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## ■ Aggressive expansion in Asia to power earnings growth

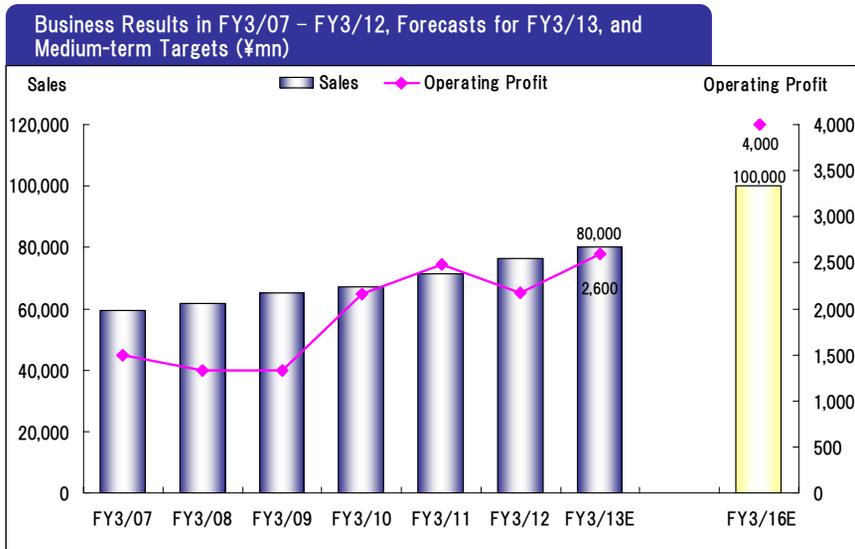
G-7 Holdings is the largest franchisee in Japan of Autobacs stores, which sell automobile parts and supplies, and of Gyoumu supermarkets ( “business supermarkets ” ) originated by Kobe Bussan (3038). It is developing agricultural business and overseas business as new growth areas. In the fiscal year through March 2012, i.e., FY3/12, the company’ s consolidated sales grew by 6.5% year-on-year (y-o-y), but its consolidated operating profit declined by 12.0% y-o-y, the first drop in three years, reflecting costs of opening new Megumi no Sato markets, which sell fresh produce grown by local farmers, and reflecting weak sales by these stores.

For FY3/13, G-7 Holdings projects a 5.1% rise in consolidated sales and a 19.3% increase in consolidated operating profit. The company expects new Autobacs stores and new “business supermarkets” to support sales and profit growth in their respective businesses, and it plans to shrink unprofitable Megumi no Sato markets and thereby reduce the operating loss suffered in this business.

The company targets sales of ¥100bn and an operating profit of ¥4bn for FY3/16. It aims to obtain 10% of this sales target overseas. In April 2012, it opened its first Autobacs store overseas, in Malaysia, and in FY3/13, it plans to open food supermarkets in China and Vietnam. It is also pursuing business alliances with large companies in the fields of agricultural production and automobile business in Myanmar, which is rapidly developing and becoming more democratic. G-7 Holdings expects to invest in a overseas business for three years before realizing profit from it, so it does not yet foresee profit from its overseas business. However, the long-term economic growth potential of East Asia is significant, and the company expects the region to become a main source of profit growth in the future.

## ■ Check Points

- Two main businesses, Autobacs and “business supermarkets” continue to grow
- Company aims to reduce losses in Megumi no Sato markets business to achieve double-digit profit growth in FY3/13
- Company is setting specific strategies to generate sales of ¥100bn in FY3/16



## ■FY3/12 Results

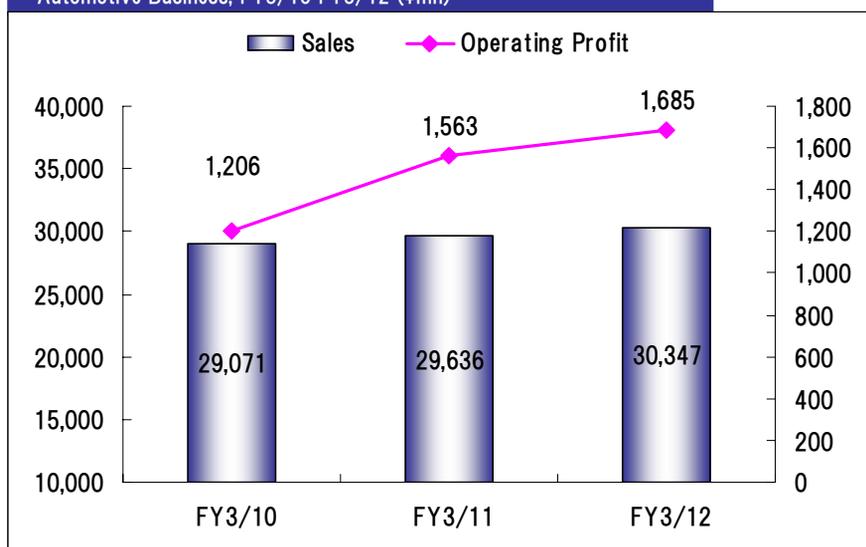
### Autobacs and other automotive business grow

In FY3/12, G-7 Holdings increased its consolidated sales by 6.5% y-o-y, to ¥76,130mn, but its consolidated operating profit decreased by 12.0% y-o-y, to ¥2,178mn, its recurring profit fell by 13.2% y-o-y, to ¥2,250mn, and its net profit grew by 3.0% y-o-y, to ¥722mn. Sales grew because the company opened new stores and restaurants, but operating profit declined because of the costs of opening new Megumi no Sato markets and of disposing of unprofitable markets. Net extraordinary losses were reduced to ¥512mn in FY3/12, from ¥781mn in FY3/11, so net profit grew in FY3/12. Results by segment were as follows.

#### (1)Autobacs and other automotive business

Most of the company's automotive business is conducted by subsidiary Auto Seven Co., which operates Autobacs stores and manages franchises. In FY3/12, the automotive business generated sales of ¥30,347mn, up 2.4% y-o-y, and operating profit of ¥1,685mn, up 7.8% y-o-y. In the first half of the period, sales of automotive digital tuners increased, and from November, sales of studless tires and aluminum wheels grew as drivers prepared for winter. Store renovation improved sales efficiency, supporting profit growth, and the division operating profit margin improved to 5.6% from 5.3% a year earlier. In November, the Autobacs franchise opened a store in Chiba, and in April 2012, it opened its first overseas store, in Malaysia, bringing its total store number to 52.

Sales and Operating Profit Generated by Autobacs and Other Automotive Business, FY3/10-FY3/12 (¥mn)



#### Open first overseas store, in Malaysia



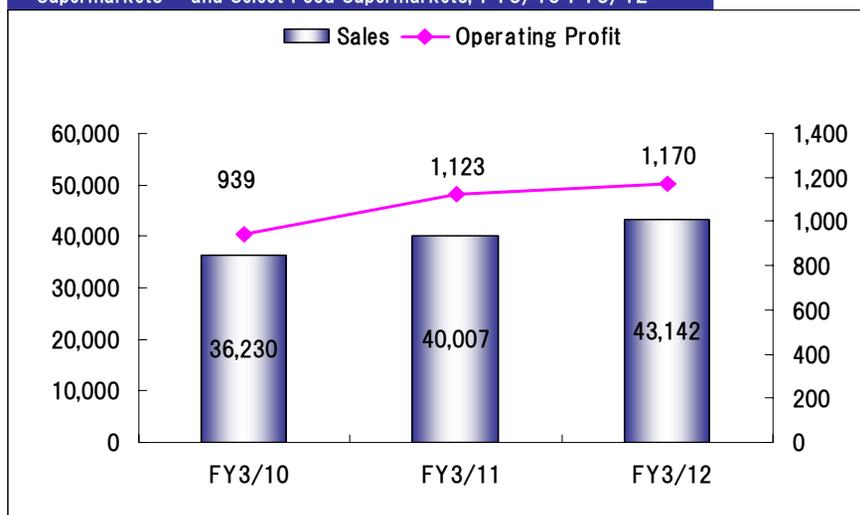
## With acquisition of Ueno Shokuhin, G-7 Holdings strengthened its line of select foods

### (2) “Business supermarkets” and select food supermarkets

The low-priced “business supermarkets” operated by subsidiary Sun Seven Co. and select food supermarkets generated sales of ¥43,142mn in FY3/12, up 7.8% y-o-y, and operating profit of ¥1,170mn, up 4.2% y-o-y. Sales at “business supermarkets” continued to grow, in part, because of an increased tendency among Japanese consumers to eat more meals at home and to spend less on food since the Great East Japan Earthquake and tsunami that destroyed large portions of Japan’s northeastern coast on 11 March 2011. Furthermore, the division opened 11 new supermarkets in FY3/12, mainly in Greater Tokyo and Greater Nagoya, bringing the total to 100. Ten new stores were opened in the second half of FY3/12, and the costs of opening them caused the operating profit margin in the division to drop slightly to 2.7%, from 2.8% in FY3/11.

In December 2011, G-7 Holdings purchased Ueno Shokuhin Co., based in Tokyo, for ¥200 million. Ueno Shokuhin has grown by developing private brand niche food products, such as miso soup in a Styrofoam cup, a rice dish called kamameshi in a ceramic bowl that can be heated in a microwave oven, and a brown sugar citric acid product. Ueno Shokuhin sells bentos (box lunches) to nationwide chain shops, department stores and stores at highway rest stops, and by mail-order. In the fiscal year through September 2011, Ueno Shokuhin generated sales of ¥862 million, and achieved an operating profit margin of slightly less than 6%. G-7 Holdings expects Ueno Shokuhin to strengthen its sales at select food supermarkets.

Sales and Operating Profit Generated by “Business Supermarkets” and Select Food Supermarkets, FY3/10-FY3/12



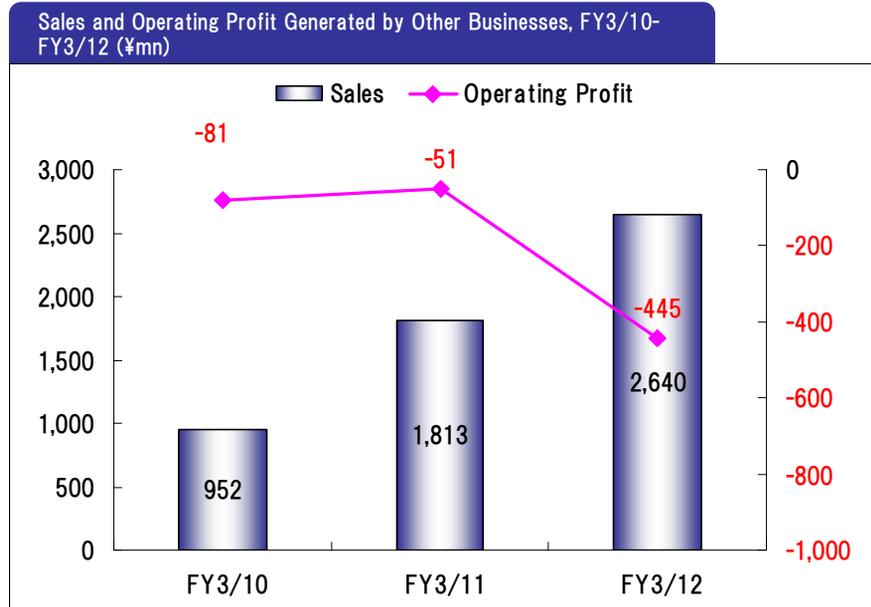
### Acquired Ueno Shokuhin Co., an established developer of private brand niche food products based in Tokyo



## Profitability of Megumi no Sato market business improving as unprofitable stores are closed

### (3) Other Businesses

The company's main other businesses are the Megumi no Sato market business, the Teppan Buffet "Green's K" restaurant business, begun in September 2011, and the Ryohin Kaikan recycling business. In FY3/12, these businesses increased their combined sales by 45.6% y-o-y, to ¥2,640 million, but they suffered a combined operating loss of ¥445 million, compared to an operating loss of ¥51mn in FY3/11. Eight new Megumi no Sato markets were opened, requiring significant costs, and the markets in the Greater Tokyo area were adversely affected by rumors about the possible radioactive contamination of crops following the extensive tsunami damage to a nuclear power plant in Fukushima Prefecture. Therefore, at the start of 2012, the company froze the opening of new Megumi no Sato markets and began closing unprofitable markets as part of a strategy to improve the profitability of the business. In the Q4 FY3/12, it closed eight Megumi no Sato markets, and it now operates 16 centered in Greater Osaka.



Note: These figures do not include contributions of the real estate business, which has been dropped from segment information since FY3/10 following a reorganization of segments in FY3/11

### Mainly Developing Megumi no Sato market business, the Teppan Buffet "Green's K" restaurant business, and the Ryohin Kaikan recycling business



## ■ Company forecasts for FY3/13

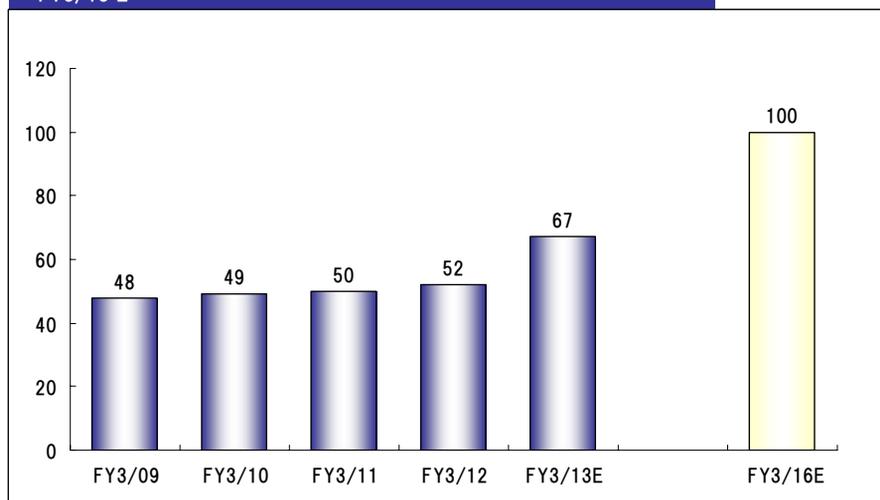
### Aiming to reduce losses in Megumi no Sato markets business to achieve double-digit profit growth in FY3/13

For FY3/13, G-7 Holdings forecasts a 5.1% y-o-y rise in consolidated sales to ¥80,000mn, a 19.3% increase in operating profit to ¥2,600mn, a 20.0% upturn in recurring profit to ¥2,700mn, and a 10.7% improvement in net profit to ¥800mn. The company expects the costs of establishing its overseas business to weigh on profits, but it believes its two main businesses, “business supermarkets” and Autobacs, will expand their profits notably, and it expects to reduce losses in the Megumi no Sato markets business through a strategic reorganization of the business. Company forecasts for each main segment of business are as follows.

#### (1)Autobacs and other automotive business

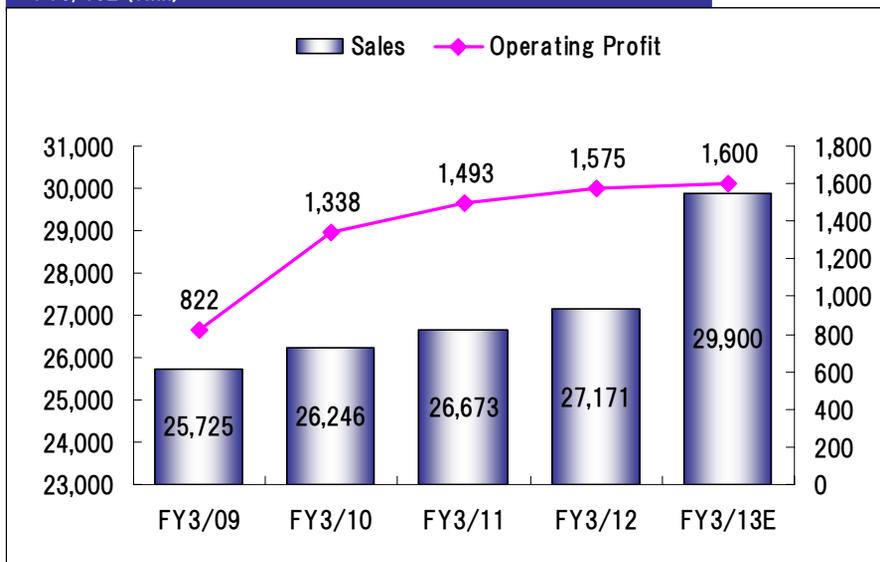
In recent years, the Autobacs business has added only about one store per year, but over the next four fiscal years, the company plans to almost double the number of Autobacs stores, bringing the total to 100 stores by the end of FY3/16, when the company aims for Autobacs sales of ¥40bn. G-7 Holdings had planned to open 10 new Autobacs stores in FY3/13. On April 1, 2012, Auto Seven, a subsidiary of G-7 Holdings that operates Autobacs stores, bought three new stores in Fukuyama City, Hiroshima Prefecture. These stores had been operated previously by Autobacs Three Arrow Co. From July 2012, G-7 Holdings had planned to open seven more Autobacs stores in FY3/13, including one in Tanba Sasayama City, Hyogo Prefecture, one in Kamagaya City, Chiba Prefecture, one in Tsuruga City, Fukui Prefecture, and one in Hiroshima Fuchu City, Hiroshima Prefecture. However, the company has recently decided to open 12 more Autobacs stores in FY3/13, for a total of 15. The new plan calls for the opening of a store in a mall in Shisui Town, Chiba Prefecture, in spring 2013. The addition of five new stores to the number originally planned for FY3/13 could add up to ¥2bn to G-7 Holdings’ annual sales. However, the cost of opening new stores will probably weigh heavily on profit growth, limiting OP growth in this segment to 2% y-o-y in FY3/13, to ¥1.6bn.

Number of Autobacs Stores Operated by Auto Seven, FY3/09-FY3/13 E



■ Company forecasts for FY3/13

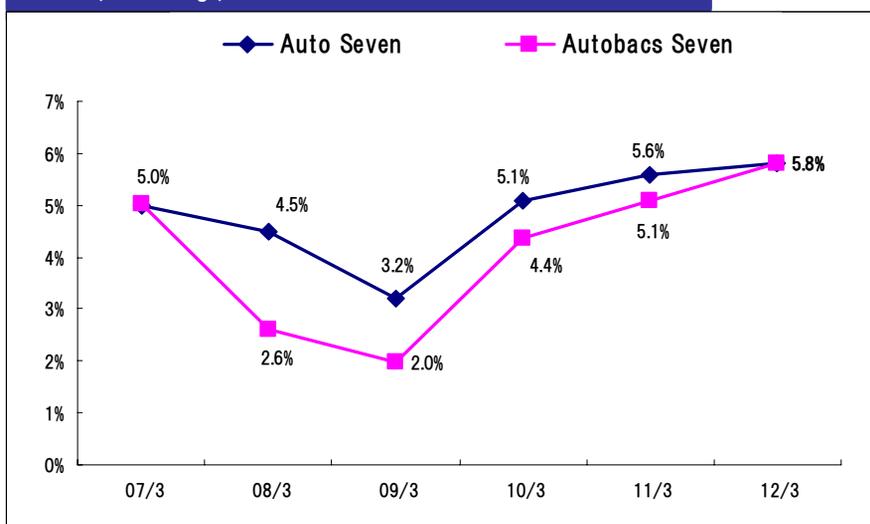
Sales and Operating Profit Generated by Auto Seven, FY3/09-FY3/13E (¥mn)



Auto Seven is one of the more efficient managers in the Autobacs operations. Its operating profit margin is comparable to the margin for Autobacs Seven, the franchiser which receives royalty payments from its franchisees. In FY3/12, the Japanese subsidiaries of Autobacs earned an aggregate operating profit margin of less than 1%, while Auto Seven’s operating profit margin was 5.8%. Auto Seven has been restructuring the three Autobacs stores it bought from Autobacs Three Arrow on April 1, 2012, with the aim of making them profitable this fiscal year.

The Autobacs store that Auto Seven opened in Malaysia in April is growing. If it continues to thrive, Auto Seven may accelerate its overseas expansion.

Operating Profit ratios for Autobacs Seven (franchiser) and Auto Seven (G-7 Holdings)



Note: The figure for Autobacs Seven shows consolidated operating profit ratio



■ Company forecasts for FY3/13

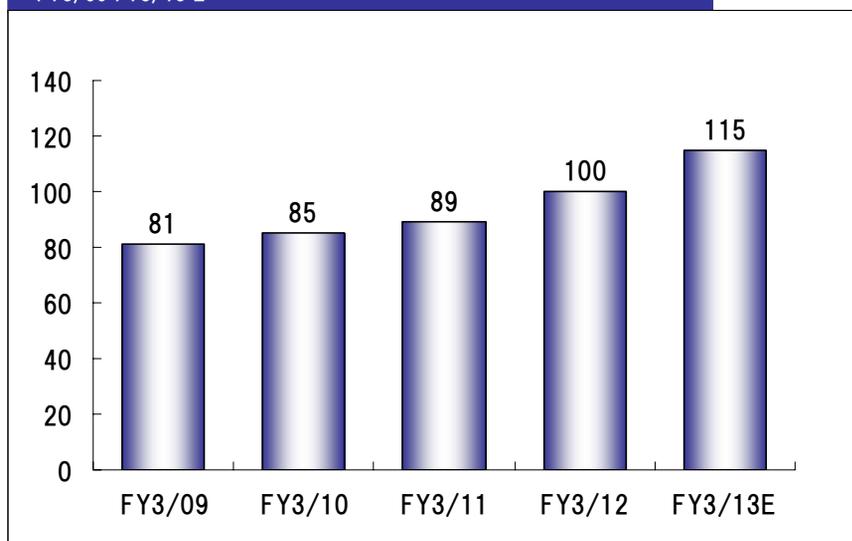
## Expecting growth of existing business, supported by synergy with Ueno Shokuhin

### (2) “Business supermarkets” and select food supermarkets

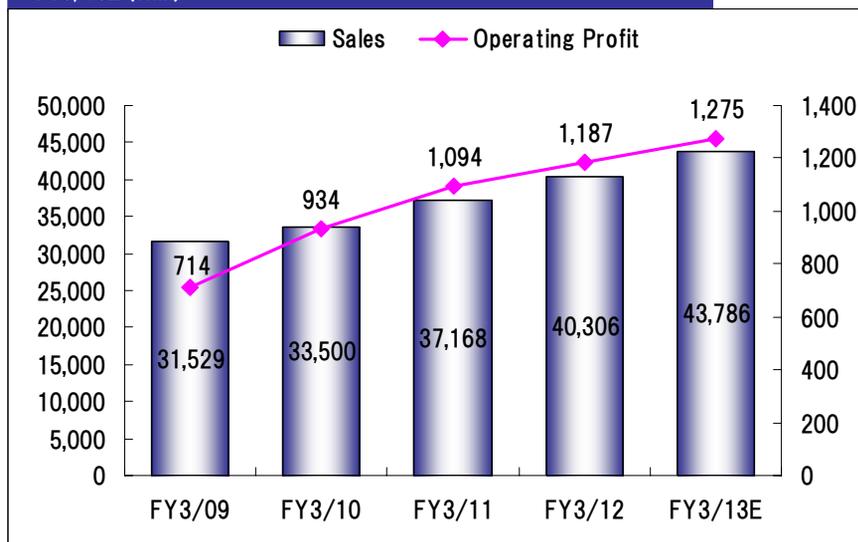
Sun Seven, the G-7 Holdings subsidiary that operates “business supermarkets”, plans to continue to open new supermarkets in FY3/13, mainly in the Greater Tokyo and Greater Nagoya areas. Japan’s economy remains weak, motivating citizens to eat home more and to seek cheaper foods. Thus, G-7 Holdings projects that Sun Seven will raise its sales by 9% y-o-y in FY3/13, to ¥43,786mn, and its operating profit by 7% y-o-y, to ¥1,275mn.

The select food supermarkets business, which operates C and C supermarkets, projects brisk business in FY3/13, supported by synergy with Ueno Shokuhin Co.

Number of “Business Supermarkets” Operated by Sun Seven, FY3/09-FY3/13 E



Sales and Operating Profit Generated by Sun Seven, FY3/09-FY3/13E (¥mn)



## Restructuring Megumi no Sato market business

### (3) Other Businesses

In FY3/12, the Megumi no Sato market business suffered an operating loss of about ¥400mn, but G-7 Holdings has been restructuring this business since the start of 2012. It has already closed four unprofitable Megumi no Sato markets in the Greater Tokyo area and now operates 16 markets, concentrated in the Greater Osaka area. As a result, losses in this business are rapidly shrinking, and the company expects the operating loss in this business to narrow in FY3/13.

The company has also revised its strategy for opening new Megumi no Sato markets. Previously, it had opened large markets in rural areas near the farmers that supply the markets with produce, renting buildings with a floor area of 200-300 tsubo (660-990 square meters). This approach allowed the markets to sell produce on the day it had been harvested. However, some of these markets failed to attract enough customers to earn a profit. Therefore, the company has decided to open smaller Megumi no Sato markets in residential areas of large cities. These markets will have a floor area of 50-100 tsubo (165-330 square meters), requiring smaller fixed costs than larger markets. However, it will not be possible for these markets to sell produce on the day it is harvested. Instead, the company plans to contract with farmers throughout Japan to deliver their produce to Megumi no Sato markets in suburban areas every evening, so the produce can be sold the following morning. This approach requires a logistics capability, and G-7 Holdings is now considering whether to establish such a capability in-house or to outsource this function. If the company can rent appropriate space, it intends to open 10 new, smaller Megumi no Sato markets in the second half of FY3/13. In the Greater Osaka area, it plans to open markets in the suburbs of Osaka City and Kobe City. In the Greater Tokyo area, it plans to open markets in the 23 wards of Tokyo, in Yokohama City, and in Kawasaki City.

G-7 Holdings has also decided to sell goods of premium quality at reasonable prices under the private brand of Megumi no Sato, aiming to increase customer loyalty. Toward this end, in June, G-7 Holdings concluded a business agreement with Komatsu Chicken Farm, with headquarters in Matsumoto City, Nagano Prefecture. Established in 1925, this farm is famous for raising Okazaki Ohan chickens, a pure Japanese species of large chicken with black and white speckled feathers, and other kinds of chickens. It sells young chickens for roasting and chicken eggs throughout Japan and has a reputation for high-quality products. Under the terms of the agreement, Komatsu Chicken Farm will supply eggs to Megumi no Sato markets to be sold under the Megumi no Sato brand. Some markets will also sell eggs under the Okazaki Ohan brand.

By pursuing the strategies described above for its main businesses, G-7 Holdings expects to achieve double-digit profit growth in FY3/13. In recent years, the company has expanded its business in the Greater Tokyo area, especially its “business supermarket” business. Therefore, in April 2012, it established a large office in the area to oversee and accelerate business expansion there.

## ■ Overseas Business Expansion

### Promoting business growth in rapidly developing Asia

G-7 Holdings has a medium-term plan of operations that aims for consolidated sales of ¥100bn and consolidated operating profit of ¥4bn in FY3/16. By that year, the company hopes to obtain 10% of its sales from overseas operations. These operations have just begun, with the establishment, in April 2012, of an Autobacs store in Malaysia. By the end of FY3/13, the company intends to set up one food supermarket in China and another in Vietnam. Recently, it has also reached business agreements with large companies in Myanmar, where prospects for economic development have improved following political reforms that allow greater democracy and freer economic development. The details of these agreements are described below.

#### (1) Production and sale of agricultural products

On May 14, 2012, Megumi no Sato Co., a wholly-owned subsidiary of G-7 Holdings, and City Mart Holding Co., the largest distribution company in Myanmar, announced a basic agreement to cooperate in the production and sales of agricultural products. City Mart Holding is a conglomerate. Its main business is retailing. It operates 60 retail stores, including upscale City Mart supermarkets, Ocean discount stores, drugstores, book stores, and convenience stores. It also sells miscellaneous daily necessities and foods wholesale. Its annual sales exceed the equivalent of ¥16bn.

The partners intend to establish a joint venture, the particulars of which are shown in the table below. Megumi no Sato Co. will supply knowhow to the joint venture, which will grow Japanese-style vegetables in Myanmar. The City Mart Holding group will sell these vegetables retail and will sell them wholesale to hotels and restaurants in Myanmar. As the joint venture will be 40% owned by Megumi no Sato Co., it may become an equity-accounted affiliate of Megumi no Sato in the future.

Myanmar does not yet produce enough high-quality vegetables to satisfy the local demand for such vegetables. Thus, the joint venture partners see an opportunity to prosper by supplying such vegetables. They plan to grow vegetables on 20,000 tsubo (66,000 square meters) of land on a plateau 1,000 meters above sea level about a one-hour drive from Mandalay, the second-largest city in Myanmar. The average temperature at this site is 25 ° C. Hereafter, the partners will survey the site and determine which vegetables to grow. They plan to grow the vegetables mainly in greenhouses.

Outline of Proposed Joint Venture	
Company name	CM Japan Agri Myanmar Co. Ltd.
Head office location	Yangon, Myanmar
Business description	Production, sale, import and export of agricultural produce Processing agricultural produce Production, sale, import and export of livestock (meat) Import and export of seeds, fertilizers, and animal feed Import and export of tools for farming
Capital	¥10mn
Proposed date of establishment	October 2012
Ownership ratios	City Mart Holding 60% Megumi no Sato 40%

## Established new joint venture with local company

### (2) Automobile business

On June 8, 2012, G7 International, a wholly-owned subsidiary of G-7 Holdings headquartered in Singapore and overseeing group business in Southeast Asia, and the Patama Group, a large wholesaling company in Myanmar, announced an agreement to establish a joint venture to pursue automobile business in Myanmar. Details of the joint venture are as follows.

The Patama Group, part of the City Mart Group, sells foods and miscellaneous daily necessities wholesale. In recent years, the demand for automobiles in Myanmar has grown rapidly as the country has developed economically and the government has eased restrictions on automobile imports. In the past, many of the automobiles imported by Myanmar had been used for 10-20 years. In May 2012, however, the government eased its restriction on automobile imports, permitting the importation of automobiles that have only been used for two-three years, or more. Thus, the automobile import business is thriving, and about 90% of the automobiles in Myanmar are used Japanese makes. G-7 Holdings hopes to build a prosperous automobile business in Myanmar with its local partner. The particulars of the business will be determined through consultation with the Patama Group hereafter. If this joint venture grows, it may become a consolidated subsidiary of G-7 Holdings.

Myanmar has a population of about 60 million, making it the fifth largest country in Southeast Asia, after Indonesia, the Philippines, Vietnam and Thailand. As Myanmar liberalizes politically and economically, the opportunities for business growth there should increase. G-7 Holdings is exploring these opportunities with these two joint ventures.

Outline of Proposed Joint Venture	
Company name	G7 CITY AUTO MYANMAR.CO.,Ltd
Head office location	Yangon, Myanmar
Business description	Automobile business
Capital	¥10mn
Proposed date of establishment	December 2012
Ownership ratios	G7 International 70% Patama Group 30%

## ■ Medium-term Plan and Share Valuation

### Setting specific strategies to generate sales of ¥100bn in FY3/16

To achieve the objectives of its medium-term plan, G-7 Holdings intends to pursue the following strategies.

<b>Strategies for achieving objectives of medium-term plan</b>	
<b>1</b>	G-7 Holdings plans to expand and strengthen its total car life support business. It aims to have 100 stores for this business in operation by FY3/16, which will also be the company's 40th anniversary year. Included in this business are Autobacs stores, Autobacs Second-hand Markets, BP Centers, tire stores, and service stations. Priority will be given to opening small Autobacs stores to serve areas with a limited number of potential customers. The company also intends to grow through mergers and acquisitions.
<b>2</b>	So far, the "business supermarket" business has built large supermarkets in the suburbs of Greater Nagoya and Greater Tokyo with parking lots of 50-100 tsubo (165-330 square meters) in area. Through FY3/16, this business will build small supermarkets without parking lots more centrally located in large cities. Priority will be given to development in the 23 wards of Tokyo and in Kanagawa Prefecture. By the end of FY3/16, the company plans to have 150 "business supermarkets" in operation.
<b>3</b>	In the select foods business, subsidiary C & C, which has been engaged in the wholesaling and retailing of select foods, will specialize in wholesaling, with the aim of improving the company's profitability. Ueno Shokuhin will collaborate with C & C and the Megumi no Sato markets to develop and sell private-brand foods.
<b>4</b>	The Ryohin Kaikan reusable goods business will develop more stores in Hyogo Prefecture, Okayama Prefecture, and Greater Tokyo. The Teppan Buffet "Green's K" restaurant chain will open new restaurants in Greater Osaka and Greater Tokyo.
<b>5</b>	The Megumi no Sato markets business will concentrate on improving operational efficiency in the first half of FY3/13 before opening new markets in Greater Osaka from the second half. In Greater Tokyo, this business will develop small (mini) markets.
<b>6</b>	G-7 Holdings launched its overseas business in April 2012 by opening an Autobacs store in Malaysia. Hereafter, the company aims to open more stores in Malaysia and to develop other businesses, such as food supermarkets, in other East Asian countries.
<b>7</b>	In Japan and Southeast Asia, G-7 Holdings intends to grow by merging with or acquiring other companies engaged in businesses similar to those of G-7 Holdings. This approach will be applied in particular in Southeast Asia to rapidly overcome restrictions on business by foreign companies.

The achievement of the objectives of G-7 Holdings' medium-term plan will depend on a continued expansion of its two main businesses in Japan, "business supermarkets" and Autobacs, but the key factor will be how much the company can grow its Megumi no Sato markets business and overseas business.

The share price of G-7 Holdings has recently fluctuated around ¥400, putting them on an estimated PER of 6x based on FY3/13 and on an actual PBR of 0.5x based on the company's declared book value per share at the end of FY3/12. Based on the company's planned dividend payment for FY3/13, the shares offer a dividend yield of 4%. These valuations are lower than the average valuations for TOPIX, the stock index for all companies listed on the First Section of the Tokyo Stock Exchange. However, they may rise as the company's profits recover.



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