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
1,517

Chairman and Representative Director
Guntaro Yamazaki

President and Representative Director
Kazuhiko Hara

Vice President and Director
Yasuo Igarashi

Senior Managing Director
Bungo Yamagishi

Managing Director
Akira Koide

Directors
Hitoshi Moriyama
Mitsuyuki Maruyama

Standing Corporate Auditors
Koichi Takahashi
Kazuhiro Masuda

Corporate Auditors
Kenzo Kaneko
Iwao Hosokai

(As of June 26, 2013)

Business Integration of Harashin Narus Holdings and FRESSAY Holdings

Harashin Narus Holdings Co., Ltd. will implement a business integration with FRESSAY Holdings Co., Ltd. on October 1, 2013, through an exchange of shares, with Harashin Narus Holdings as the wholly owing parent company and FRESSAY Holdings as a wholly owned subsidiary. Once the aforementioned business integration becomes effective, Harashin Narus Holdings will change its company name to Axial Retailing Inc. and appoint two more directors and one more auditor. Although these matters will entail a change in the Company's articles of incorporation, Harashin Narus Holdings has already obtained the approval of its 62nd Regular General Meeting of Shareholders held on June 26, 2013. After completing this business integration, the Harashin Narus Group will be a corporate group operating stores across six prefectures and boasting annual net sales totaling approximately ¥200 billion, expanding its business scale substantially. Utilizing the merits of scale, the Group will further strive to provide customers with greater benefits.

Harashin Narus Holdings

The Finest Service in Japan

ANNUAL REVIEW 2013 Year ended March 31, 2013

Financial Highlights

Years ended March 31

	Millions of Yen					Thousands of U.S. Dollars
	2013	2012	2011	2010	2009	**2013**
For the Period:						
Net sales	¥128,479	¥126,684	¥123,361	¥118,070	¥116,220	$1,366,067
Operating income	3,901	4,131	3,824	3,296	3,220	41,480
Net income	2,036	1,758	1,348	1,426	1,065	21,649
At Year-End:						
Total assets	¥ 55,313	¥ 55,126	¥ 54,126	¥ 51,139	¥ 52,052	$ 588,124
Total net assets	26,350	24,554	22,937	22,866	21,745	280,170
	Yen					U.S. Dollars
Per Common Share:						
Basic net income	¥116.29	¥99.99	¥75.17	¥79.19	¥59.14	$1.24
Cash dividends	35.00	30.00	22.00	24.00	22.00	0.37

Notes: The U.S. dollar amounts are provided, for convenience only, at ¥94.05 to $1, the approximate rate of exchange at March 31, 2013.

Performance

Overview of Business Operations

During the first half of fiscal 2013, the year ended March 31, 2013, Japan's economy faced a number of difficulties, including those caused by external factors. Adding to this, lingering concerns about the future outlook caused even further deterioration in the stagnant economy. In the second half, however, anticipation kindled by the government's financial policies triggered a rise in stock prices and a turnaround in foreign exchange trends. Nevertheless, these factors have yet to impact on the actual economy and effect a full-fledged recovery.

Against this backdrop, consolidated net sales edged up 1.4% year on year to ¥128,479 million and operating income declined 5.6% to ¥3,901 million, while net income climbed 15.8% to ¥2,036 million. Net income per share amounted to ¥116.29.

Supermarket Business

Overview

During the previous fiscal year, the supermarket industry was on its way back to normal operations from the turmoil that followed the Great East Japan Earthquake. In the fiscal year under review, the industry went on to resume opening new stores, while consumer spending remained stagnant. This, in turn, spurred intensifying price competition and made operating conditions even harsher.

Confronting these circumstances, the Harashin Narus Group has steadily implemented its annual plan aimed at proceeding with its medium-term management plan based on the "Advanced Regional Chain" long-term management vision.

Merchandizing Policy

In the spring of 2012, the market prices of perishable items remained high due to an unseasonably long winter causing a delay in fruit and vegetable cultivation and lower ocean temperatures that resulted in a poor fish catch. Trends in consumer demand, especially with regard to seasonal products, were unpredictable through the summer, influenced by low temperatures early in the season followed by a lingering period of intense heat. In autumn, the Group was able to accurately meet demand for hot pot ingredients and other seasonal products as temperatures plummeted and snow began to fall earlier than usual. Nevertheless, prolonged stagnation in consumer spending hindered a real improvement in sales. Winter saw heavier than usual snowfall in mountainous areas, prompting consumers to make bulk purchases, which contributed to an increase in demand. However, the market prices of fruits and vegetables were low as temperatures late in the season began to rise earlier than usual.

Against this backdrop, the Group further enforced its product policy under the "New Concept Part II" approach, making steady progress in applying it to existing stores.

Other initiatives contributing to Group performance included: "Challenge Products 101," a sales strategy that intensively promotes well-selected products worth more to customers than their face value by utilizing the Group's capability to purchase in bulk; expansion in sales of "Power Items," low-cost, high-quality original products made using the Group's food manufacturing functions; sales of products under the "Yukimuroya" brand created jointly with farmers and food manufacturers in Niigata Prefecture to promote specialties made possible by the region's climate and natural features; and the resumption of private brand product sales, which had been suspended after the Great East Japan Earthquake due to damage suffered by producers.

Sales Policy

In recent years, we have been applying a management method that systemizes and controls the entire sales cycle from drawing up and implementing a plan to reviewing outcomes on a weekly basis. This method was firmly adopted at each store and applied in concert with another management method used at stores to control day-to-day operations. Also, we continued to employ the Supervisor (SV) System we introduced in the previous fiscal year with the aim of realizing the ideal supermarket, which encompasses such aspects as storefront design, at every store, including those in remote locations. This system is helping us share best practices among stores and resolve daily problems in a prompt manner.

Despite the radical changes in market competition since the previous fiscal year, the Group has continued to improve sales performance and store productivity by formulating forward-looking plans and applying them at stores in line with the aforementioned initiatives.

In addition, for certain items we have formulated Groupwide sales targets with the intention of fostering closer cooperation among the various Group sections. This approach is steadily bearing fruit. For example, the Group sold 310,000 of "Ehoumaki" (hand-rolled "Sushi") rolls, a number well beyond the initial target, thanks to its food production operations and stores working as one.

Despite these efforts, sales at existing stores declined 1.9% year on year due mainly to consumer trends that reflected such factors as the weak economic environment, climatic fluctuations and unfavorable market prices of perishable food. Other negative factors contributing to this decline included intensifying competition and the long-term suspension of operations at two existing stores while they undergo extensive renovations. However, total store sales increased 1.3% year on year thanks to the contributions of both new and renovated stores. The gross profit ratio on storefront sales edged down 0.3 of a percentage point year on year to 24.3%, reflecting the cost of stepped up sales promotion focused on high-frequency purchases, bringing the status of market competition at each location into perspective.

Cost Control

The Group is continuously implementing such initiatives as the control of labor hours in accordance with work plans and the reduction of environmental costs in step with the improvement of its ISO14001-based environment management system. In addition, the Group is pursuing various initiatives aimed at optimizing its use of resources throughout its operations.

Also, during the previous fiscal year, the Group has introduced "Ayumi Note," a logbook distributed to all employees so that each may keep track of their improving skills. With the aim of affording employees with a clear roadmap for improvement, the logbook approach not only encourages them to review and record their daily progress but to set future goals. Wholeheartedly adopted by our employees, "Ayumi Note" has apparently begun to have a positive effect on man-hour efficiency and service quality. Through the use of "Ayumi Note", the Group aims to encourage each employee to proactively strive to improve their skills and thereby enhance productivity as a whole.

Consequently, the ratio of selling, general and administrative (SG&A) expenses to net sales improved 0.1 of a percentage point year on year to 23.3% even though the Group recorded an increase in SG&A expenses. This was attributable mainly to a rise in utility costs due to extreme heat from mid-summer that lingered into autumn, expenses in connection with large-scale winterization-type refurbishment undertaken at some stores and an increase in other expenses in step with an increase in the number of stores.

Openings and Closings

During the fiscal year under review, we opened three stores: Harashin Kurosaki store (June; Niigata, Niigata Prefecture; Floor space: 2,086m^2); Harashin Terajima store (September; Nagaoka, Niigata Prefecture; Floor space: 2,092m^2); and Harashin Uozu store (October; Uozu, Toyama Prefecture; Floor space: 2,091m^2).

We undertook renovations at Harashin Yokkamachi store (December; Sanjo, Niigata Prefecture; Floor space: 2,040m^2) and Harashin Tokamachi store (March; Tokamachi, Niigata Prefecture; Floor space: 2,580m^2).

No stores were closed during the fiscal year under review.

Contents

"We Will Strive to Provide Customers with Greater Benefits as a Store Chain"

Kazuhiko Hara
President and Representative Director

Q1 Please discuss the Company's fiscal 2013 performance and your assessment of the present market.

In fiscal 2013, the number of stores opened or renovated by competitors was the highest it has been in five years. Reflecting this, competition has intensified even further. Moreover, perishable food supplies were unstable due to unseasonable weather, disrupting our efforts to improve sales performance. Despite this adversity, the Group opened three stores and massively renovated two existing stores while reinforcing its product competitiveness by focusing on private brand products. Thanks to these efforts, the Group registered record-high net income. Moreover, among the three newly opened stores was Harashin Uozu store, our first new store in Toyama Prefecture in 12 years. This store has received a favorable reception and contributed to sales in the fiscal year under review.

On the other hand, sales at the existing stores continued to decline. This was partially attributable to inadvertent competition between Group stores located near each other that has arisen due to a strategy aimed at developing areas of dominance. However, the largest factor contributing to the decline was customers' growing prudence in the area of household finance. Although we sought to counter this negative consumer sentiment by taking decisive steps to meet demand for lower prices, such discounts proved not to be as effective as similar efforts undertaken in the past. For example, in bargain sales that duplicated such sales undertaken in the same season of the previous year, we saw the number of items sold per customer fail to show the usual increase.

In fact, it is gradually becoming hard for us to secure sales comparable to those of the previous year. The other day, we kicked off a special sale of tomato ketchups at a renovated store as a part of the opening sale. I heard one customer comment as they bypassed the sale, "It sure is a good deal, but I don't need it. I still have four bottles at home." We do not see how relying solely on a low-price strategy will be effective as the more special sales we hold, the more difficult it is to stimulate customer sentiment.

Since the December 2012 change in governing parties, it has been said that signs of recovery in Japan's economy are beginning to emerge due to the government-led economic policies. However, we have yet to experience the impact of such recovery at the storefront level. Rather, we are seeing price hikes in cooking oil and wheat flour due to the effect of the recent depreciation of the yen on the prices of imports. This, in turn, has a wide-ranging impact on products made using these items, such as breads and wheat noodles. Moreover, electric power companies are planning a substantial upward-revision in electricity rates next summer and a consumption tax hike is scheduled for the beginning of the next fiscal year. These factors will surely result in even more conservative consumer purchasing. Tackling these challenges, we will strive to realize reforms aimed at overcoming price competition, transforming our business structure as well as corporate constitution while raising employees' awareness.

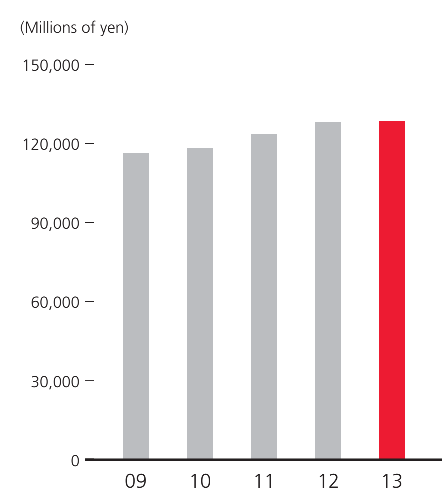
Q2 Please tell us why you established the third distribution center.

Amid intensifying competition that crosses traditional industrial boundaries, Japan's major general supermarkets and discount stores are striving to establish an approach that allows them to pursue a low-price strategy while also generating profit. To survive, we are focusing on improving productivity through drastic reforms in our corporate constitution. The construction of the new distribution center has thus begun as a part of these reforms. Located next to our Nakanoshima Distribution Center (Nagaoka, Niigata Prefecture), the new distribution center is expected to begin operations in October 2013.

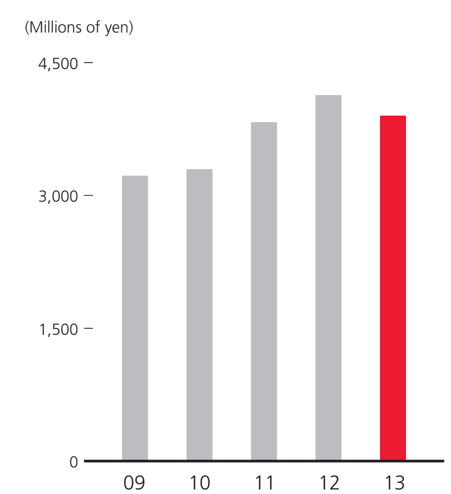
At our two existing distribution centers, we have been only receiving and sorting products for distribution to stores. In short, these centers are merely hubs through which goods pass. In contrast, the new distribution center will be capable of maintaining product stockpiles. We will transfer the handling of such long shelf life products as soy sauce and paste and other processed food, alcoholic beverages, seasonings, confections and sundries from existing centers, concentrating them at the new center. We expect that as many as 110 stores will be served by the new center.

Currently, our suppliers deliver these products to the existing distribution centers on an order-by-order basis. This system focuses on small lots, effectively hindering any improvement in procurement efficiency. The new center will allow us to make

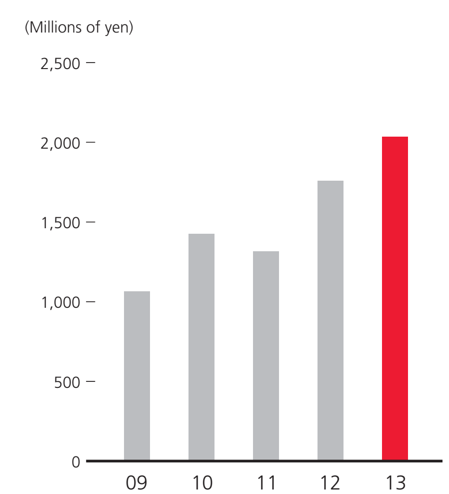
Net Sales



Operating Income



Net Income



bulk purchases, which, in turn, will help us reduce product costs as well as distribution expenses. Also, once the new center begins operations, product delivery to stores will be conducted on an almost daily basis, unlike the current logistics structure, which allows delivery only two or three times a week. This will substantially reduce the need for stores to maintain stockpiles while lessening the possibility of product shortages.

As one of goals set forth in the “Advanced Regional Chain”* long-term management vision, we are working toward the establishment of 200 super supermarkets (SSMs) in line with our aim of becoming a major store chain capable of returning greater benefits to customers. With this goal in mind, we decided to establish a new distribution base capable of also serving as warehouse, earmarking approximately ¥2 billion for its construction. In terms of investment efficiency, we believe that it would not be rational to simply build more strictly conventional distribution bases if we are to expand our areas of dominance.**

Once new center begins operations, the existing two centers will turn to specializing in perishable items. This will free up space that can be used for the processing and packaging of perishable food, work that is currently performed at stores. We anticipate that these changes will boost daily productivity at stores and allow stores to concentrate on developing high-value-added products.

Q3 Could you please tell us more about initiatives aimed at improving store productivity?

Over the next fiscal year, we are planning to improve the productivity of stores by stepping up initiatives in preparation for the massive changes in daily operations that will come into play in concert with the operational kickoff of new distribution center. These initiatives focus on maximizing the benefits of having new distribution center. For example, stores will be capable of placing orders and receiving deliveries on a daily basis. This will shorten the time between order and delivery and thus help prevent product shortages. Also, once stores’ stockpiles decrease, the need for reworks in product display will be reduced.

Until now, we have striven to improve store productivity by utilizing a system that we call Standard Operation (SO).*** However, this system has only improved task assignment sheets and other documents, and has proven insufficient to address the essence of store productivity improvement.

We believe that the entirety of our workload should be attributable to the provision of services to our customers and that our workforce must be optimally allocated in line with such workload. Going back to the basics with regard to the optimal allocation of the workforce, we will rebuild our organizational structure based on reviews of the SO system and staffing at stores.

As for store equipment and facilities, we are implementing various experimental modifications, including the adoption of display cases for such beverages as milk that can be restocked from the back. Such display cases are being used at Harashin Tokamachi store, which received its first renovation in 20 years in March 2013.

*Formulated in 2009, the “Advanced Regional Chain” long-term vision comprises the three goals of “offering top-level services in Japan,” “establishing 200 SSMs” and “building trust.”
**Areas where stores are sited close enough to each other for their catchment areas to overlap slightly.
***A system that optimally allocates the workforce among the work shifts by predicting the required workload based on expected storefront condition. Such systems are also known generally as “labor scheduling programs.”

Chances

Q4 Harashin Narus Holdings has announced an expected business integration with FRESSAY Holdings Co., Ltd. Could you please tell us about the purpose of this business integration?

We announced that we will implement business integration with FRESSAY Holdings Co., Ltd. on October 1, 2013. FRESSAY Holdings operates 49 supermarkets, mainly in Gunma Prefecture. After the business integration, we will change our company name to Axial Retailing Inc. and make a new start as a corporate group operating 120 supermarkets and boasting annual net sales of approximately ¥200 billion.

The media recognized this announcement as the beginning of a major reorganization of the retail industry, which is currently enmeshed in intense competition like that between rival warlords. Indeed, it is not easy for retailers to survive in this harsh environment. However, our aim in is not simply to ensure survival. As set forth in our “Advanced Regional Chain” long-term vision, we also wish to return the benefits of growth in scale to our customers.

FRESSAY Holdings’ store network covers areas separate from ours. While maintaining the uniqueness of Harashin Narus Holdings and FRESSAY Holdings, we will share the know-how we each possess. Also, we will be positioned to fully utilize the merits of scale yielded by 120 stores across six prefectures (Niigata, Nagano, Toyama, Gunma, Saitama and Tochigi), to purchase better products and to provide customers with better services.

In fiscal 2014, we will solidify our operating base in preparation for the next growth stage. Although we expect that we will face a number of uncertainties, including the effect of business integration, as well as a number of challenges, we are determined to step forward to become an “Advanced Regional Chain.” To this end, we will further advance total quality management (TQM),* which bolsters our management foundation, while steadily implementing every steps we discussed above.

We sincerely ask for shareholders and investors’ continued support and understanding.

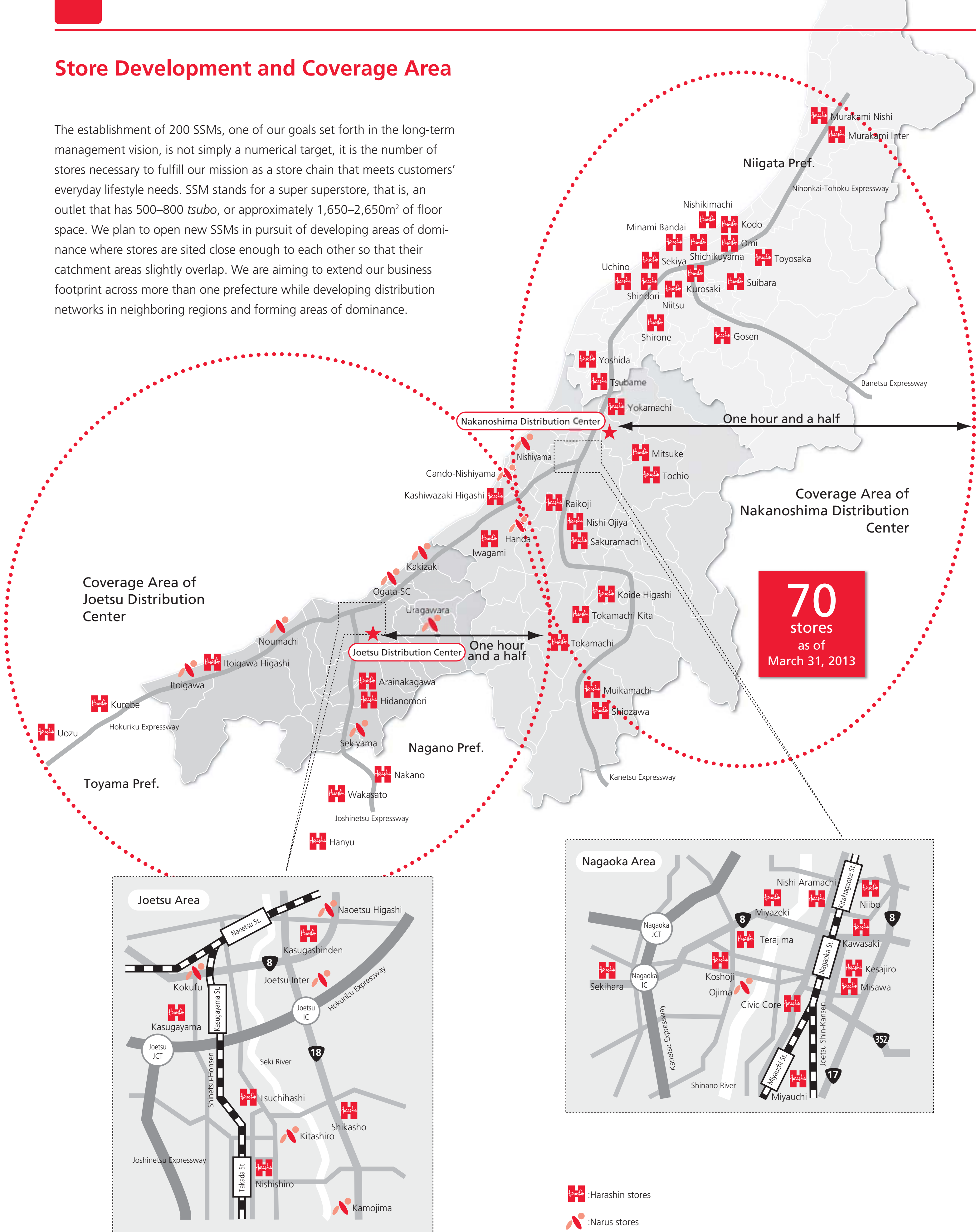
原 和彦

President
Kazuhiko Hara

*A Companywide effort to achieve customer satisfaction that is sustainably conducted by all employees

Store Development and Coverage Area

The establishment of 200 SSMs, one of our goals set forth in the long-term management vision, is not simply a numerical target, it is the number of stores necessary to fulfill our mission as a store chain that meets customers' everyday lifestyle needs. SSM stands for a super superstore, that is, an outlet that has 500–800 *tsubo*, or approximately 1,650–2,650m² of floor space. We plan to open new SSMs in pursuit of developing areas of dominance where stores are sited close enough to each other so that their catchment areas slightly overlap. We are aiming to extend our business footprint across more than one prefecture while developing distribution networks in neighboring regions and forming areas of dominance.



New Stores

New Concept Part II

Striving to Enhance Customer Satisfaction Through New Initiatives that Employ Unconventional Ideas

Harashin Kurosaki store

(Niigata, Niigata Prefecture, opened on June 29, 2012)

We are striving to create a store that appeals to all five senses, carefully laying out colorful seasonal fruits while displaying heaps of jewel-like sweets in the confectionery corner. Through these and other efforts, Harashin Kurosaki store is striving to ensure that local customers have a more enjoyable shopping experience.

Harashin Terajima store

(Nagaoka, Niigata Prefecture, opened on September 21, 2012)

Aiming to embody the keyword "Overwhelming," Harashin Terajima store offers a wide range of items, including "Yamakoshi-Gyu" boneless beef short ribs from livestock raised in Nagaoka's Yamakoshi Village. We also provide such prepared food as bountiful dishes of pasta. In addition to local customers, the store attracts visitors from farther afield.

Harashin Uozu store

(Uozu, Toyama Prefecture, opened on October 17, 2012)

Following on the establishment of Harashin Kurobe store, this store is the second Harashin store to be opened in Toyama Prefecture. With "Kitokito" ("freshness" in Toyama dialect) always in mind, we provide a variety of fresh fish caught daily early each morning and delivered directly from nearby Uozu port. We also have various kinds of apples, which are a specialty of Uozu.

HARASHIN NARUS Holdings Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars
ASSETS	**2013**	2012	**2013**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 5,791**	¥ 6,714	**$ 61,571**
Short-term investments	**2**	2	**21**
Receivables:			
Trade notes and accounts	**2,091**	2,008	**22,235**
Allowance for doubtful receivables	**(9)**	(17)	**(101)**
Inventories	**2,787**	2,840	**29,631**
Deferred tax assets	**574**	687	**6,108**
Lease investment assets	**1,862**	2,044	**19,799**
Prepaid expenses and other current assets	**1,136**	1,077	**12,081**
Total current assets	**14,234**	15,355	**151,345**
PROPERTY, PLANT AND EQUIPMENT:			
Land	**13,633**	13,539	**144,952**
Buildings and structures	**28,357**	27,963	**301,515**
Machinery and equipment	**1,978**	2,061	**21,027**
Lease assets	**3,780**	4,606	**40,194**
Construction in progress	**800**	429	**8,502**
Other	**5,365**	4,785	**57,046**
Total	**53,913**	53,383	**573,236**
Accumulated depreciation	**(24,101)**	(24,212)	**(256,261)**
Net property, plant and equipment	**29,812**	29,171	**316,975**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**2,097**	1,530	**22,298**
Long-term loans receivable	**18**	38	**192**
Intangible assets	**1,229**	1,537	**13,073**
Lease and guarantee deposits	**5,616**	4,944	**59,711**
Deferred tax assets	**1,346**	1,554	**14,310**
Other asset	**966**	1,003	**10,278**
Allowance for doubtful accounts	**(5)**	(6)	**(58)**
Total investments and other assets	**11,267**	10,600	**119,804**
TOTAL ASSETS	**¥55,313**	¥55,126	**$588,124**

	Millions of Yen		Thousands of U.S. Dollars
LIABILITIES AND NET ASSETS	**2013**	2012	**2013**
CURRENT LIABILITIES:			
Short-term loans payable	**¥ 300**	¥ 200	**$ 3,190**
Current portion of long-term loans payable	**3,005**	4,182	**31,951**
Payables:			
Trade	**8,873**	9,100	**94,344**
Other	**723**	313	**7,682**
Income taxes payable	**693**	929	**7,369**
Accrued expenses	**3,148**	3,486	**33,468**
Other current liabilities	**966**	876	**10,283**
Total current liabilities	**17,708**	19,086	**188,287**
LONG-TERM LIABILITIES:			
Long-term loans payable	**3,125**	3,760	**33,226**
Lease obligations	**2,660**	2,093	**28,282**
Asset retirement obligations	**2,527**	2,490	**26,870**
Long-term lease and guarantee deposited	**2,691**	2,854	**28,617**
Other	**252**	289	**2,672**
Total long-term liabilities	**11,255**	11,486	**119,667**
NET ASSETS:			
SHAREHOLDERS' EQUITY:			
Common stock			
Authorized— 38,000,000 shares			
Issued— 18,014,239 shares in 2013 and 18,014,239 shares in 2012	**3,160**	3,160	**33,596**
Capital surplus	**6,406**	6,406	**68,111**
Retained earnings	**16,748**	15,238	**178,083**
Treasury stock, at cost— 544,363 shares in 2013 and 484,017 shares in 2012	**(673)**	(586)	**(7,159)**
Total shareholders' equity	**25,641**	24,218	**272,631**
VALUATION AND TRANSLATION ADJUSTMENTS:			
Net unrealized gains on available-for-sale securities	**709**	336	**7,539**
Total valuation and translation adjustments	**709**	336	**7,539**
Total net assets	**26,350**	24,554	**280,170**
TOTAL LIABILITIES AND NET ASSETS	**¥55,313**	¥55,126	**$588,124**

HARASHIN NARUS Holdings Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

Years Ended March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
NET SALES	**¥128,479**	¥126,684	**$1,366,067**
COST OF SALES	**94,670**	92,846	**1,006,586**
GROSS PROFIT	**33,809**	33,838	**359,481**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**29,908**	29,707	**318,001**
OPERATING INCOME	**3,901**	4,131	**41,480**
OTHER INCOME (EXPENSES):			
Interest and dividends	**90**	79	**960**
Interest expense	**(95)**	(140)	**(1,011)**
Other—net	**(200)**	(471)	**(2,131)**
Total other income (expenses)	**(205)**	(532)	**(2,182)**
INCOME BEFORE INCOME TAXES	**3,696**	3,599	**39,298**
INCOME TAXES:			
Current	**1,543**	1,783	**16,406**
Deferred	**117**	58	**1,243**
Total income taxes	**1,660**	1,841	**17,649**
INCOME BEFORE MINORITY INTERESTS	**2,036**	1,758	**21,649**
Minority interests in income			
NET INCOME	**¥ 2,036**	¥ 1,758	**$ 21,649**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK:			
Basic net income	**¥ 116.29**	¥ 99.99	**$ 1.24**
Cash dividends applicable to the year	**35.00**	30.00	**0.37**

HARASHIN NARUS Holdings Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

Years Ended March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
INCOME BEFORE MINORITY INTERESTS	**¥2,036**	¥1,758	**$21,649**
OTHER COMPREHENSIVE INCOME			
Valuation difference on available for sale securities	**373**	91	**3,965**
Total other comprehensive Income	**373**	91	**3,965**
TOTAL COMPREHENSIVE INCOME	**¥2,409**	¥1,849	**$25,614**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of Harashin Narus	**¥2,409**	¥1,849	**$25,614**

HARASHIN NARUS Holdings Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

Years Ended March 31, 2013 and 2012

		Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gains on Available-for-sale Securities	Total Net Assets
BALANCE, MARCH 31, 2011	**17,600,946**	**¥3,160**	**¥6,406**	**¥13,621**	**¥(495)**	**¥245**	**¥22,937**
Net income				1,758			1,758
Cash dividends				(388)			(388)
Net increase in treasury stock					(91)		(91)
Changes of scope of consolidation				247			247
Other net changes during the year	(70,724)					91	91
BALANCE, MARCH 31, 2012	**17,530,222**	**¥3,160**	**¥6,406**	**¥15,238**	**¥(586)**	**¥336**	**¥24,554**
Net income				2,036			2,036
Cash dividends				(526)			(526)
Net increase in treasury stock					(87)		(87)
Other net changes during the year	(60,346)					373	373
BALANCE, MARCH 31, 2013	**17,469,876**	**¥3,160**	**¥6,406**	**¥16,748**	**¥(673)**	**¥709**	**¥26,350**

	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, 2012	**$33,596**	**$68,111**	**$162,025**	**$(6,228)**	**$3,575**	**$261,079**
Net income			21,649			21,649
Cash dividends			(5,591)			(5,591)
Net increase in treasury stock				(931)		(931)
Other net changes during the year					3,964	3,964
BALANCE, MARCH 31, 2013	**$33,596**	**$68,111**	**$178,083**	**$(7,159)**	**$7,539**	**$280,170**

HARASHIN NARUS Holdings Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years Ended March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes	**¥3,696**	¥3,599	**$39,298**
Adjustments for:			
Income taxes paid	**(1,714)**	(2,085)	**(18,229)**
Depreciation and amortization	**2,233**	2,556	**23,745**
Impairment losses on fixed assets	**472**	535	**5,022**
Loss on sales and retirement of noncurrent assets—net	**(4)**	107	**(37)**
Loss on valuation of investment securities	**11**		**113**
Changes in assets and liabilities:			
Increase in trade notes and accounts receivables	**(107)**	(52)	**(1,141)**
Decrease (Increase) in inventories	**53**	(475)	**567**
Increase in lease investment assets	**182**	(148)	**1,935**
Increase in interest and dividends receivable	**(63)**	(51)	**(665)**
Increase in trade payables	**(227)**	1,152	**(2,418)**
Increase in interest payable	**4**	6	**47**
Other—net	**(616)**	1,408	**(6,553)**
Net cash provided by operating activities	**3,920**	6,552	**41,684**
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	**156**	14	**1,662**
Purchases of property, plant and equipment	**(1,673)**	(2,802)	**(17,794)**
Proceeds from sales of marketable securities		6	
Proceeds from sales of investments in securities		4	
Decrease lease and guarantee deposit—net	**(610)**	47	**(6,483)**
Other—net	**(49)**	(125)	**(525)**
Net cash used in investing activities	**(2,176)**	(2,856)	**(23,140)**
FINANCING ACTIVITIES:			
Increase in short-term loans payable—net	**100**	200	**1,063**
Proceeds from long-term loans payable	**2,300**	2,200	**24,455**
Repayments of long-term loans payable	**(3,935)**	(4,594)	**(41,835)**
Repayments of lease obligations	**(519)**	(625)	**(5,521)**
Increase in treasury stock	**(87)**	(91)	**(931)**
Dividends paid	**(526)**	(388)	**(5,587)**
Net cash used in financing activities	**(2,667)**	(3,298)	**(28,356)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(923)**	398	**(9,812)**
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM CHANGE OF SCOPE OF CONSOLIDATION		88	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**6,714**	6,228	**71,383**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥5,791**	¥6,714	**$61,571**

Shareholders' Information

Paid-in Capital

¥3,160 million

Number of Shares of Common Stock

Authorized: 38,000,000 shares

Isssued: 18,014,239 shares

Outstanding (excluding treasury stock):

17,469,876 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

7,445

Major Shareholders

(As of March 31, 2013)

Name	Number of Shares (Thousands)	Shareholding Ratio (%)
Kazuhiko Hara	1,249	7.1
Nobuhiro Hara	844	4.8
The Daishi Bank, Ltd.	835	4.7
Harashin Narus Group Employees' Stockholding	662	3.7
The Shoko Chukin Bank, Ltd.	540	3.0
Sumitomo Mitsui Banking Corporation	398	2.2
Masaki Hara	368	2.1
Setsu Hara	320	1.8
Aioi Nissay Dowa Insurance Company, Limited	308	1.7
HOKUTO CORPORATION	303	1.7

*Ratio of Shareholding is calculated on the outstanding shares.

Distribution of Shareholders (%)