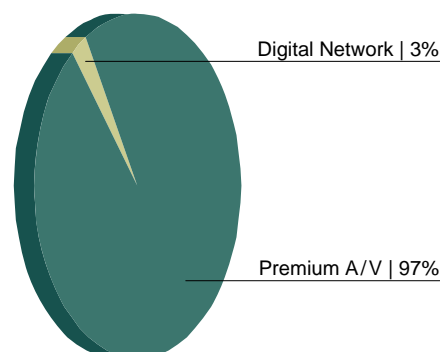
Total Shares Outstanding: 88,730,894

RHJI ownership as of September 30, 2006: 51.1% (45,232,160 shares)

**Geographic distribution of net sales**



**Net sales by operating segment**



### **Key Figures**

	Six months ended September 30,			
	2006	2005	2006	2005
	In JPY millions		In EUR millions	
Net sales	41,706	36,444	278.7	243.6
Gross profit	16,212	14,480	108.4	96.8
Gross margin	38.9%	39.7%	38.9%	39.7%
Operating profit	1,016	765 (1)	6.8	53.2
EBITDA	2,141	1,472 (1)	14.3	9.8
EBITDA margin	5.1%	4.0% (1)	5.1%	4.0%
Profit after tax, before discontinued operations	473	4,688	3.2	31.3
Net Profit	464	1,257	3.1	8.4

(1) Excluding gain from sale of headquarter property of JPY 7,189 million

	September 30,	March 31,	September 30,	March 31,
	2006	2006	2006	2006
	In JPY millions		In EUR millions	
Cash	(71)	1,294	(0.5)	8.6
Financial debt	14,185	11,070	94.8	74.0

### **Strong financial results in D&M's Premium Audio Visual (AV) business driven by the successful extension of U.S. retail distribution**

D&M reported better than expected results and raised its forecast for the second half of the fiscal year ending March 31, 2007. Consolidated revenue amounted to JPY 41,706 million, 14.4%

higher than during the same period last year. Excluding Boston Acoustics, acquired in August 2005, net revenue increased by 2.8%. The increase was generated by D&M's Premium AV segment with strong performance of the Denon brand in the U.S.. The addition of Circuit City to D&M's U.S. retail distribution channel contributed to the increase as Denon products, including a co-branded Home Theatre package, were carried in over 600 Circuit City stores.

Sales in Europe were also significantly higher than during the six months ended September 30, 2005, with a strong contribution from Eastern European emerging markets and Russia, boosted by a favorable EUR/JPY exchange rate.

Boston Acoustics contribution to the operating results for the full six months ended September 30, 2006 was in line with expectations as it continued to expand its OEM business with Chrysler. Boston Acoustics speakers are now available in 10 Chrysler vehicles.

Excluding a JPY 7,189 million gain on the sale of headquarters property realized during the six months ended September 30, 2005, operating profit increased from JPY 765 million for the same period last year to JPY 1,016 million for the six months ended September 30, 2006. With operating expenses that are in line with last year, representing 31% of net revenue, the increase in operating profit mainly results from (a) the increased activity in the premium AV business and (b) the positive contribution of the Digital Network division. The Digital Network division turned around its sizeable operating loss of JPY 859 million into an operating profit of JPY 85 million following D&M's decision to exit the Rio portable digital audio player business during the last fiscal year.

D&M expects a continuous improvement of its performance in the traditionally stronger second half-year, with peak selling months October through December. The outlook for the full year has been revised upward with revenue now expected to be JPY 93,000 million and operating profit JPY 5,000 million. These projections have been publicly disclosed by D&M in Japan and are based on its management projections made under Japanese GAAP.

**D&M further develops the automotive OEM business and acquires Philips Sound Solutions in addition to Boston Acoustics**

On November 28, 2006, D&M announced the proposed acquisition of Philips Sound Solutions ("PSS") from Royal Philips Electronics. Next to its high quality Hi-Fi audio products, the acquisition of PSS is expected to accelerate D&M's growth in the automotive OEM business. PSS delivers audio products to key automotive customers such as BMW, Volkswagen, and Toyota (Europe) and will complement Boston Acoustics' premium audio systems produced for Chrysler vehicles.

## CME

Headquarters: Japan

Industry: Media and Entertainment – Music Entertainment Segment

Tokyo Stock Exchange ticker: 6791.T

Total Shares Outstanding: 260,870,117 (66,503,000 shares)

RHJI ownership as of September 30, 2006: 25.5%

### Key Figures

	Six months ended September 30,			
	2006	2005 (1)	2006	2005 (1)
	In JPY millions		In EUR millions	
Net sales	7,881	9,633	52,7	64,4
Gross profit	4,474	4,904	29,9	32,8
Gross margin	56,8%	50,9%	56,8%	50,9%
Operating profit	221	318	1,5	2,1
EBITDA	431	487	2,9	3,3
EBITDA margin	5,5%	5,1%	5,5%	5,1%
Profit after tax, before discontinued operations	78	331	0,5	2,2
Net Profit	141	4,533	0,9	30,3

(1) Restated to reflect pressing business as discontinued operations

	September 30,	March 31,	September 30,	March 31,
	2006	2006	2006	2006
	In JPY millions		In EUR millions	
Cash	3,350	3,610	22.4	24.1
Financial debt	929	928	6.2	6.2

### Delay of major releases pushes back results to the second half of the fiscal year ending March 31, 2007

CME reported net revenue of JPY 7,881 million for the six months ended September 30, 2006, compared to JPY 9,633 million during the same period last year. The decrease mainly results from the postponement of several major releases in both the in-house Music Entertainment business and the Press and Distribution business into the second half of the current fiscal year. CME's management maintains its Japanese-GAAP based forecast for the full fiscal year ending March 31, 2007 as previously disclosed by CME in Japan. Other divisions, such as the digital business and the custom sales business reported sales in excess of the six months ended September 30, 2005.

Despite this delay of major releases, gross profit margins significantly improved as a result of a decreasing contribution from low margin third party distribution business. The operating profit for the six months ended September 30, 2006 amounted to JPY 221 million compared to JPY 318 million the same period last year. Besides lower sales, the decrease was also caused by higher office rental-costs following the relocation of headquarters in July 2005.

### CME completes the disposal of the non-core CD/DVD pressing business

During the first half of the previous fiscal year, CME divested the non-core CD/DVD pressing business in Japan. During the second half of that same fiscal year, CME discontinued the CD/DVD pressing business in the United States. The results of operations for the six months ended September 30, 2005 have been restated to reflect both businesses as discontinued operations. The result of discontinued operations for the six months ended September 30, 2005 amounted to JPY 4,202 million and included a JPY 5,540 million gain on the sale of the property on which the Japanese pressing factory was located.

CME has completed the sale of the CD/DVD pressing business in the U.S. during the first six months of the current fiscal and recorded a net gain of JPY 63 million.

## **PHOENIX SEAGAIA RESORT**

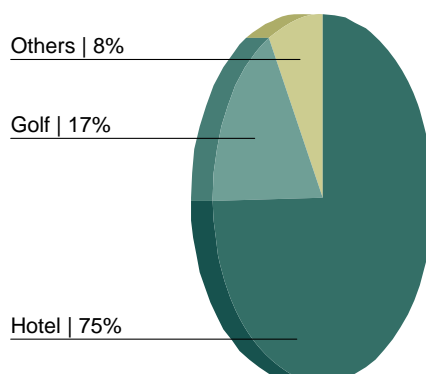
Headquarters: Japan

Industry: Hospitality Segment

Privately Held

RHJI ownership as of September 30, 2006: 100.0%

### **Net sales by operating segment (single geographic segment)**



### **Key Figures**

	Six months ended September 30,			
	2006 <i>In JPY millions</i>	2005	2006 <i>In EUR millions</i>	2005
Net sales	7,109	6,886	47.5	46.0
Gross profit	1,110	659	7.4	4.4
Gross margin	15.6%	9.6%	15.6%	9.6%
Operating profit/(loss)	47	(568)	0.3	(3.8)
EBITDA	374	(188)	2.5	(1.3)
EBITDA margin	5.3%	(2.7%)	5.3%	(2.8%)
Net loss	(261)	(847)	(1.7)	(5.7)

	September 30, 2006 <i>In JPY millions</i>	March 31, 2006	September 30, 2006 <i>In EUR millions</i>	March 31, 2006
Cash	1,429	1,070	9.6	7.2
Financial debt	9,026	10,670	60.3	71.3

**Positive EBITDA sustained as hotel activity grows and operational efficiency improves**

During the six months ended September 30, 2006, Phoenix Seagaia Resort recorded revenue of JPY 7,109 million or a 2.3% increase compared to the first six months of the previous fiscal year. Focused sales & marketing promotions and an overall trend of increasing overseas tourist arrivals, have resulted in a favorable evolution of Phoenix' hotel activity. The resort's overall hotel occupancy rate of 48.7% showed improvement compared to the 45.9% achieved during the first half of last fiscal year. Furthermore, average daily room rates also improved by 9.3%. Group tours and the segment of meetings, incentives, conventions and exhibitions were the main drivers for the increased hotel revenue. However, warmer seasonal temperatures and an increased number of rain days have caused the number of golf rounds to decrease by 3.2%.

Further to increasing activity, sustained cost saving initiatives, the change from a management to a franchise contract relating to certain hotel facilities and improved food & beverage productivity have also contributed to a positive EBITDA of JPY 374 million compared to the loss of JPY 188 million a year earlier. Selling, general and marketing expenses as a percentage of revenue decreased from 18% during the first half of last fiscal year to 15.2% this year.

The net loss for the six months ended September 30, 2006 amounted to JPY 261 million, compared to a net loss of JPY 847 million during the same period last fiscal year. The non-core golf courses Kogen and Kitago, are intended to be sold and are classified as held for sale.

**RHJI infuses new capital to reduce financial debt**

During the six months ended September 30, 2006 RHJI has provided Phoenix Seagaia Resort with additional equity funding of JPY 3,900 million enabling Phoenix Seagaia Resort to make scheduled repayments of financial debt, including vendor financing obligations recorded as other payables at March 31, 2006. Net debt at September 30, 2006 amounted to JPY 7,597 million, down by JPY 2,003 million from March 31, 2006. Vendor financing, related to Phase II of Phoenix' development program, has now been fully paid off. Phase II focused on the expansion of the resorts with new spa facilities (*onsen*). At September 30, 2006, RHJI guaranteed the payment of principal and interest totaling JPY 1,645 million of Phoenix total outstanding debt of JPY 9,026 million.

## **INVESTMENTS IN ASSOCIATES**

### **SHAKLEE**

Industry: Consumer Products – Nutrition Products Segment

Jasdaq Stock Exchange ticker: 8205.Q

Total Shares Outstanding: 25,920,000

RHJI ownership as of September 30, 2006: 40.7% (10,074,000 shares)

#### **Key Figures**

	Six months ended September 30,			
	2006	2005	2006	2005
	<i>In JPY millions</i>		<i>In EUR millions</i>	
Net sales	13,111	12,786	87.6	85.5
Operating profit	1,138	1,985	7.6	13.3
EBITDA	1,433	2,227	9.6	14.9
<i>EBITDA margin</i>	10.9%	17.4%	10.9%	17.4%
Net profit	54	613	0.4	4.1

	September 30,	March 31,	September 30,	March 31,
	2006	2006	2006	2006
	<i>In JPY millions</i>		<i>In EUR millions</i>	
Cash	4,089	4,851	27.3	32.4
Financial debt	19,311	18,664	129.1	124.7

Shaklee's first half financial results were affected by its 50<sup>th</sup> Anniversary campaign. Net revenue increased by 2.5%, driven by strong post campaign demand. At the same time, the 50<sup>th</sup> Anniversary campaign also resulted in higher selling, general and administrative expenses. In September, Shaklee secured a new credit facility, resulting in the write-off of pre-paid financing cost. Excluding this write-off and the non-recurring higher spending on the 50<sup>th</sup> Anniversary campaign, operating profit would have risen by 4.1% compared to the same period last year, representing 17.4% of net sales.

### **U-SHIN**

Headquarters: Japan

Industry: Automotive Components - Electronics Components Segment

Tokyo Stock Exchange ticker: 6985.T

Total Shares Outstanding: 31,995,502

RHJI ownership as of September 30, 2006: 20.0% (6,400,000 shares)

### Key Figures

	Six months ended August 31,			
	2006	2005	2006	2005
	<i>In JPY millions</i>		<i>In EUR millions</i>	
Net sales	35,083	31,324	234.5	209.4
Operating profit	465	881	3.1	5.9
EBITDA	947	3,426	6.3	22.9
<i>EBITDA margin</i>	2.7%	10.9%	2.7%	10.9%
Net profit/(loss)	(670)	1,393	(4.5)	9.3

	August 31,	February 28,	August 31,	February 28,
	2006	2006	2006	2006
	<i>In JPY millions</i>		<i>In EUR millions</i>	
Cash	10,260	9,921	68.6	66.3
Financial debt	22,917	26,891	153.2	179.7

In April 2006, the Company acquired 20% of U-Shin, a manufacturer of electrical components for automobiles. For purposes of preparing the consolidated financial statements as of and for the six months ended September 30, 2006, the Company used U-Shin's half year results of operations as of August 31, 2006, as U-Shin's fiscal year ends on November 30.

Strong sales of automotive components and industrial equipment drove net sales up by 12% for the six months ended August 31, 2006 compared to the same period last year. Increased cost of raw materials such as zinc, copper, brass and steel have however reduced the gross margin from 11.5% last year to 10.5% this year. Operating profit further suffered from an increased product warranty reserve and impairment charges related to certain tangible assets. The net profit for the six months ended August 31, 2005 was favorably impacted by a gain on the liquidation of a subsidiary (JPY 1,022 million).

### 3. Condensed Consolidated Financial Statements for the six months ended September 30, 2006

#### Results of operations

	Condensed Consolidated Income Statements for the six months ended September 30,			
	2006	2005 (1)	2006	2005 (1)
	<i>In JPY millions</i>		<i>In EUR millions</i>	
Net sales	193,625	163,995	1,294	1,096
Cost of sales	(158,209)	(135,196)	(1,057)	(904)
<b>Gross profit</b>	<b>35,416</b>	<b>28,799</b>	<b>237</b>	<b>192</b>
Selling, general and administrative expenses	(33,437)	(32,200)	(223)	(215)
Amortization and impairment of identifiable intangible assets	(17,857)	(2,774)	(119)	(19)
Other operating income (expense)	(3,555)	7,643	(24)	51
Profit / (loss) from operations	(19,433)	1,468	(130)	10
Income (loss) from associates	(198)	65	(1)	0
Net financing profit / (costs)	560	(1,873)	4	(13)
Loss before tax	(19,071)	(340)	(127)	(2)
Income tax benefit (expense)	2,413	(702)	16	(5)
Loss after tax, before discontinued operations	(16,658)	(1,042)	(111)	(7)
Discontinued operations, net of tax	63	(3,656)	0	(24)
Minority interest	6,330	2,274	42	15
Net loss	(10,265)	(2,424)	(69)	(16)
Loss per share (in JPY and EUR)	(119.99)	(31.14)	(0.80)	(0.21)

(1) Restated to reflect CME's CD/DVD pressing business as discontinued operations

*Net sales* for the six months ended September 30, 2006 included 3 months of sales from newly acquired Fuji Electronics and the contribution for the full six months from MFTM and Boston Acoustics. Except for CME, all consolidated business reported higher net sales for the six months ended September 30, 2006 compared to the same period last year.

*Gross profit* for the six months ended September 30, 2006 amounted to JPY 35,416 million, 23% higher than during the same period last year. The gross profit for the six months ended September 30, 2005, included the negative effect of fair-valuing inventories in connection with the purchase

price allocation at March 31, 2005. Excluding this impact, gross profit for the six months ended September 30, 2006 increased by JPY 2,413 million or 7.3%

Selling, general and administrative expenses amounted to JPY 33,437 million for the six months ended September 30, 2006 and included JPY 2,510 million associated with headquarters' operations. The increase mainly relates to the contribution of newly acquired companies.

Loss from operations for the six months ended September 30, 2006 of JPY 19,433 million is significantly affected by the impairment charge of JPY 15,836 million mainly related to the customer relations intangible assets of HIT following revision of sales forecasts given its weak operating performance. Excluding the impairment charge, loss from operations for the six months ended September 30, 2006 amounted to JPY 3,597 million. Amortization of identifiable intangible assets for the six months ended September 30, 2006 amounted to JPY 2,021 million compared to JPY 2,774 million a year earlier. The operating profit for the six months ended September 30, 2005, included a gain of JPY 7,189 million on the sale of D&M's headquarters property.

Net financing profit for the six months ended September 30, 2006 included interest expense of JPY 4,527 million, offset by (a) interest income of JPY 1,200 million on the parent company cash investments, (b) JPY 425 million gain on disposal of financial assets and (c) foreign currency exchange gains of JPY 3,669 million.

The increase in interest expense from JPY 3,500 million for the six months ended September 30, 2005 to JPY 4,527 million as of September 30, 2006, is mainly attributable to higher debt at HIT, Asahi Tec and Niles compared to September 30, 2005. The unrealized foreign currency exchange gains are mainly attributable to the impact of a stronger EUR and USD versus the JPY on Euro and USD denominated cash investments held by the parent company.

Income tax benefit of JPY 2,413 million was significantly affected by the reversal of a deferred tax liability of JPY 6,538 million following the impairment charge recorded on certain intangible assets of HIT and the derecognition of JPY 2,993 million of deferred tax assets following review of usability of net operating losses of certain foreign subsidiaries of Niles and Asahi Tec.

Discontinued operations include the result of operations, net of tax, of Rio and CME's CD/DVD pressing business in Japan and the U.S. The discontinued operations for the six months ended September 30, 2005, also included a JPY 1,292 million net gain on the disposal of HIT's ownership in Norcast.

### Liquidity and capital resources

	Condensed Consolidated Balance Sheets as of			
	September 30,	March 31,	September 30,	March 31,
	2006	2006	2006	2006
	<i>In JPY millions</i>		<i>In EUR millions</i>	
Non-current assets	301,735	301,319	2,017	2,014
Current assets	227,681	234,682	1,522	1,568
<b>Total assets</b>	<b>529,416</b>	<b>536,001</b>	<b>3,538</b>	<b>3,582</b>
Equity	196,035	201,963	1,310	1,350
Minority interest	31,136	36,973	208	247
Non-current liabilities	173,434	173,706	1,159	1,161
Current liabilities	128,811	123,359	861	824
<b>Total liabilities</b>	<b>529,416</b>	<b>536,001</b>	<b>3,538</b>	<b>3,582</b>

	Condensed Consolidated Cash Flow Statements for the six months ended			
	September 30,			
	2006	2005	2006	2005
	<i>In JPY millions</i>		<i>In EUR millions</i>	
Cash from operating activities	545	(2,771)	4	(19)
Cash from investing activities	(17,922)	7,558	(120)	51
Cash from financing activities	2,550	(7,365)	17	(49)
Net decrease in cash and cash equivalents	(14,827)	(2,578)	(99)	(17)
<b>Cash at March 31</b>	<b>119,339</b>	<b>118,449</b>	<b>798</b>	<b>792</b>
Effect of exchange rate				
Fluctuation on cash held	3,493	930	23	6
<b>Cash at September 30</b>	<b>108,005</b>	<b>116,801</b>	<b>722</b>	<b>781</b>

### Cash

Consolidated cash flow from investing activities for the six months ended September 30, 2006 included (a) the acquisition of ownership interests in U-Shin (JPY 8,010 million) and Fuji Electronics (JPY 1,254 million net of cash acquired), (b) net cash inflow from the sale of an available-for-sale investment (JPY 1,200 million) and (c) net capital expenditure (JPY 10,009 million).

Cash flow from financing activities for months ended September 30, 2006, reflected the net increase in consolidated debt as discussed below.

### Debt

The consolidated financial debt at September 30, 2006 amounted to JPY 148,019 million compared to JPY 139,567 million at March 31, 2006. The increase results from (a) the foreign currency exchange impact on HIT's debt (JPY 3,410 million) and (b) net increases of debt at HIT (JPY 1,424 million), Niles (JPY 2,648 million) and D&M (JPY 3,115 million), partly offset by scheduled net repayments of debt at Phoenix Seagaia and Asahi Tec.

Consolidated financial debt at March 31 and September 30, 2006 can be summarized as follows:

<i>(In JPY millions)</i>	Payments due by period			
	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
<b>September 30, 2006</b>				
Long term loans and borrowings, including the current portion	142,469	34,306	60,723	47,440
Finance lease liabilities	5,550	1,711	3,839	
<b>Total</b>	<b>148,019</b>	<b>36,017</b>	<b>64,562</b>	<b>47,440</b>
Total in EUR millions	389	241	431	317
<b>March 31, 2006</b>				
Long term loans and borrowings, including the current portion	134,478	27,360	56,517	50,601
Finance lease liabilities	5,089	1,471	3,616	2
<b>Total</b>	<b>139,567</b>	<b>28,831</b>	<b>60,133</b>	<b>50,603</b>
Total in EUR millions	933	193	402	338

Consolidated financial debt at March 31 and September 30, 2006, by company, is as follows:

<i>(In JPY millions)</i>	Payments due by period			
	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
<b>September 30, 2006</b>				
Asahi Tec	25,053	5,086	19,922	46
HIT	68,223	9,017	11,811	47,394
Niles	29,368	15,613	13,755	
D&M	14,185	5,160	9,025	
CME	929	225	704	
Phoenix Seagaia	9,026	916	8,110	
RHJ Shaklee Holding	1,235		1,235	
<b>Total</b>	<b>148,019</b>	<b>36,017</b>	<b>64,562</b>	<b>47,440</b>
<b>March 31, 2006</b>				
Asahi Tec	25,572	5,212	16,312	4,048
HIT	63,388	7,036	9,798	46,554
Niles	26,720	12,491	14,228	1
D&M	11,070	1,733	9,337	
CME	928	211	717	
Phoenix Seagaia	10,670	2,148	8,522	
RHJ Shaklee Holding	1,219		1,219	
<b>Total</b>	<b>139,567</b>	<b>28,831</b>	<b>60,133</b>	<b>50,603</b>

## Statement of the Company's Auditors

“We have reviewed the condensed consolidated interim financial statements of RHJ International SA as of and for the six-month period ended September 30, 2006. Our report prepared in accordance with ISRE 2400 “Engagements to review financial statements” is dated December 28, 2006 and contains a division of responsibility clause in accordance with § 18 of ISA 600, “Using the work of another auditor”, since a number of subsidiaries have been reviewed by other auditors. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit. This review has not identified any significant corrections that should be made to the financial information referred to above.”

### **About RHJ International:**

RHJ International (Euronext: RHJI) is a limited liability company organized under the laws of Belgium, having its registered office at Avenue Louise 326, 1050 Brussels, Belgium. It is a diversified holding company focused on creating long-term value for its shareholders by acquiring and operating businesses in Japan and elsewhere. For further information visit: [www.rhji.com](http://www.rhji.com).

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## **Appendix A: Unaudited Condensed Consolidated Financial Statements for the six months ended September 30, 2006**

*This press release contains certain forward-looking statements concerning the Company's operations, economic performance and financial condition. Such forward-looking statements are based on management's current expectations, estimates and projections and are subject to a number of assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause such differences include, but are not limited to, those discussed in the Certain Information Document (and its Supplement No. 1) dated March 13, 2006. Investors are cautioned not to place undue reliance on these forward-looking statements. The Company has no obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this press release.*

## Appendix A: Unaudited Condensed Consolidated Financial Statements for the six months ended September 30, 2006

The Unaudited Condensed Consolidated Financial Statements for the six months ended September 30, 2006 should be read in conjunction with and only reflect significant changes from the Consolidated Financial Statements published in the Annual Report for the Fiscal Year ended March 31, 2006.

### Unaudited Consolidated Income Statements for the six months ended September 30,

<i>(In JPY millions)</i>	2006	2005 <sup>(1)</sup>
<b>Net sales</b>	<b>193,625</b>	<b>163,995</b>
Cost of sales	(158,209)	(135,196)
<b>Gross profit</b>	<b>35,416</b>	<b>28,799</b>
Selling, general and administrative expenses	(33,437)	(32,200)
Amortization and impairment of identifiable intangible assets	(17,857)	(2,774)
Other operating income (expense)	(3,555)	7,643
<b>Profit/(Loss) from operations</b>	<b>(19,433)</b>	<b>1,468</b>
Financial income	5,680	2,377
Financial expenses	(5,120)	(4,250)
<b>Net financing costs</b>	<b>560</b>	<b>(1,873)</b>
Share of profit (loss) of associates	(198)	65
<b>Loss before tax</b>	<b>(19,071)</b>	<b>(340)</b>
Income tax benefit (expense)	2,413	(702)
<b>Loss after tax, before discontinued operations</b>	<b>(16,658)</b>	<b>(1,042)</b>
Discontinued operations, net of tax	63	(3,656)
<b>Net loss</b>	<b>(16,595)</b>	<b>(4,698)</b>
<b>Attributable to:</b>		
Equity holders of the parent	(10,265)	(2,424)
Minority interest	(6,330)	(2,274)
<b>Net loss</b>	<b>(16,595)</b>	<b>(4,698)</b>
Basic earnings per share (in JPY)	(119.99)	(31.14)
Diluted earnings per share (in JPY)	(119.99)	(31.14)

(1) Restated to reflect CME's CD/DVD pressing business as discontinued operations

**Unaudited Consolidated Statements of Recognized Income and Expenses for the six months ended September 30,**

<i>(In JPY millions)</i>	<b>2006</b>	<b>2005</b>
<b>Income (expense) recognized directly in equity</b>		
Foreign exchange translation differences	2,571	1,764
Cash flow hedges	(352)	
Hedge of investment in foreign subsidiaries	179	
Net change in fair-value of securities available for sale	1,976	
Others	56	37
<b>Net income recognized directly in equity</b>	<b>4,430</b>	<b>1,801</b>
<b>Net loss</b>	<b>(16,595)</b>	<b>(4,698)</b>
<b>Total recognized income and expense for the period</b>	<b>(12,165)</b>	<b>(2,897)</b>
<b>Attributable to:</b>		
Equity holders of the parent	(5,995)	(1,928)
Minority interest	(6,170)	(969)
<b>Total recognized income and expense for the period</b>	<b>(12,165)</b>	<b>(2,897)</b>

## Unaudited Consolidated Balance Sheets as of September 30, 2006 and March 31, 2006

<i>(In JPY millions)</i>	September 30, 2006	March 31, 2006
<b>Assets</b>		
Property, plant and equipment	147,193	143,420
Intangible assets	102,751	116,514
Investments in associates	21,765	13,738
Other non-current investments	18,150	16,690
Deferred tax assets	9,026	8,939
Others	2,850	2,018
<b>Total non-current assets</b>	<b>301,735</b>	<b>301,319</b>
Inventories	44,529	39,191
Trade and other receivables	71,660	71,994
Cash and cash equivalents	108,005	119,339
Tax assets	684	449
Assets classified as held for sale	1,286	2,930
Others	1,517	779
<b>Total current assets</b>	<b>227,681</b>	<b>234,682</b>
<b>Total assets</b>	<b>529,416</b>	<b>536,001</b>
<b>Equity</b>		
Capital and share premium	209,910	209,784
Reserves	5,046	835
Retained earnings	(18,921)	(8,656)
<b>Total equity attributable to equity holders of the parent</b>	<b>196,035</b>	<b>201,963</b>
<b>Minority interest</b>	<b>31,136</b>	<b>36,973</b>
<b>Total equity</b>	<b>227,171</b>	<b>238,936</b>
<b>Liabilities</b>		
Interest-bearing loans and borrowings	112,002	110,736
Employee benefits	29,941	29,901
Deferred tax liabilities	26,683	28,923
Provisions	2,792	2,270
Others	2,016	1,876
<b>Total non-current liabilities</b>	<b>173,434</b>	<b>173,706</b>
Interest-bearing loans and borrowings	36,017	28,831
Provisions	1,432	3,374
Tax liabilities	2,730	3,269
Trade and other payables	84,766	83,527
Liabilities classified as held for sale	745	2,177
Others	3,122	2,181
<b>Total current liabilities</b>	<b>128,811</b>	<b>123,359</b>
<b>Total liabilities</b>	<b>302,245</b>	<b>297,065</b>
<b>Total equity and liabilities</b>	<b>529,416</b>	<b>536,001</b>

Unaudited Consolidated Statements of Cash Flow for the six months ended September 30,

<i>(In JPY millions)</i>	2006	2005
<b>Cash flow from operating activities</b>		
<b>Net loss</b>	<b>(16,595)</b>	<b>(4,698)</b>
Adjustments for:		
Depreciation	9,390	8,012
Amortization	2,459	3,360
Impairment	16,323	525
Foreign exchange	(3,522)	(1,196)
Interest expense	4,925	2,815
Share of result of associates	(55)	(80)
Sale of property, plant and equipment	250	(5,958)
Sale of discontinued operations	(237)	
Equity-settled share-based payment expenses	417	473
Income taxes	(1,642)	712
Deferred taxes	(1,895)	
Others	(1,785)	1,152
<b>Operating profit before changes in working capital</b>	<b>8,034</b>	<b>5,117</b>
Decrease (increase) in trade and other receivables	3,792	(2,190)
Decrease (increase) in inventories	(3,675)	1,513
Decrease in trade and other payables	(972)	(1,574)
Decrease in employee benefits	(951)	(114)
Other changes in working capital	(1,253)	0
<b>Cash generated from the operations</b>	<b>4,973</b>	<b>2,752</b>
Interests	(5,839)	(2,125)
Income taxes	1,411	(3,398)
<b>Net cash from operating activities</b>	<b>545</b>	<b>(2,771)</b>
<b>Cash flow from investing activities</b>		
Proceeds from sale of property, plant and equipment	309	17,110
Proceeds from sale of intangibles	0	998
Proceeds from sales of subsidiary, net of cash disposed	0	7,498
Acquisitions of property, plant and equipment	(10,317)	(10,108)
Acquisitions of intangibles	(271)	(776)
Acquisitions of investments	(6,710)	0
Acquisitions of subsidiary, net of cash acquired	(1,262)	(7,411)
Dividends received	279	
Others	50	247
<b>Net cash from investing activities</b>	<b>(17,922)</b>	<b>7,558</b>

<i>(In JPY millions)</i>	<b>2006</b>	<b>2005</b>
<b>Financing activities</b>		
Proceeds from capital increase	308	
Proceeds from issuance of bonds	1,315	
Proceeds from borrowings	4,625	
Repayments of borrowings	(3,309)	(6,940)
Payments of finance lease liabilities	(515)	
Payments of transaction costs	(40)	
Payments of dividends	(256)	
Others	422	(425)
<b>Net cash from financing activities</b>	<b>2,550</b>	<b>(7,365)</b>
Net increase (decrease) in cash and cash equivalents	(14,827)	(2,578)
Cash and cash equivalents at March 31, 2006	119,339	118,449
Effect of exchange rate fluctuations on cash held	3,493	930
<b>Cash and cash equivalents at September 30, 2006</b>	<b>108,005</b>	<b>116,801</b>

## Notes to the Condensed Consolidated Financial Statements

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## **1. Significant Accounting Policies**

RHJ International SA (“RHJI”) is a company domiciled in Belgium. The Condensed Consolidated Financial Statements for the six months ended September 30, 2006 comprise RHJI, its subsidiaries and its businesses accounted for under the equity method (together referred to as the “Company”).

The Condensed Consolidated Financial Statements for the six months ended September 30, 2006 have been prepared in accordance with IAS 34 on Interim Financial Reporting.

The Company has applied the same accounting policies in its condensed consolidated financial statements for the six months ended September 30, 2006 as were applied in its consolidated financial statements published in the Annual Report for the Fiscal Year ended March 31, 2006.

## **2. Estimates**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

During the six months ended September 30, 2006, revisions to accounting estimates have resulted in:

- an impairment charge of JPY 15,836 million related to the customer relations intangible assets of HIT following revision of sales forecasts given its weak operating performance (see note 5).
- the derecognition of JPY 2,993 million of deferred tax assets following review of usability of net operating losses of certain foreign subsidiaries of Niles and Asahi Tec.

## **3. Segment Reporting**

Segment information is presented with respect to the Company’s business segments. The business segments format, is based on the Company’s management and internal reporting structure.

The Company comprises the following main business segments:

- Niles Co. Ltd. (“Niles”)
- D&M Holdings Inc. (“D&M”)
- Columbia Music Entertainment, Inc. (“CME”)
- Honsel International Technologies SA (“HIT”)
- Asahi Tec Corporation (“Asahi”)

- Phoenix Resort KK (“Phoenix”)
- Corporate Headquarters

September, 30 2006	Asahi	Niles	D.&M	Phoenix Seagala	CME	HIT	Corp. HQ	Eliminated	Total
<i>(In JPY million)</i>									
Net Sales	43,837	26,433	41,706	7,109	7,881	66,659	1,273	(1,273)	<b>193,625</b>
Operating income/(loss) (a)	814	(724)	1,016	47	221	(16,884)	(2,655)		<b>(18,166)</b>
Effects of Purchase Price Allocation (b)	(532)	(32)	133	(291)	(545)				<b>(1,267)</b>
Profit/(loss) from operations	282	(756)	1,149	(244)	(324)	(16,884)	(2,655)		<b>(19,433)</b>
Net profit/(loss) (a)	38	(1,401)	464	(261)	141	(13,391)	2,479	(794)	<b>(12,725)</b>
Minority interest	647	150	(283)		301	5,640			<b>6,455</b>
<b>Effects of Purchase Price Allocation (b)</b>	<b>(1,775)</b>	<b>(1,718)</b>	<b>114</b>	<b>(71)</b>	<b>(545)</b>				<b>(3,995)</b>
Net profit/(loss)	(1,090)	(2,969)	295	(332)	(103)	(7,751)	2,479	(794)	<b>(10,265)</b>

(a) As per the unaudited financial results reported by the consolidated businesses.

(b) Effects of the purchase price allocation. These effects are reflected solely in the Company’s Consolidated Financial Statements and are not recorded in the financial statements of the individual companies.

#### 4. Acquisitions

In June 2006, Niles acquired Fuji Electronics Industries, expanding its precision stamping, insert molding and assembly capability. The consolidated income statement for the six months ended September 30, 2006, included Fuji Electronics’ result for 3 months ended September 30, 2006. Total consideration paid was JPY 1,354 million. Total assets acquired amounted to JPY 3,954 million.

The Unaudited Pro Forma Condensed Consolidated Income Statements as if the acquisitions had occurred at the beginning of the period are as follows:

In April 2006, the Company acquired 20% of U-Shin, a manufacturer of electrical components for automobiles for JPY 8,010 million. For purposes of preparing the consolidated financial statements as of and for the six months ended September 30, 2006, the Company used U-Shin’s half year results of operations as of August 31, 2006, as U-Shin’s fiscal year ends on November 30.

<b>Pro Forma Condensed Consolidated Income Statements (unaudited)</b>	
<b>For the Six Months Ended September 30, 2006</b>	
<i>(In JPY million)</i>	
<b>Net sales</b>	<b>195,065</b>
<b>Gross profit</b>	<b>35,609</b>
<b>Loss from operations</b>	<b>(19,411)</b>
<b>Net loss attributable to equity holders of the parent</b>	<b>(10,252)</b>

At September 30, 2006, goodwill on both acquisitions has been provisionally allocated to the fair value of assets acquired and liabilities assumed. The goodwill allocation will be presented in its final form in the Company’s consolidated financial statements for the fiscal year ending March 31, 2007.

## 5. Impairment of Intangible Assets

Due to impairment indicators, such as cash flows that were significantly worse than those budgeted, HIT's customer relationships were tested for impairment. The test revealed that customer relationships of HIT's subsidiary Honsel were impaired by JPY 15,836 million in addition to the impairment charge of JPY 3,375 million recorded at March 31, 2006 on customer relations of Honsel and HIT's Canadian subsidiary Grenville. HIT has been experiencing lower than expected volumes from its customers. During the second quarter of the year ending March 31, 2007, HIT breached certain covenants in its credit agreements with the banks. As a result, HIT revised its estimated future cash flows. Updated cash flow projections have resulted in the above mentioned impairments in customer relationship as near term cash flows were adjusted downward. If future impairments of the current period magnitude occur because forecasted numbers are not met, this could have an impact on HIT's ability to continue as a going concern.

The recoverable amount of HIT's customer relations, has been determined using a valuation based on the income approach. The income approach was based on projected cash-flows. The present value of estimated future cash flows and residual cash flows was determined using the weighted average cost of capital (WACC) of a group of comparable publicly traded companies. The calculation utilized the current effective interest rate on HIT's term debt as a proxy for the cost of debt, the industry debt-to-capital ratio and the observed median of betas in the group. The resulting WACC, which was used in the analysis, was 5.9%. A terminal or residual value was calculated for the period beyond the discrete projections by the use of the Gordon Growth Model. Concluded values were based on long-term growth rates of 0.5%.

## 6. Capital and Reserves

<i>(In JPY millions)</i>	Share capital	Share premium	Translation reserve	Hedging reserve	Share based payments	Fair value reserve	Consolidation reserves	Retained earnings	Total	Minority interest	Total equity
<b>Balance at April 1, 2006</b>	118,493	91,291	1,053	436	782	(1,282)	(154)	(8,656)	201,963	36,973	238,936
Share based payments					378				378	143	521
Total recognized income and expense			2,278	(94)		2,086		(10,265)	(5,995)	(6,170)	(12,165)
Transaction costs		126							126		126
Scope changes							(946)		(946)	946	0
Dilution							520		520	(520)	0
Dividends								0	0	(249)	(249)
Others				(104)	93				(11)	13	2
<b>Balance at September 30, 2006</b>	<b>118,493</b>	<b>91,417</b>	<b>3,331</b>	<b>238</b>	<b>1,253</b>	<b>804</b>	<b>(580)</b>	<b>(18,921)</b>	<b>196,035</b>	<b>31,136</b>	<b>227,171</b>

## 7. Interest-Bearing Loans and Borrowings

Consolidated indebtedness outstanding at September 30, 2006 amounted to JPY 148,019 million compared to JPY 139,567 million at March 31, 2006.

<i>(In JPY millions)</i>	<b>September 30, 2006</b>	<b>March 31, 2006</b>
<b><i>Non-current liabilities</i></b>		
Finance lease liabilities	3,839	3,618
Bank loans	103,095	103,096
Others	5,068	4,022
<b>Total</b>	<b>112,002</b>	<b>110,736</b>
<b><i>Current liabilities</i></b>		
Finance lease liabilities	1,711	1,471
Bank loans	33,655	26,975
Others	651	385
<b>Total</b>	<b>36,017</b>	<b>28,831</b>

<i>(In JPY millions)</i>	<b>September 30, 2006</b>	<b>March 31, 2006</b>
Asahi Tec	25,053	25,572
HIT	68,223	63,388
Niles	29,368	26,720
D&M	14,185	11,070
CME	929	928
Phoenix Seagaia	9,026	10,670
RHJ Shaklee Holding	1,235	1,219
<b>Total</b>	<b>148,019</b>	<b>139,567</b>

At March 31, 2006, HIT was in compliance with the revised covenants of its senior and mezzanine credit facilities. On June 13, 2006, HIT announced it had reached an agreement with its lenders to amend its debt facilities to address a tightening of its cash position principally due to higher aluminum prices. Under the terms of the agreement, HIT's shareholders agreed to infuse EUR 10 million of new capital and lenders consented to increase HIT's receivable factoring facility limit by EUR 10 million to EUR 40 million. During the second quarter of the year ending March 31, 2007, HIT breached certain covenants in its credit agreements with the banks. On November 15, 2006, HIT and the banks signed an amendment which cures the breaches through that date and waives certain covenants through June 30, 2007. In addition, the amendment agreement included an additional equity contribution of EUR 21.6 million (in preferred stock) and agreement to make a further EUR 10 million investment, if the single minimum consolidated EBITDA related financial covenant, as established in the amendment for the period ended January 31, 2007 and April 30, 2007, is breached. Moreover, if the disposal of Grenville Castings Limited ("Grenville"), a Canadian subsidiary, has not occurred on or before April 30, 2007, or the average monthly liquidity of HIT is less than EUR 10 million or an event of default occurs on or after June 30, 2007, an additional shareholder contribution of EUR 10 million will be required. The November 2006 amendment also includes the conversion of one million of ordinary shares held by the shareholders into preferred stock (relates to the June 13, 2006 new capital), increases in the loan interest rates, an amendment fee, ring fencing of Amcan Consolidated Technologies Corp. ("ACT") and subsidiaries and other specific and agreed waivers and amendments to the credit agreements.

In order to avoid potential future breaches of covenants as defined in the amendment agreement, HIT is currently (a) reorganizing its operations to reduce fixed costs, which includes workforce reductions and other cost savings measures, (b) initiating a refinancing of the current debt and (c) proceeding with the sale of Grenville. The risks associated with these action steps and their impact on HIT's ability to comply with future covenants indicates the existence of a material uncertainty which may cast significant doubt about HIT's ability to continue as a going concern.

HIT believes it will be in compliance with the January 31, 2007 and April 30, 2007 covenants, maintain the required liquidity levels and sell Grenville. In the event a refinancing does not take place in the spring of 2007, the original covenants as defined in the amended agreement must be met starting with June 30, 2007. HIT believes it will be successful in improving its profitability and reducing its debt and therefore will be in compliance with such future covenants through December 31, 2007, assuming its internal forecasts for EBITDA are achieved, the planned fixed cost reduction implementation is successful, financial covenants are adjusted to eliminate ACT and additional equity contributions are used to pay down debt. If HIT were not to comply with the future covenants or otherwise default on the agreement, the lenders could call the debt and the HIT would need to find a means to repay. This matter also casts a significant doubt about HIT's ability to continue as a going concern.

During the six months ended September 30, 2006 RHJI has provided Phoenix Seagaia Resort with additional equity funding of JPY 3,900 million enabling Phoenix Seagaia Resort to make scheduled repayments of financial debt, including vendor financing obligations recorded as other payables at March 31, 2006.

#### **8. Discontinued Operations**

During the first half of the previous fiscal year, CME divested the non-core CD/DVD pressing business in Japan. During the second half of that same fiscal year, CME discontinued the CD/DVD pressing business in the United States. The results of operations for the six months ended September 30, 2005 have been restated to reflect both businesses as discontinued operations and included net sales of JPY 1,931 million, an operating loss of JPY 1,529 and a net loss of JPY 1,528 million.

CME has completed the sale of the CD/DVD pressing business in the U.S. during the first six months of the current fiscal and recorded a net profit of JPY 63 million.

<i>(In JPY million)</i>	<b>2006</b>	<b>2005</b>
Net sales	941	7,278
Cost of sales	(620)	(7,808)
<b>Gross profit</b>	<b>321</b>	<b>(530)</b>
Selling, general and administrative expenses	(57)	(7,020)
Other operating income/(expenses)	(472)	481
Gain on sale	237	1,219
<b>Profit/(loss) from operations</b>	<b>29</b>	<b>(5,850)</b>
Net financing cost	34	(10)
Income tax benefit/(expense)	0	2,204
<b>Net profit/(loss)</b>	<b>63</b>	<b>(3,656)</b>

## 9. Related Parties

The Company has related party relationships with its subsidiaries and businesses accounted for under the equity method, with its directors and senior management, and with Ripplewood Holdings LLC and affiliates.

### Transactions with senior management

On September 22, 2006, Harvey Golub has been appointed as a director by the Board of Directors to fill a vacancy created by the resignation from the Board of Jeffrey M. Hendren. Mr. Golub is the Executive Chairman of Ripplewood Holdings, LLC, Non-Executive Chairman of the Boards of Campbell Soup Company, ClientLogic and Sentient Jet and a director of Dow Jones and Co.

### Other Related Party Transactions

At September 30, 2006, net payables of JPY 286 million to Ripplewood Holdings LLC were outstanding as a result of billing of operating costs of the Company. A total of JPY 185 million expenses from Ripplewood Holdings LLC was charged to income during the six months ended September 30, 2006.

## 10. Subsequent Events

The Company continued to seek opportunities to build new industry platforms. It confirmed in October that it entered into a non-binding memorandum of understanding, in consortium with Videocon Industries Ltd., for the proposed purchase of Daewoo Electronics Corporation, in the consumer durables segment.

As a result of the poor financial performance for the six months ended September 30, 2006, HIT was in breach of certain covenants of its EUR 395 million (JPY 59 billion) senior and EUR 110 million (JPY 16.5 billion) mezzanine credit facilities. After having amended the facilities initially in June, HIT has entered into a new agreement with its banks on November 15, 2006 to again amend both facilities. The revised terms are described in note 4 on Interest-Bearing Loans and Borrowings.

On November 28, 2006, D&M announced the proposed acquisition of Philips Sound Solutions (“PSS”) from Royal Philips Electronics. Next to its high quality Hi-Fi audio products, the acquisition of PSS will accelerate D&M’s automotive OEM business. PSS delivers audio products to key automotive customers such as BMW, Volkswagen, and Toyota (Europe) and will complement Boston Acoustics premium audio systems produced for Chrysler vehicles.

On September 1, 2006, Asahi Tec announced the proposed acquisition of U.S.-based Metaldyne, a leading supplier of systems and modules that utilize aluminum and ductile castings for the automotive industry. On November 28, 2006, Asahi Tec announced that it had reached, in principal, an agreement on key economic terms with Metaldyne bondholders and stockholders. The total transaction consideration, including the refinancing of Metaldyne’s existing interest-bearing debt, is expected to be approximately USD 1.2 billion. The Company has committed to invest USD 85 million in Asahi Tec as part of a USD 213 million private placement. At the closing of the transaction, which is expected to be no later than January 16, 2007, the Company will hold approximately 41% of Asahi Tec and will remain the controlling shareholder through its ability to appoint the majority of Asahi Tec’s Board of Directors. Following this acquisition, Asahi Tec should have combined annual revenues of approximately JPY 318 billion or EUR 2.1 billion.



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## Independent Report on Review of Interim Financial Information

To the shareholders of RHJ International S.A.

We have reviewed the condensed consolidated interim financial statements of RHJ International S.A. ("the Company") as of and for the six-month period ended September 30, 2006 (the consolidated balance sheet and related statements of income, recognized income and expenses and cash flows), with a balance sheet total of ¥ 529,416 million and a net loss for the period of ¥ 16,595 million. These consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim financial statements based on our review. We did not review the interim financial information of a number of subsidiaries, which statements reflect total assets (excluding their attached goodwill) and total revenues constituting 38% and 52% of the related consolidated total respectively. Such financial information has been reviewed by other auditors whose reports have been furnished to us, and our review report is based on those reports.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review and the reports of the other auditors, nothing has come to our attention that causes us to believe that the consolidated interim financial information referred to above is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Without qualifying our opinion, we draw attention to Note 7 to the condensed consolidated interim financial statements which indicates that a consolidated business of the Company may breach its debt covenants. This condition, along with other matters regarding this business, is set forth in Note 7.

Klynveld Peat Marwick Goerdeler Réviseurs d'Entreprises  
Statutory Auditor  
represented by

Benoit Van Roost

Brussels, December 28, 2006