



Harashin Narus Holdings

ANNUAL REVIEW 2009 Year ended March 31, 2009

The Finest Service in Japan

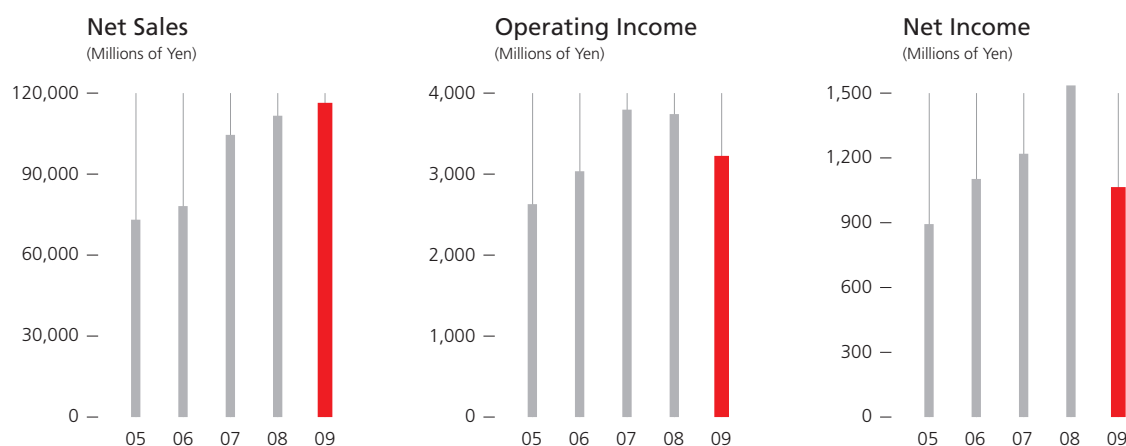


Financial Highlights

Years ended March 31

| | Millions of Yen | | | | | Thousands of U.S. Dollars |
|--------------------------|-----------------|----------|----------|---------|---------|---------------------------|
| | 2009 | 2008 | 2007 | 2006 | 2005 | 2009 |
| For the Period: | | | | | | |
| Net sales | ¥116,220 | ¥111,538 | ¥104,326 | ¥77,808 | ¥72,852 | \$1,183,139 |
| Operating income | 3,220 | 3,630 | 3,795 | 3,039 | 2,627 | 32,783 |
| Net income | 1,065 | 1,535 | 1,218 | 1,099 | 891 | 10,840 |
| At Year-End: | | | | | | |
| Total assets | ¥ 52,052 | ¥ 48,664 | ¥ 47,627 | ¥33,767 | ¥33,488 | \$ 529,897 |
| Total net assets | 21,745 | 21,243 | 20,190 | 16,609 | 14,912 | 221,365 |
| Per Common Share: | | | | | | |
| | Yen | | | | | U.S. Dollars |
| Basic net income | ¥59.14 | ¥85.27 | ¥67.65 | ¥67.86 | ¥54.48 | \$0.60 |
| Cash dividends | 22.00 | 26.00 | 23.00 | 22.00 | 20.00 | 0.22 |

Notes: The U.S. dollar amounts are provided, for convenience only, at ¥98.23 to \$1, the approximate rate of exchange at March 31, 2009.



Performance

During fiscal 2009, ended March 31, 2009, conditions in the Japanese economy remained extremely harsh due to sluggish personal consumption reflecting price hikes in the first half and the decelerated global economy in the second half. Amid such circumstances, customer purchasing patterns showed a hesitation in terms of prices, number and quality of products. Despite such trends, the Harashin Narus Group strived to serve as an essential part of everyday life and offer quality products and services at reasonable prices to meet local customer needs.

As a result, consolidated net sales during fiscal 2009 rose 4.2% year on year to ¥116,220 million, while operating income declined 11.3% to ¥3,220 million, net income dropped 30.6% to ¥1,065 million. Net income per share stood at ¥59.14.

During the fiscal year under review, net sales rose due to an increase in the number of customers per store. However, operating income and income before income taxes decreased due to such

temporary factors as initial costs related to business foundation development.

Despite a ¥334 million gain on insurance adjustment from the receipt of directors' insurance as well as decreased tax expenditures due to the collection of deferred tax assets valuation reserves, net income declined compared with the previous fiscal year. This was attributable to a loss of ¥575 million due to the application of new accounting standards, a ¥164 million loss related to the disposal of fixed assets mainly reflecting the streamlining of the food service business and a ¥638 million impairment loss related to the streamlining of the food service business and unprofitable stores.

General Overview

Fiscal 2009 marked the third year since the business integration of Harashin and Narus as well as a milestone in the development of a business foundation capable of realizing long-term growth—the first goal of the merger. As part of its efforts, Harashin Narus

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Holdings Co., Ltd. has endeavored to develop optimal products, distribution and information systems while addressing environmental issues in order to realize comprehensive advantages for its business operations.

Customer Services

With the aim of achieving customer satisfaction, Harashin Narus focuses thoroughly on the basics, continuously offering unique services, including grocery bagging at the cash register. In addition, the Company introduced a "Friday Special Benefit" service offering customers discounts while optimizing sales promotion costs and enhancing store operation efficiencies. Furthermore, the Company included another municipality in its sponsorship of community-based child rearing support, bringing the total to seven municipalities.

Sales Policies

In October 2007, Harashin Narus announced a "price freeze" on certain items sold in stores and has maintained prices at this level for more than a year. During the fiscal year under review, the number of products this freeze applied to totaled around 300, and sales of such items grew 20% year on year. The Company believes that this reflects customers' high appraisal of the program.

In September 2008, the Company took this move one step further with the commencement of the "Emergency Discount Campaign to Support Household Budgets," which included an additional 37 items for a 10-day period, and repeated this in December 2008 with 66 items for a 14-day period. Sales of discounted products more than doubled compared with same-item sales in the previous fiscal year, proving that customers are sensitive to changes in the prices of daily commodities amid such harsh economic conditions. Harashin Narus will strive to further lower sales prices depending on prime cost trends.

Product Procurement

Prior to April 2008, Harashin and Narus purchased stock separately; however, on that date the Company established Harashin Narus Logitec Co., Ltd. to integrate all product logistics functions, including ordering, receipt and inspection, payment settlement, product development planning and sales promotion planning.

Product procurement has been one of the Group's major issues since the business integration. Leveraging the benefits of scale, Harashin Narus will reduce product procurement costs, enhance product lineups and improve the flow of funds to increase the growth potential of the entire Group.

Logistics

The Joetsu Distribution Center was completed in July 2008 in Joetsu City, Niigata Prefecture. This is the Group's second large-scale distribution center with a transfer center (TC) function that enables the sorting of items by store immediately upon their arrival at the distribution to ensure short turnaround times and a distribution center (DC) function that entails the temporary storage and supply of items to stores on an as-needed basis. The further expansion of these functions is necessary to ensure a stable supply of products while preserving freshness. The centers also support the Company's product, marketing and store-opening strategies. Moreover, by establishing multiple bases, the Company has secured business sustainability capable of coping with emergency situations.

Production and Processing

Our process center (PC) function enhances the operational efficiency of the supermarket business by enabling the integrated mass processing of perishable foods to secure operational efficiency at stores as well as product quality. Previously, Harashin and Narus handled food processing separately. Now, however, this function has been integrated in Rolly Co., Ltd., a food manufacturing and

processing subsidiary. Together with this, Harashin Narus established a PC office in the Joetsu Distribution Center. These moves are expected to enable the Company to further improve its cost management and product quality control.

Furthermore, Harashin Narus has been promoting flower imports in recent years. Therefore, the Company integrated flower processing functions in the Flower Center to reinforce processing capacity.

Information Systems

In order to develop another important management foundation to support logistics innovation, Harashin Narus reestablished its purchasing-related information system that covers from ordering items to displaying them on store shelves in September 2008.

As a part of its purchasing-related information system development, in December 2008 the Company completed the standardization of a POS system for use by all Group companies. This system makes it possible for the Company to gather information on the entire Group's supermarket operations and to analyze and make decisions based on such information, thereby realizing more appropriate and prompt business operations.

Environmental Issues

The Harashin Narus Group positions the approach to environmental issues as one of its key business challenges. From the perspectives of coexistence with local communities and the reduction of environmental burdens, the Company is proactively promoting the use of environmental management systems. Before the business integration, all Harashin offices had acquired ISO 14001 certification, and, with the aim of expanding the scope of certified facilities, all Narus offices acquired the same qualification in July 2008. The Company will make effective use of the environment management systems in wider areas to optimize operational costs and develop a resource recycling structure.

In addition to such efforts, Harashin Narus promotes its grocery bagging service at cash registers to ensure that an appropriate number of plastic bags are used as well as to facilitate customers' use of their own reusable bags while taking initiatives in the collection of used plastic bags for recycling.

During the fiscal year under review, the Company commenced a new campaign called "Reuse Plastic Bags." Under this campaign, we ask customers to cooperate by bringing in used plastic bags to carry their shopping. The campaign is expected to help significantly reduce plastic bag usage, and, in fact, the plastic bag reuse rate is gradually increasing.

Store Opening and Closing

In fiscal 2009, the Company opened the Harashin Minamibandai store (November; Chuo-ku, Niigata, Niigata Prefecture; Floor space: 2,068m²), while renovating the Narus Kokufu store in a new location (December; Joetsu, Niigata Prefecture; Floor space: 2,213m²). Also during the fiscal year under review, the Company closed the Harashin Please store (September; Nagaoka, Niigata Prefecture; Floor space: 998m²) because of a lack of earthquake-resistance due to the deterioration of the building and the Narus Kokufu store (December; Joetsu, Niigata Prefecture; Floor space: 1,256m²), reflecting the building renovation in a new location.

Food Service Business

In April 2008, Harashin Narus sold two of its Sanpotei ramen noodle chain stores to companies outside the Group. In fiscal 2009, sales at the Kaisen Nihonkai sushi restaurant chain declined 5.2% year on year on the back of the recent trend of consumer cautiousness. Judging that it may difficult to regain profitability in the future, the Company determined to withdraw from the sushi restaurant business on March 31, 2009. All seven restaurants were either closed or sold to outside companies.



Kazuhiko Hara President and Representative Director

Stick to the Basics

Q1

It is your first full-year account settlement since acceding to the post of president. What is your impression of the Company's fiscal 2009 performance?

In the first half of fiscal 2009, prices of daily commodities, including food, increased due to raw material price hikes; as a result, consumer reluctance was notable. Given this trend, we declared a "price freeze" on approximately 300 best-selling items. This yielded a more than 20% sales increase for those items compared with the previous fiscal year.

In the second half of fiscal 2009, the global financial crisis affected the actual economy, triggering concerns about a full-scale economic downturn and unstable employment conditions. These concerns led to stagnant individual consumption. In light of a growing tendency toward frugality, we implemented the "Emergency Discount Campaign to Support Household Budgets" as well as the "Special Sale to Return the Exchange Gain from the Strong Yen" in September 2008. These moves proved effective, and we successfully improved our reputation among customers.

Looking at data regarding the number of items purchased and unit prices, I discovered that consumer buying patterns changed swiftly during the year under review. Despite the rapid changes, I think it is important to consider the environmental variation from two major perspectives. First, in order to truly understand the trends, I believe we need to carefully analyze the influence of business confi-

dence on consumer sentiment. Second, we need to consider each store's business condition on a case-by-case basis as every store has different surroundings with varying competitors located nearby. With the understanding that conditions change every day, we can continually renew our faith in our business operations—the stagnant economy alone cannot be blamed for our weak performance.

In autumn and winter last year, there was a trend toward so-called "stay-at-home consumption," which was rather an advantage for us.

However, trends have evolved somewhat from the beginning of 2009, and people are now moving toward greater frugality. Customers are showing a shift toward more reasonably priced products, and as the phrases "size down" and "grade down" would suggest, the nature of demand for quantity, volume and grade of purchased items is changing remarkably. It is therefore important that at the present time, we do not give customers the impression that Harashin Narus deals in pricey products. We need to be competitive while further enhancing our services.

Despite anticipating the worst possible case in terms of operating results, I am basically optimistic and remain convinced that there are a number of opportunities for recovery.

Communication

Right now the entire retail industry fully recognizes that price comes first, and the low-price strategies taken by such stores as UNIQLO are drawing public attention. Amid such circumstances, price competition is once again coming to the fore with the entry of discount supermarkets. We have lowered prices once in response to intensified

competition during the so-called “Niigata War”; however, if there are customer needs that remain unmet, our efforts to offer reasonable prices were not sufficient. Although we are not going to imitate the business style of discount supermarkets, we need to seriously consider discount options possible for us.

Q2

You faced the worst financial crisis in a century immediately after you took over the president’s position. Could you give us more details of how you engaged in business management?

I started with the development of a business strategy foundation. In September 2008, we commenced full-scale operations of the Joetsu Distribution Center. The capital investment for this facility was decided on before I took office, and its initial costs resulted in decreased profit for fiscal 2009. However, we believe this decision was necessary for our future store development and efficient business operations.

We have established the best possible structure with a sufficient number of personnel to launch the Joetsu Distribution Center. We were extremely anxious until we confirmed data transmission status and smooth operation of the conveyor lines, and saw the first truck arriving at a store. When we received the initial report of safe arrival, we were truly pleased. Through the operation of the Joetsu Distribution Center and the information system redeveloped in line with its construction, we will pursue more efficient business operations.

Furthermore, we established Harashin Narus Logitec Co., Ltd. in April 2008 in association with the commencement of operations in the Joetsu Distribution Center to integrate the production procurement functions of Harashin and Narus. Owing to this achievement, we expect to see cost reduction effects through economies of scale.

During fiscal 2009, we were also successful in the sale of our private brand (PB) products, including foods and daily commodities.

For example, our new Harashin Narus blended pulp toilet paper, made with 40% millet and bamboo pulp content and thus eco-friendly due to the reduced use of wood, is low priced and gaining customer recognition. Among frequently purchased products, we selectively developed reasonably priced PB items without lowering quality or taste. The number of such PB products is now approximately

250, and we believe we are able to respond to the needs of economically minded customers.

In fiscal 2009, we set up the Sales Planning Management Division under the direct control of the president. This new division will analyze the traditional sales floor structure as well as market trends while handling the functions of the existing Sales Promotion Office. Through these activities, the Sales Planning Management Division will draft plans for new product policies and services in pursuit of drastic merchandizing innovation.

It is commonly said that this could be the worst financial crisis of the century. Looking at the situation in Niigata Prefecture, however, we have experienced two major earthquakes “of the century” in the last few years as well as unusually severe rainstorms and heavy snow. These bitter experiences reminded us of the *raison d’être* of retail company in the eyes of local customers. Therefore, we believe that by sincerely considering what to offer to local customers and making the Groupwide efforts to attain our goals, we can transform the current crisis into a good opportunity to strengthen our business.

As the first step, I would like to place an emphasis on communications. Specifically, as much as possible I want to hear about actual workplace conditions directly from the staff, and I want to verbally inform them of Company policies in order to ensure that every employee has a better understanding of my thinking. The former president’s management style relied a lot on his established leadership position, or non-verbal communication. However, I would like to spare more time for communicating with employees so that I may understand changes happening at the workplace and facilitate the understanding of Company policies.

Motivation

Q3

Amid the growing customer need for reasonably priced products, how will Harashin Narus maintain the balance between lower prices and good quality and services?

If we believe that “customers provide the criteria for decisions in our business,” we have to grit our teeth and determinedly stick to providing reasonable prices even if we expect lower profits in the short term. On the other hand, we have to provide thorough on-the-job training to improve the quality of our products and services, striving for further improvement through TQM.*

Specifically, we are reinforcing our educational system to improve skills to achieve a more than 50% acquisition rate among partner employees throughout the Group of intermediate-level certificates based on an in-house skill examination. Skills here mean knowledge of “appropriate work procedures” along with meeting the “required level of performance and quality” “within a standard time frame.” For example, we have to offer training even for slicing sashimi in order to ensure standardized product quality. Otherwise, we will make a loss and cannot secure profit. Also, selling unevenly sliced sashimi at the same price will lead to a loss of customer confidence.

Although we already provide in-house skills examinations and manuals for standard work procedures, the degree of progress toward goals varies by store, and we cannot claim these efforts to be a Groupwide initiative. At the individual level, if the acquisition of an intermediate-level skills certificate would help meet the objective of customer satisfaction, that individual must go for it. In addition to certificates, through their preparation for examinations, individuals improve communications by soliciting the advice and help of coworkers and store managers. Furthermore, partner employees can build a stronger sense of responsibility and accomplishment by becoming involved in product manufacturing while gaining higher motivation.

With the aim of helping to increase the skills certificate acquisition rate, we opened the Joetsu Training Center in January 2009, for this purpose renovating a facility that had previously served as a Narus distribution center. At the new Joetsu Training Center, employees from the Joetsu, Nagano and Toyama regions are now able to participate in a variety of training sessions without travelling all the way to the Nagaoka Training Center, and we can accelerate the improvement of skills levels throughout the Group.

As of May 31, 2009, 44.7% of Harashin partner employees had acquired the intermediate-level skill certificate and 17 Harashin stores had already achieved the acquisition rate of 50%.

Spurred by this achievement, we also encourage full-time employees, who are promoting the acquisition of skills certificates among partner employees, to study harder. For full-time employees, the number of reports submitted, years served as a leader of a QC group and trainer seminars attended is included in the scope of evaluation, and such employees cannot be promoted unless they achieve the required levels. We are striving to change our corporate culture so that employees can take a more proactive role in their self-improvement outside the narrower requirements for promotion.

In March 2009, I visited the United States with nine employees. We are willing to provide opportunities for motivated workers to travel overseas.

* TQM: Total Quality Management



Innovation

We have accelerated our grocery bagging service for customers who bring their own reusable bags.



Q4

We heard Harashin Narus will launch new, friendlier, higher grade customer service to enhance business quality. Could you tell us more about this?

Customer service is not a new concept but certain considerations had fallen by the wayside that we thought ought to be revived. Therefore, we started to promote customer service throughout the Group.

One of the initiatives we are focusing on is the Flower Smile Award. We give award to employees when they receive compliments from customers even for small things, share information with other employees and facilitate such services throughout the Group. By doing so, we are aiming to improve our services and motivate employees.

In addition, we expanded cashier trainers' responsibilities during the fiscal year under review from merely teaching checkout services and other small tasks associated with cash register work to include customer services at the service counter and in the parking lot. In this way, we have promoted cashier trainers to Front-End Service Division trainers.

Harashin Narus's most distinguishing service is bagging groceries at the cash register. In recent years, a growing number of customers bring their own reusable bags; therefore, we have to pack the groceries into bags of various types and sizes. Given this situation, trainers and cashiers are striving to improve services by applying TQM skills, and have developed a grocery bagging tool that can be used with any

type of bag. With this achievement, we have accelerated our grocery bagging service for customers who bring their own reusable bags.

Furthermore, we introduced our first self-serve cash register at a Harashin store in March 2009. The utilization rate of the self-serve cash registers has been beyond our expectations, and the feedback from customers includes comments like "it is easy and fun" or "it is quick and convenient when we are buying only a small number of items." Increasing options for cash register services to meet various customer needs will surely enhance our overall quality.



Innovation

Q5

We heard Harashin Narus commenced new activities to reduce the use of plastic bags. Could you tell us the details?

We were among the first companies to address such environmental issues.

In July 2000, all Harashin offices acquired ISO 14001 certificates and all Narus offices achieved the same goal in 2008.

The term 3R represents environmental consciousness, specifically, Reduce, Reuse and Recycle, and it is considered as an ideal to follow with regard to policy. In 1992, we commenced a service wherein customers are given a stamp for turning down plastic bags, with a ¥100 in-store credit awarded for every 20 stamps collected. In 1999, we initiated our grocery bagging service to ensure that the appropriate number and size of plastic bags are supplied to each customer. These endeavors fall into the category of "Reduce."

In 2001, we commenced a service then unique in Japan

of collecting used plastic bags at stores for recycling. This practice falls into the third category of "Recycle."

In September 2008, we began a campaign to reuse plastic bags after discussions with consumer organization members.

The "Reuse Plastic Bags" campaign aims to cut the use of plastic bags 50% by promoting the reuse of old bags. Recently, charging for plastic shopping bags has become an environment-related issue. However, our purpose is not to charge for plastic bags, but to reduce the use of them. In the midst of price hikes, it is thoughtless to not consider our customers' position and place a greater financial burden on them.

Therefore, we are instead promoting the reuse of plastic bags before deciding whether or not to shift to a paid plastic bag service.

Q6

So, we can conclude with the phrase "customers provide the criteria for decisions in our business?"

Facing the "crisis of the century," I believe that the most important thing is to return to the basics. To quote our former president, "customers provide the criteria for decisions in our business." Also, remember that there is no tactic or clever idea for guaranteeing success in retail business, in other words, "stick to the basics." Our success may depend on how each employee understands these sayings. When a problem arises, we have to handle it in a subjective manner and sincerely consider what we can do for the customer standing right in front of us. In the grocery bagging service, if a customer wants to use their own bag, we need to develop a particular bagging method in response to that need. Similarly, if there are a number of customers who would like to quickly finish shopping for a small number of items, we will set up self-serve cash registers. This is a matter of course.

As the business environment is constantly changing, we must make appropriate decisions to flexibly meet each situation. In order to do so, we must not be afraid of changing ourselves, but never change our basic decision-making philosophy. Such a positive intent Groupwide will, I believe, enable us to pave the way for future growth through this crisis.

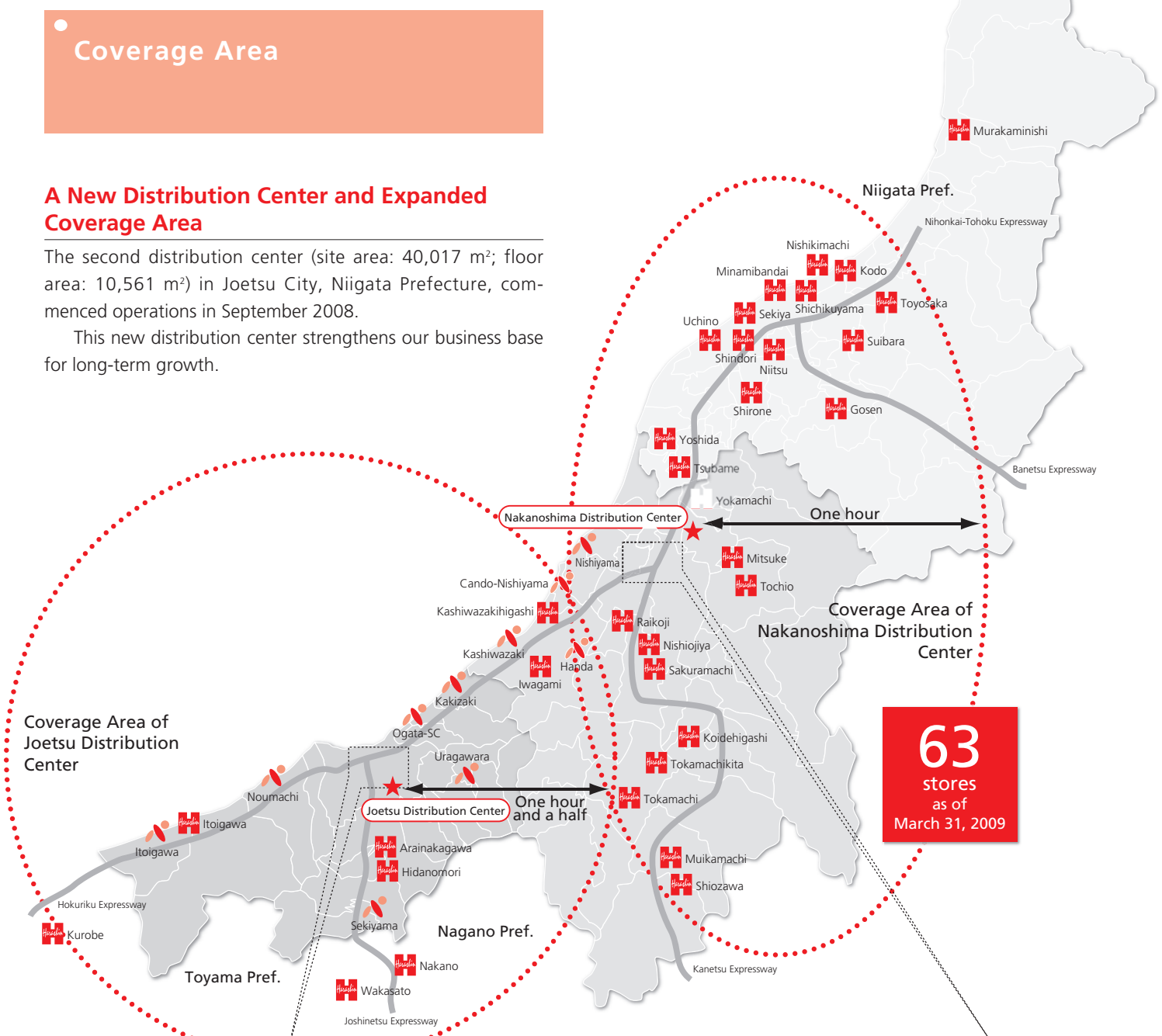


Coverage Area

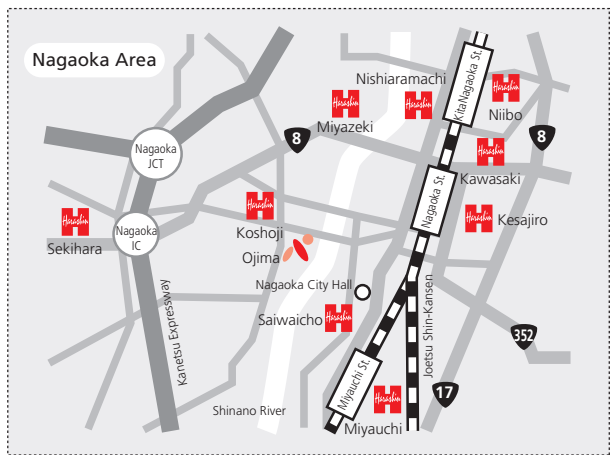
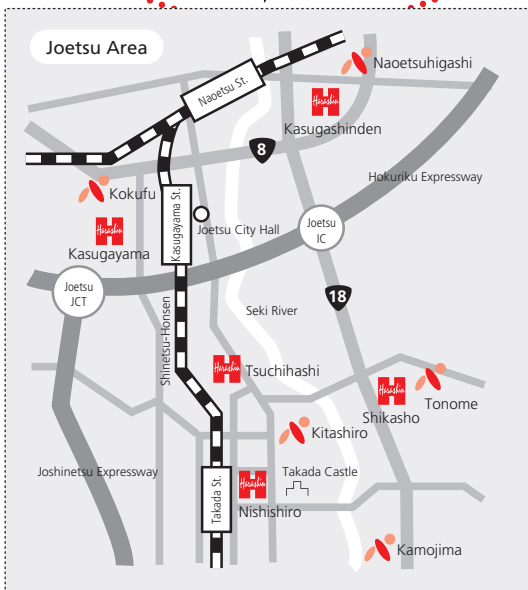
A New Distribution Center and Expanded Coverage Area

The second distribution center (site area: 40,017 m²; floor area: 10,561 m²) in Joetsu City, Niigata Prefecture, commenced operations in September 2008.

This new distribution center strengthens our business base for long-term growth.



63
stores
as of
March 31, 2009



Consolidated Balance Sheets

March 31, 2009 and 2008

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|----------------|------------------------------|
| | 2009 | 2008 | 2009 |
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | ¥ 5,527 | ¥ 5,755 | \$ 56,265 |
| Short-term investments | 2 | 2 | 20 |
| Marketable securities | 6 | 6 | 60 |
| Receivables: | | | |
| Trade notes and accounts | 1,591 | 1,351 | 16,197 |
| Allowance for doubtful receivables | (5) | (5) | (47) |
| Inventories | 2,268 | 2,331 | 23,085 |
| Deferred tax assets | 472 | 451 | 4,800 |
| Lease investment assets | 1,225 | | 12,472 |
| Prepaid expenses and other current assets | 1,315 | 1,158 | 13,395 |
| Total current assets | 12,401 | 11,049 | 126,247 |
| PROPERTY, PLANT AND EQUIPMENT: | | | |
| Land | 11,653 | 11,521 | 118,630 |
| Buildings and structures | 23,562 | 24,217 | 239,862 |
| Machinery and equipment | 1,662 | 1,032 | 16,924 |
| Lease assets | 5,492 | | 55,905 |
| Construction in progress | 753 | 1,373 | 7,668 |
| Other | 5,618 | 5,223 | 57,189 |
| Total | 48,740 | 43,366 | 496,178 |
| Accumulated depreciation | (20,783) | (17,199) | (211,576) |
| Net property, plant and equipment | 27,957 | 26,167 | 284,602 |
| INVESTMENTS AND OTHER ASSETS: | | | |
| Investment securities | 1,416 | 1,340 | 14,413 |
| Investments in unconsolidated subsidiaries and associated companies | 46 | 156 | 473 |
| Long-term loans | 658 | 723 | 6,695 |
| Intangibles | 2,767 | 2,524 | 28,171 |
| Lease and guarantee deposits | 4,757 | 4,878 | 48,432 |
| Deferred tax assets | 883 | 417 | 8,989 |
| Other asset | 1,167 | 1,410 | 11,876 |
| Allowance for doubtful accounts | | | (1) |
| Total investments and other assets | 11,694 | 11,448 | 119,048 |
| TOTAL ASSETS | ¥52,052 | ¥48,664 | \$529,897 |

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|----------------|------------------------------|
| | 2009 | 2008 | 2009 |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES: | | | |
| Short-term bank loans | ¥ 620 | ¥ 820 | \$ 6,312 |
| Current portion of long-term debt | 6,521 | 4,719 | 66,384 |
| Payables: | | | |
| Trade | 7,109 | 6,777 | 72,369 |
| Other | 190 | 75 | 1,930 |
| Income taxes payable | 745 | 683 | 7,580 |
| Accrued expenses | 1,914 | 1,945 | 19,487 |
| Other current liabilities | 747 | 694 | 7,618 |
| Total current liabilities | 17,846 | 15,713 | 181,680 |
| LONG-TERM LIABILITIES: | | | |
| Long-term debt | 6,435 | 8,412 | 65,505 |
| Lease obligations | 3,002 | | 30,565 |
| Long-term lease and guarantee deposited | 2,458 | 2,337 | 25,019 |
| Other | 566 | 959 | 5,763 |
| Total long-term liabilities | 12,461 | 11,708 | 126,852 |
| NET ASSETS | | | |
| SHAREHOLDERS' EQUITY: | | | |
| Common stock | | | |
| authorized, 38,000,000 shares; | | | |
| issued 18,014,239 shares in 2009 and 18,014,239 shares in 2008 | 3,160 | 3,160 | 32,167 |
| Capital surplus | 6,406 | 6,406 | 65,213 |
| Retained earnings | 11,964 | 11,367 | 121,793 |
| Treasury stock—at cost, 11,365 shares in 2009 and 9,691 shares in 2008 | (11) | (9) | (108) |
| Total shareholders' equity | 21,519 | 20,924 | 219,065 |
| VALUATION AND TRANSLATION ADJUSTMENTS: | | | |
| Net unrealized gains on available-for-sale securities | 226 | 319 | 2,300 |
| Total valuation and translation adjustments | 226 | 319 | 2,300 |
| Total net assets | 21,745 | 21,243 | 221,365 |
| TOTAL LIABILITIES AND NET ASSETS | ¥52,052 | ¥48,664 | \$529,897 |

Consolidated Statements of Income

Years Ended March 31, 2009 and 2008

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|----------|------------------------------|
| | 2009 | 2008 | 2009 |
| NET SALES | ¥116,220 | ¥111,538 | \$1,183,139 |
| COST OF SALES | 84,701 | 80,912 | 862,274 |
| Gross profit | 31,519 | 30,626 | 320,865 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 28,299 | 26,996 | 288,082 |
| Operating income | 3,220 | 3,630 | 32,783 |
| OTHER INCOME (EXPENSES): | | | |
| Interest and dividends | 108 | 108 | 1,103 |
| Interest expense | (175) | (175) | (1,785) |
| Other—net | (1,141) | (557) | (11,615) |
| INCOME BEFORE INCOME TAXES | 2,012 | 3,006 | 20,486 |
| INCOME TAXES: | | | |
| Current | 1,371 | 1,426 | 13,962 |
| Deferred | (424) | 45 | (4,316) |
| Total income taxes | 947 | 1,471 | 9,646 |
| NET INCOME | ¥ 1,065 | ¥ 1,535 | \$ 10,840 |

| | Yen | | U.S. Dollars |
|---------------------------------------|---------------|--------|---------------|
| | 2009 | 2008 | 2009 |
| PER SHARE OF COMMON STOCK: | | | |
| Basic net income | ¥59.14 | ¥85.27 | \$0.60 |
| Cash dividends applicable to the year | 22.00 | 26.00 | 0.22 |

Consolidated Statements of Changes in Net Assets

Years Ended March 31, 2009 and 2008

| | Outstanding Number of Shares of Common Stock | Millions of Yen | | | | | Total Net Assets |
|-----------------------------------|---|-----------------|--------------------|----------------------|-------------------|--|---------------------|
| | | Common Stock | Capital Surplus | Retained Earnings | Treasury Stock | Net Unrealized Gains on Available-for-sale Securities | |
| BALANCE, MARCH 31, 2007 | 18,005,215 | 3,160 | 6,406 | 10,245 | (8) | 387 | 20,190 |
| Net income | | | | 1,535 | | | 1,535 |
| Cash dividends, ¥23.00 per share | | | | (413) | | | (413) |
| Net increase in treasury stock | | | | | (1) | | (1) |
| Other net changes during the year | (667) | | | | | (68) | (68) |
| BALANCE, MARCH 31, 2008 | 18,004,548 | ¥3,160 | ¥6,406 | ¥11,367 | ¥ (9) | ¥319 | ¥21,243 |
| Net income | | | | 1,065 | | | 1,065 |
| Cash dividends, ¥22.00 per share | | | | (468) | | | (468) |
| Net increase in treasury stock | | | | | (2) | | (2) |
| Other net changes during the year | (1,674) | | | | | (93) | (93) |
| BALANCE, MARCH 31, 2009 | 18,002,874 | ¥3,160 | ¥6,406 | ¥11,964 | ¥ (11) | ¥226 | ¥21,745 |

| | Thousands of U.S. Dollars | | | | | |
|-----------------------------------|---------------------------|--------------------|----------------------|-------------------|--|---------------------|
| | Common Stock | Capital Surplus | Retained Earnings | Treasury Stock | Net Unrealized Gains on Available-for-sale Securities | Total Net Assets |
| BALANCE, MARCH 31, 2008 | \$32,167 | \$65,213 | \$115,717 | \$(89) | \$3,248 | \$216,256 |
| Net income | | | 10,840 | | | 10,840 |
| Cash dividends, \$0.22 per share | | | (4,765) | | | (4,765) |
| Net increase in treasury stock | | | 1 | (19) | | (18) |
| Other net changes during the year | | | | | (948) | (948) |
| BALANCE, MARCH 31, 2009 | \$32,167 | \$65,213 | \$121,793 | \$(108) | \$2,300 | \$221,365 |

Consolidated Statements of Cash Flows

Years Ended March 31, 2009 and 2008

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|---------------|------------------------------|
| | 2009 | 2008 | 2009 |
| OPERATING ACTIVITIES: | | | |
| Income before income taxes | ¥2,012 | ¥3,006 | \$20,486 |
| Adjustments for: | | | |
| Income taxes paid | (1,270) | (2,071) | (12,926) |
| Depreciation and amortization | 2,876 | 2,042 | 29,273 |
| Increase (Decrease) in allowance for doubtful accounts | | (34) | (4) |
| Loss on sales and disposals of property, plant and equipment—net | 123 | 23 | 1,254 |
| Revenue from insurance contract | (334) | | (3,399) |
| Gain on sales of investments in securities | | (9) | |
| Equity in losses (earnings) of associated companies | | (28) | |
| Impairment losses on fixed assets | 638 | 630 | 6,494 |
| Changes in assets and liabilities: | | | |
| Increase in trade notes and accounts receivables | (55) | (24) | (563) |
| Decrease (Increase) in inventories | (201) | 259 | (2,050) |
| Loss (gain) on adjustment for changes of accounting standard for lease transactions | 309 | | 3,149 |
| Decrease in lease investment assets | (19) | | (197) |
| Increase in interest and dividends receivable | (39) | (27) | (398) |
| Receipt from insurance contract | 502 | | 5,111 |
| Increase (Decrease) in trade payables | 331 | (166) | 3,372 |
| Increase (Decrease) in interest payable | | (10) | (4) |
| Other—net | (209) | (465) | (2,120) |
| Net cash provided by operating activities | 4,664 | 3,126 | 47,478 |
| INVESTING ACTIVITIES: | | | |
| Proceeds from sales of property, plant and equipment | 23 | 186 | 237 |
| Purchases of property, plant and equipment | (2,798) | (3,917) | (28,488) |
| Proceeds from sales of marketable securities | 6 | 6 | 60 |
| Purchases of marketable securities | (6) | (6) | (60) |
| Proceeds from sales of investments in securities | 1 | 63 | 9 |
| Purchases of investments in securities | (2) | (10) | (25) |
| Decrease (Increase) lease and guarantee deposit | 106 | (242) | 1,081 |
| Other-net | 60 | (845) | 615 |
| Net cash used in investing activities | (2,610) | (4,765) | (26,571) |
| FINANCING ACTIVITIES: | | | |
| Decrease in short-term bank loans—net | (200) | (50) | (2,036) |
| Proceeds from long-term debt | 4,400 | 7,400 | 44,793 |
| Repayments of long-term debt | (5,267) | (5,548) | (53,624) |
| Repayments of lease obligations | (746) | | (7,595) |
| Increase in treasury stock | (2) | (1) | (18) |
| Dividends paid | (467) | (414) | (4,753) |
| Net cash provided by financing activities | (2,282) | 1,387 | (23,233) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (228) | (252) | (2,326) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 5,755 | 6,007 | 58,591 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | ¥5,527 | ¥5,755 | \$56,265 |

Shareholders' Information

Paid-in Capital

¥3,160 million

Number of Shares of Common Stock Issued

18,014,239 shares

Stock Exchange Listing

Tokyo Stock Exchange, First Section

Listing Date: March 2007

Code: 8255

Transfer Agent and Registrar

Mitsubishi UFJ Trust and Banking Corporation

1-4-5, Marunouchi, Chiyoda-ku,

Tokyo 100-8212, Japan

Number of Shareholders

7,337

Major Shareholders (As of March 31, 2009)

| Name | Number of Shares (Thousands) | Percentage of Total (%) |
|---|---------------------------------|----------------------------|
| Kazuhiko Hara | 1,245 | 6.9 |
| Nobuhiro Hara | 840 | 4.6 |
| The Daishi Bank, Ltd. | 835 | 4.6 |
| Harashin Narus Group Employees' Stockholding | 675 | 3.7 |
| The Shoko Chukin Bank, Ltd. | 540 | 3.0 |
| Japan Trustee Services Bank, Ltd. (Account in Trust 4G) | 479 | 2.6 |
| Sumitomo Mitsui Banking Corporation | 398 | 2.2 |
| Aioi Insurance Company, Limited | 368 | 2.0 |
| Masaki Hara | 368 | 2.0 |
| Setsu Hara | 320 | 1.7 |

Distribution of Shareholders (%)





Harashin Narus
Holdings

Corporate Data

Corporate Headquarters

HARASHIN NARUS Holdings Co., Ltd.
18-2 Nakagoya, Nagaoka City, Niigata Prefecture
954-0193, Japan
Tel: +81-258-66-6711
Fax: +81-258-66-6727
URL: <http://www.hnhd.co.jp/>
E-mail: ir@hnhd.co.jp

Date of Establishment

August 1967

Number of Employees

1,274

Chairman and Representative Director

Guntaro Yamazaki

President and Representative Director

Kazuhiko Hara

Vice President and Director

Yasuo Igarashi

Managing Directors

Akira Koide
Bungo Yamagishi

Director

Hitoshi Moriyama

Standing Corporate Auditor

Kiyoshi Shimbo

Corporate Auditors

Yoshihisa Fujiki
Kenzo Kaneko
Yukitomo Takahashi

(As of June 26, 2009)