

G-7 HOLDINGS INC.7508 Tokyo Stock Exchange
First Section

30-Aug.-16

Important disclosures
and disclaimers appear
at the end of this document.FISCO Ltd. Analyst
Yuzuru Sato**■ Posted new all-time high earnings for the first time in two years**

G-7 HOLDINGS INC. <7508> (hereafter, "G-7" or "the Group") is a holding company that owns subsidiaries operating the largest franchises of AUTOBACS stores and Business Supermarkets in Japan. It excels at store profitability with emphasis on productivity per employee and other indicators. It is also promoting development of agricultural, foodstuffs and restaurant businesses, as well as overseas businesses.

In consolidated FY3/16 results announced on May 9, net sales increased 17.7% year on year (YoY) to ¥103,895mn and ordinary income rose 28.2% to ¥3,220mn. G-7 posted new all-time highs on an annual basis for the first time in two years. Although AUTOBACS and car-related business stalled due to the warm winter, the Business Supermarket and quality food business was upbeat and G-7 MEAT TERABAYASHI CO., LTD., a meat retailer acquired as a subsidiary in June 2015, added to results.

In consolidated 1Q FY3/17 (April-June 2016) results announced on July 29, net sales increased 12.0% YoY to ¥26,124mn, operating income climbed 6.3% to ¥648mn, ordinary income increased 3.6% to ¥679mn, and net income attributable to owners of parent fell 40.1% to ¥361mn. While Japan delayed the consumption tax hike, competition among rivals beyond industry and category boundaries has intensified. Amid these conditions, G-7 is reworking personnel and organizational strategies and bolstering management capabilities to build domestic and overseas business foundations in keeping with group policies of securing sales, raising gross margin, controlling inventories, and controlling expenses.

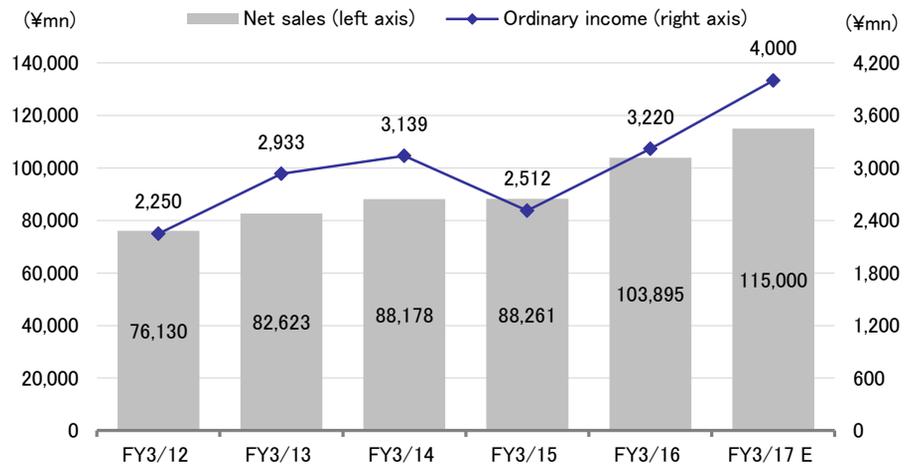
The Group's FY3/17 consolidated forecasts call for sales and profit gains, including 10.7% YoY to ¥115,000mn in sales and 24.2% to ¥4,000mn in ordinary income. The Group aims to increase income by expanding store volume mainly for AUTOBACS, Business Supermarket, and other core areas. Specifically, it plans to open 15 new AUTOBACS stores and 10 new Business Supermarket stores in FY3/17. It is targeting synergies at new Business Supermarket sites with joint openings by meat-retailer TERABAYASHI and direct agri-products retailer Megumi-no-Sato as tenants.

The Group prepared a new medium-term business plan that lasts through FY3/21 with goals of ¥170,000mn in sales and ¥7,000mn in ordinary income. For AUTOBACS and car-related business, it intends to focus on services business, such as car inspections, body repair, and auto insurance, and cultivate new products and services in other areas besides automotive. For overseas businesses, it plans to continue rollout of AUTOBACS, BIKE WORLD, restaurants, and food supermarket businesses begun in 2012 with a target of ¥10,000mn in sales. While losses are likely to continue in the near term during the upfront investment period, the Group hopes to develop this area as a core business in the future.

■ Check Point

- Profit decline on higher sales in the AUTOBACS and car-related business, supported by robust sales capabilities
- Likely to set all-time highs again in FY3/17
- Maintaining ROE at 10% or higher

Net Sales and Ordinary Income

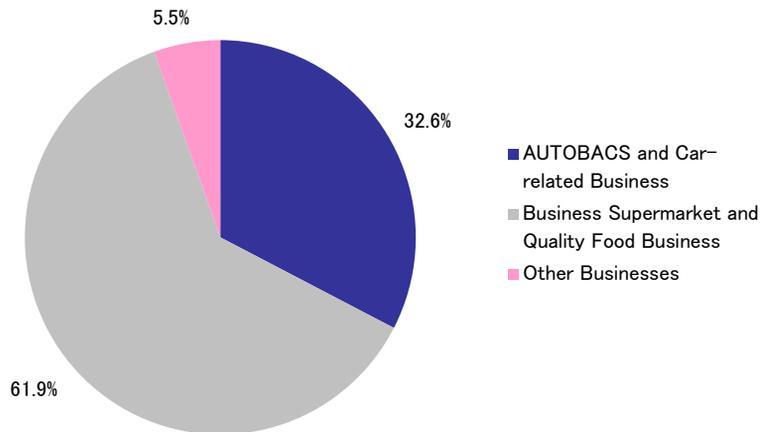


Business Overview

Largest franchise volume for the Business Supermarket Group

The Group's operations consist of three operating segments: AUTOBACS and car-related business, Business Supermarket and quality food business, and other businesses. Looking at the FY3/16 composition of net sales by business segment, we see that AUTOBACS and car-related business represented 32.6% and Business Supermarket and quality food business 61.9%, with these two business segments representing more than 90% of overall operations.

Sales by Business Segment (FY3/16)



○AUTOBACS and Car-related Business

The Group's AUTOBACS franchise business mainly consists of activities including car product sales and maintenance developed by G-7 AUTO SERVICE CO., LTD., and motorcycle product sales and maintenance developed by G-7 BIKE WORLD CO., LTD. (renamed from G-7 MOTORS CO., LTD. since April 2016).



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AUTOBACS-related sales represent approximately 90% of net sales, with 73 AUTOBACS-related stores in Japan (61 AUTOBACS stores, 7 AUTOBACS Express stores, two Super AUTOBACS stores, two AUTOBACS Secohan Ichiba stores, and one AUTOBACS Cars) and two AUTOBACS stores in Malaysia as of end-March 2016 giving it the largest scale within the 599 AUTOBACS Group stores. Store rollouts are centered predominantly in Hyogo, Kyoto, Fukui, Okayama, and Chiba prefectures. Store management places a strong emphasis on productivity per employee and inventory turnover rates, and the franchise business is notable for maintaining the highest profitability within the AUTOBACS Group.

Other businesses include eight CRYSTAL SEVEN stores offering carwash and coating services, one TIRE SENMONKAN tire specialty store, six body repair specialty centers, and one Suzuki Cars Osaka store.

Additionally, BIKE WORLD, which engages in direct sales of motorcycle products, operates a total of 15 stores with 12 stores in Japan, two stores in Malaysia, and one store in Thailand.

○Business Supermarket and Quality Food Business

This segment consists of Business Supermarket franchise operations developed by G-7 SUPER MART CO., LTD., food product and restaurant operations developed by G7 JAPAN FOOD SERVICE CO., LTD., and TERABAYASHI, a meat retailer, which was consolidated as a subsidiary in June 2015.

G-7 SUPER MART represents roughly 80% of net sales, with its 120 supermarket outlets as of end-March 2016 giving it the largest scale among the 726 Business Supermarket Group stores. Store rollouts are predominantly centered in the Kanto, Chubu, Kansai, Kyushu and Hokkaido regions.

G7 JAPAN FOOD SERVICE, which accounts for just under 10% of sales, discovers local delicacies and unique local products and handles wholesale supply to department stores and other retailers as quality foods. It also develops, manufactures, and sells private-brand foods, manages wholesale and retail supply in Japan and export/import business, and engages in online sales and other businesses.

TERABAYASHI, which provides just over 10% of sales, had 89 retail butcher shops as of end-March 2016, the majority of which are set up as tenants at Business Supermarket and Megumi no Sato sites.

○Other Businesses

Apart from G-7 AGRI JAPAN CO., LTD. that operates the Megumi no Sato farmers' market chain, the Group's main other businesses consist of multiple operations including real estate leasing, DAISO discount stores (100 yen shops), recycling stores, and retail stores managed by G-7 RETAIL JAPAN CO., LTD., as well as overseas operations undertaken by G7 INTERNATIONAL PTE. LTD. (except for AUTOBACS and BIKE WORLD operations). The Group moved Curves fitness centers for women (17 sites in Kanagawa Prefecture) and STEP GOLF in-door golf schools (two sites in Kanagawa Prefecture), which are run as franchise businesses, to G-7 RETAIL JAPAN in the other businesses segment from April 2016.

In respect of Megumi no Sato, there are 21 stores (12 in Hyogo Prefecture, three in Osaka, four in Nara Prefecture, one in Kyoto, and one in Mie Prefecture) as of end-March 2016. This business changed the sales format from consignment sales (booking 20% of the sales price as fee income under sales) to purchase-based sales from June 2015.

G-7 is also steadily developing overseas business in Southeast Asia and Taiwan. The overseas agri business involves cultivation of chrysanthemums in Vietnam for sales at Megumi no Sato stores and production of strawberries in Myanmar for sale at City Mart stores operated by a major local distributor. In the restaurant business, the Group has one Ramen KANBE store each in Indonesia and Malaysia and operates a Kushikatsu Daruma store in Taiwan. It is using a fundamental strategy of opening one direct-operation store in each country to establish the income model and then proceeding to licensing contracts. The Group also opened one store each for Business Supermarket and Megumi no Sato in Singapore through a joint venture created with a local company (G-7 holds a 30% stake) in April 2016. It plans to export all food items from Japan and book export sales of these items.

The Group has established overseas subsidiaries in Singapore, Malaysia, Vietnam, Indonesia, Myanmar, Thailand, Cambodia, Taiwan, and Hong Kong.



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Major Subsidiaries

| Business segment | Company name | Capital contribution ratio | Business description |
|--|---------------------------------|----------------------------|--|
| AUTOBACS and Car-related Business | G-7 AUTO SERVICE CO., LTD. | 100.0% | Operator of AUTOBACS, etc. |
| | G-7 BIKE WORLD CO., LTD. | 100.0% | Operator of BIKE WORLD, etc. |
| Business Supermarket and Quality Food Business | G-7 SUPER MART CO., LTD. | 100.0% | Operator of Business Supermarket, etc. |
| | G7 JAPAN FOOD SERVICE CO., LTD. | 100.0% | Manufacturing, sales and import and export of food products and beverages |
| | G-7 MEAT TERABAYASHI CO., LTD. | 78.45% | Retail sales of meats and processed livestock products |
| Other Businesses | G-7 RETAIL JAPAN CO., LTD. | 100.0% | Handles real estate development for the Group and operates recycling shops, 100 Yen shops, fitness clubs, and in-door golf schools |
| | G-7 AGRI JAPAN CO., LTD. | 100.0% | Operator of Megumi no Sato, etc. |
| | G7 INTERNATIONAL PTE. LTD. | 100.0% | Holding company for overseas subsidiaries |

■ Business Trends

Business Supermarkets and quality foods business performing well, set all-time highs

(1) Results for FY3/16

The consolidated results G-7 Holdings announced on May 9, 2016 for FY3/16 were a 17.7% increase YoY in net sales to ¥103,895mn, a 31.3% increase in operating income to ¥3,028mn, a 28.2% increase in ordinary income to ¥3,220mn, and a 46.7% increase in net income attributable to owners of parent to ¥1,867mn. G-7 posted new all-time highs for the first time in two years. While the AUTOBACS and car-related business stalled because of warm winter weather, Business Supermarket and quality food business performed well and TERABAYASHI acquired as a subsidiary in June 2015 added about ¥8,000mn to sales and ¥400mn to operating income (June 2015 to March 2016 cumulative values). G-7 booked ¥209mn in negative goodwill profit related to acquisition of TERABAYASHI as a subsidiary as an extraordinary profit.

Sales exceeded period-start guidance thanks to the TERABAYASHI contribution, but profit modestly undershot. Shortfall causes were a slump in tire and wheel sales because of the warm winter impact in the AUTOBACS and car-related business and upfront investment costs mainly for the agri business under other businesses.

Consolidated Results for FY3/16

(Unit: ¥mn)

| | FY3/15 | | | FY3/16 | | | |
|----------------------------|---------|---------------|---------------------|---------|---------------|-------|------------|
| | Results | vs. Net Sales | Period-start target | Results | vs. Net Sales | YoY | vs. Target |
| Net sales | 88,261 | - | 100,000 | 103,895 | - | 17.7% | 3.9% |
| Cost of goods sold | 65,372 | 74.1% | - | 77,236 | 74.3% | 18.1% | - |
| SG&A expenses | 20,583 | 23.3% | - | 23,629 | 22.7% | 14.8% | - |
| Operating income | 2,306 | 2.6% | 3,700 | 3,028 | 2.9% | 31.3% | -18.2% |
| Ordinary income | 2,512 | 2.8% | 4,000 | 3,220 | 3.1% | 28.2% | -19.5% |
| Extraordinary gains/losses | -129 | -0.1% | - | 95 | 0.1% | - | - |
| Net income | 1,272 | 1.4% | 2,100 | 1,867 | 1.8% | 46.7% | -11.1% |

Note: Net income shows net income attributable to owners of parent

Profit decline on higher sales in the AUTOBACS and car-related business, supported by robust sales capabilities

(2) Segment Trends

○AUTOBACS and Car-related Business

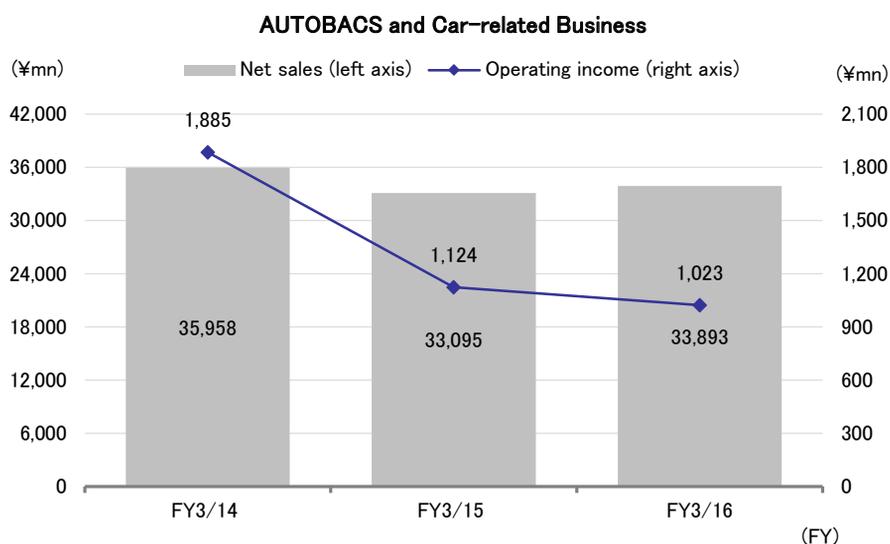
Net sales increased 2.4% YoY to ¥33,893mn and operating income fell 8.9% to ¥1,023mn. Profit declined on higher sales. As AUTOBACS-related store openings, G-7 added one AUTOBACS store in Kyoto, AUTOBACS Express stores in Kyoto, Chiba, Okayama, and Hyogo (one each), and one AUTOBACS Cars store in Chiba. As of the end of March, the number of stores increased by six over the previous period, to a total of 75 stores (including two Malaysian stores). The Group also added two BP Centers for a total of six sites, two CYRSTAL SEVEN stores for a total of eight sites, and four BIKE WORLD stores for a total of 15 sites (including two in Malaysia and one in Thailand). It expanded store volumes in all businesses.

G-7 AUTO SERVICE, which mainly operates AUTOBACS-related stores, booked higher sales and profit with a 3.0% rise in net sales and 19.5% increase in operating profit. Same-store sales only rose 0.1% YoY because of sluggish sales of tire and wheel products due to inadequate snowfall with warm winter conditions, and the rise in net sales relied on the new store effect. We think this outcome reflects the ongoing strength of the Group's sales capabilities in light of the 2.3% decline in domestic same-store sales for the overall AUTOBACS Group.

Looking at sales trends by product category, while sales of tires and wheels fell 7.0% and batteries were down 1.4%, the services division, which includes car inspections and body repair, performed solidly, up by 3.6% YoY. Even the car electronics division, which had seen revenue continue to drop over the past several years, saw sales grow by 7.6% YoY, its first increase in some time. While sales continued to weaken in car audio and car navigation equipment, strong sales of drive recorders with a double-digit advance were a factor in the increase in division sales. Profit improved because of higher sales, improved mix, and profitability enhancement through spending cutbacks.

G-7 BIKE WORLD sales, meanwhile, slowed with a 4.5% YoY decline. This may reflect the impact of a temporary drop in customers resulting from the change in the store name from BIKE SEVEN to BIKE WORLD, which took place in April. Profit slipped on lower sales and extra costs related to new store openings.

The two AUTOBACS and two BIKE WORLD stores now operating in Malaysia missed period-start targets, but are steadily increasing customer traffic and sales. BIKE WORLD, in particular, appears fairly robust thanks to the large local population of motorcycle users. The Group opened a new store in Thailand too in March 2016. However, these operations are still booking a loss due to upfront investments.



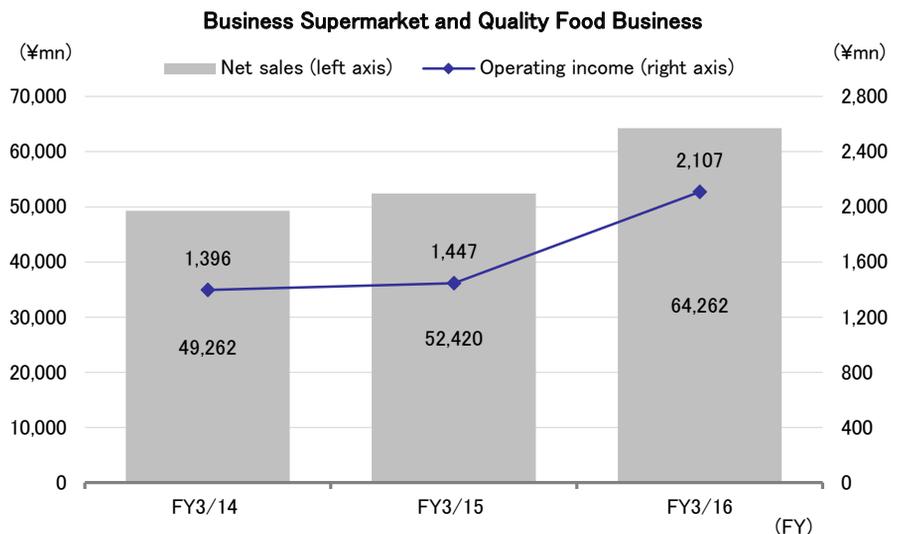
○Business Supermarket and Quality Food Business

Net sales increased 22.5% YoY to ¥64,262mn and operating income rose 45.6% to ¥2,107mn, achieving double-digit gains in sales and profit. As noted earlier, results from TERABAYASHI added approximately ¥8,000mn in net sales and ¥300mn in operating income. Yet sales and profit still improved even without the additions.

G-7 SUPER MART, which mainly operates Business Supermarket sites, expanded sales by 8.5% YoY and operating income by 6.9%. Business Supermarket business continued to gather support from restaurant operators struggling with rising food costs and from ordinary consumers, with revenue increasing 5.0% on an existing store basis. New store openings also had an effect, increasing by eight from the end of the previous period to 120 stores, including openings of two each in Hokkaido, Aichi Prefecture and Hyogo Prefecture, one each in Tokyo, Saitama Prefecture, and Osaka, and one renewal opening in Chiba Prefecture.

G7 JAPAN FOOD SERVICE also performed soundly, with net sales rising 17.5% YoY, and operating income up by 12.0%. While severe conditions continue in the restaurant business, the quality food business saw income expand, as efforts to uncover new products and develop new sales partners progressed smoothly. While the scale of private label products remains small, they contributed to the increase in net sales.

TERABAYASHI opened new meat stores after its acquisition as a subsidiary – three in Hokkaido, two each in Aichi Prefecture and Hyogo Prefecture, and one each in Tokyo, Chiba Prefecture, Saitama Prefecture, and Osaka. These were mainly joint openings at Business Supermarket sites as a tenant. Profitability improved, versus results prior to becoming a subsidiary (FY3/14 results were ¥8,627mn in sales, ¥149mn in operating income, and 1.7% operating margin), mainly because of savings from reduction of directors' compensation costs.

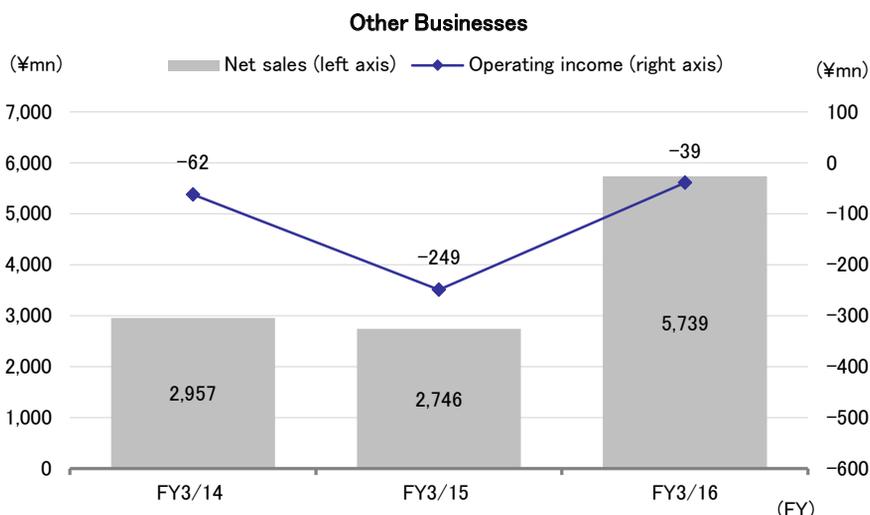


○Other Businesses

Net sales climbed 108.9% YoY to ¥5,739mn and operating income narrowed the loss to ¥39mn (from a loss of ¥249mn in the previous fiscal year). In the agri business, net sales increased significantly due to the switch in June from consignment to purchase-based sales for the Megumi no Sato business.

The Group opened five new Megumi no Sato stores with two in Osaka and one each in Hyogo Prefecture, Mie Prefecture, and Kyoto and had 21 stores at the end of March 2016. The switch to purchase-based sales sought to increase gross profit, but gross profit ended up declining due to delays in optimization of the procurement sales system. The recycling business, meanwhile, improved income thanks to closures of money-losing stores.

Overseas business struggled some by comparison to the initial outlook. Overseas agri business performed well with chrysanthemum cultivation in Vietnam, but has not ramped up sales in the Myanmar strawberry farming business yet because of issues with establishment of transportation routes. Restaurant business posted healthy sales, but had difficulties in hiring and still faces issues. The Group continued to book an overall loss for overseas business due to upfront investment costs.



■ Business Outlook

Likely to set all-time highs again in FY3/17

(1) Company Forecasts for FY3/17

In consolidated 1Q FY3/17 (April-June 2016) results announced on July 29, net sales increased 12.0% YoY to ¥26,124mn, operating income climbed 6.3% to ¥648mn, ordinary income increased 3.6% to ¥679mn, and net income attributable to owners of parent fell 40.1% to ¥361mn. While Japan delayed the consumption tax hike, competition among rivals beyond industry and category boundaries has intensified. Given these conditions, G-7 is reworking personnel and organizational strategies and bolstering management capabilities to build domestic and overseas business foundations in keeping with group policies of securing sales, raising gross margin, controlling inventories, and controlling expenses.

The Group's FY3/17 consolidated forecasts call for sales and profit gains, including 10.7% YoY to ¥115,000mn in sales, 22.2% to ¥3,700mn in operating income, 24.2% to ¥4,000mn in ordinary income, and 12.5% to ¥2,100mn in net income attributable to owners of parent. The Group aims to increase sales and profits by expanding store volume, mainly for AUTOBACS and Business Supermarket, and bolstering profitability per store. Below we review outlooks for business segments.

○AUTOBACS and Car-related Business

The Group expects to increase sales and profit for the AUTOBACS and car-related business in FY3/17. It projects a 13.0% YoY rise in sales at mainstay G-7 AUTO SERVICE to ¥35,000mn by boosting sales at existing stores and adding about 15 new stores, including through M&A. It primarily will add AUTOBACS Express and AUTOBACS Cars stores and continue to strengthen car inspection, body repair, and other services. The Group should have sufficient opportunities to arrange M&A deals because it is the most profitable of the AUTOBACS Group's franchisees. It also plans to handle products and services in other areas besides automotive as a new initiative in FY3/17.

The FY3/17 plan targets an increase in profit, despite higher costs associated with new store openings, through reinforcement of profitability at existing stores. The Group's specific measures for lifting profitability are continued efforts to "lower spending, raise productivity per employee, and attain suitable inventories," expanding sales by holding G-7 Mall Festivals and other events, and lifting the sales ratio of high value-added services (body repair and painting, car inspections, and others) that is currently at 24%.

The Group also projects higher sales and profits for G-7 BIKE WORLD by increasing the number of store openings and bolstering profitability with revisions to store operations and other management methods. It plans to add overseas sites with openings in Malaysia, Thailand, and other Southeast Asian countries.

○Business Supermarket and Quality Food Business

The Group intends to continue increasing sales and profits for the Business Supermarket and quality foods business. It expects a 5.6% YoY increase in sales at G-7 SUPER MART, which operates the Business Supermarket business, to ¥55,000mn. The plan calls for opening 10 new stores (including five renewal moves) to lift total store volume to 125 stores, a net addition of five stores from the end of FY3/16. The Group puts emphasis on renewal openings of run-down stores in FY3/17 in light of fierce competition to open stores and difficulty finding properties with attractive terms in areas that it targets, particularly in metro Tokyo. Just as in FY3/16, the Group plans to jointly open TERABAYASHI and Megumi no Sato stores as tenants at new sites in order to improve customer draw and boost profitability in its various businesses.

The Group's outlook factors in about ¥10,000mn in TERABAYASHI sales based on a full-year contribution. It will continue to open stores as tenants at Business Supermarket sites and also pursue openings at other commercial facilities. The Group forecasts double-digit sales and profit gains at G7 JAPAN FOOD SERVICE again, similar to FY3/16. It expects discovery of quality foods and development of sales partners to expand income. It also intends to steadily increase overseas sales of food items.

○Other Businesses

The Group expects to continue sales gains and aims to achieve an operating profit for other businesses. For Megumi no Sato, it plans to realize profit by improving income through optimization of the procurement sales system and lifting profitability per store via tenant openings at Business Supermarket sites and openings at commercial facilities with robust customer draw. For overseas agri and restaurant businesses, meanwhile, it still projects a loss due to continuation of upfront investment burden, but expects to narrow the loss by increasing sales.

Business Supermarket and Megumi no Sato sites opened by a joint venture with a local company in Singapore in April 2016 are having an upbeat start. The stores are located at BIG BOX*, which is one of Singapore's largest warehouse stores, in the Jurong East district of western Singapore. Local Japanese residents are the main customers. While import procedures and other arrangements needed because food materials are exported from Japan initially took some time, the Group expects food supply to proceed smoothly. It intends to open multiple stores, including in nearby countries, with its own funding if it can successfully establish an income model with the current sites, and this activity deserves attention. However, the Group is likely to expand this business gradually due to regulatory differences for each country and cumbersome procedures related to food exports.

(2) Medium-term Business Plan

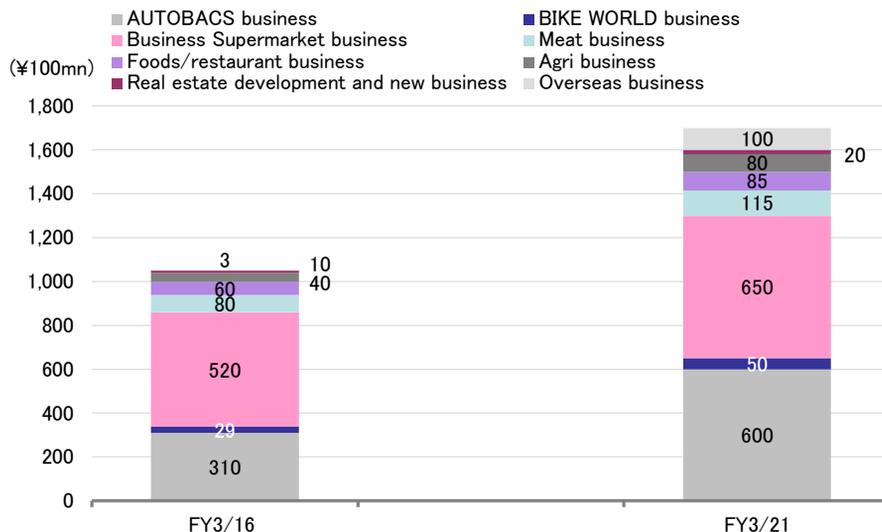
The Group prepared a new medium-term business plan that lasts through FY3/21 with final-year goals of ¥170,000mn in sales and ¥7,000mn in ordinary income. These goals represent a roughly 60% rise in sales and almost doubling of ordinary income compared to FY3/16 results, and the Group intends to expand all businesses. For AUTOBACS business (G-7 AUTO SERVICE), it expects a sharp gain with sales roughly doubling from the FY3/16 level to ¥60,000mn and continuation of this area as a growth driver. This goal works out to a 14% average annual growth rate. The Group believes it can attain the goal through expansion of domestic store volume, including M&A, and efforts to broaden new products and services.

For the Business Supermarket business (G-7 SUPER MART), it targets a 25% increase in sales from the FY3/16 level to ¥65,000mn. The goal corresponds to a 5% increase pace as an annual average, and the Group should be capable of reaching it by expanding store volume at a pace of 5-10 stores per year. The Group also intends to achieve goals for BIKE WORLD, meat, and agri businesses by steadily increasing store volume.

The Group aims to rapidly expand overseas business from a few hundred million yen in FY3/16 to ¥10,000mn by FY3/21. The breakdown of that ¥10,000mn is expected to be split about half-and-half between AUTOBACS and BIKE WORLD businesses and the restaurant, food products, and agri businesses. The Group intends to aggressively open stores mainly in Southeast Asian countries to achieve the goal and is thus likely to continue to incur upfront investment costs for the time being. However, these countries have strong potential economic growth rates and overseas business could drive overall earnings growth as a core area in the future once the income model is established.

* Retail format that facilitates low-priced, quick purchases of products in a self-service style using a large warehouse

Sales Targets by Businesses



■ Financial Status and Shareholder Returns Policy

Maintaining ROE at 10% or higher

(1) Financial Status

Looking at the Group's financial status as of the end of March 2016, total assets were up ¥3,815mn from the end of the previous fiscal year to ¥36,154mn. This increase was primarily due to the impact of the acquisition of TERABAYASHI. Cash and deposits rose by ¥1,290mn YoY. Fixed assets had increases of ¥867mn for land and ¥296mn for deposits.

Liabilities rose ¥2,036mn from the end of the previous fiscal year to ¥21,971mn, mainly because of a ¥1,134mn increase in accounts receivable and a ¥750mn increase in unpaid corporate taxes and others. Net assets also rose by ¥1,778mn YoY, to ¥14,183mn, in part due to a ¥1,479mn increase in earned surplus, as well as to posting of a ¥402mn non-controlling interest in TERABAYASHI.

Looking at management indicators, the equity ratio, which reflects soundness, was roughly unchanged at 38.1%, while the Group's interest-bearing debt ratio is tending toward improvement with declines in recent years and was at 60.5%. For profitability, operating margin is just 2.9%, but this can be attributed to aggressive upfront investments in overseas business and other areas. G-7 is sustaining ROE at 10% or higher and maintaining operations with robust capital efficiency.

Consolidated Balance Sheet

| | (Unit: ¥mn) | | | | |
|---|-------------|--------|--------|--------|--------|
| | FY3/13 | FY3/14 | FY3/15 | FY3/16 | Change |
| Current assets | 13,751 | 15,089 | 15,018 | 17,111 | 2,093 |
| (Cash and deposits) | 6,299 | 7,183 | 6,952 | 8,242 | 1,290 |
| (Inventories) | 4,450 | 4,492 | 5,198 | 5,341 | 143 |
| Fixed assets | 16,650 | 16,968 | 17,321 | 19,042 | 1,721 |
| Total assets | 30,401 | 32,057 | 32,339 | 36,154 | 3,815 |
| Total liabilities | 19,842 | 20,458 | 19,934 | 21,971 | 2,036 |
| (Interest-bearing debt) | 8,800 | 8,700 | 8,458 | 8,342 | -116 |
| Net assets | 10,558 | 11,599 | 12,404 | 14,183 | 1,778 |
| Management indicators | | | | | |
| (Financial strength) | | | | | |
| Equity ratio | 34.7% | 36.2% | 38.4% | 38.1% | |
| Interest-bearing debt ratio | 83.3% | 75.0% | 68.2% | 60.5% | |
| (Profitability) | | | | | |
| ROE (return on equity) | 13.4% | 13.9% | 10.6% | 14.3% | |
| ROA (ratio of recurring profit to total assets) | 10.0% | 10.1% | 7.8% | 9.4% | |
| Operating income margin | 3.2% | 3.3% | 2.6% | 2.9% | |



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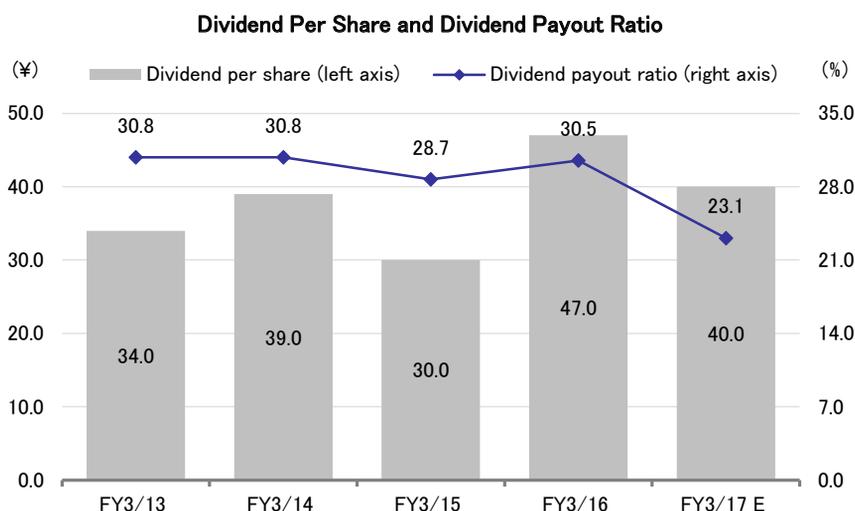
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A special dividend may be declared if results achieve planned targets

(2) Shareholder Return Policy

G-7 is paying out dividends as a measure for returning profits to shareholders. The Group's underlying policy is to return profits to shareholders in accordance with business performance, premised on maintaining stable dividends, making a comprehensive determination, while taking into consideration factors including capital required for future business expansion and its financial condition. It generally aims to maintain a dividend payout ratio of around 30%.

G-7 paid a ¥47 dividend (30.5% payout ratio) in FY3/16 that included a ¥13 commemorative dividend for the 40th anniversary. For FY3/17, the dividend has been set at ¥40.0 per share yielding a dividend payout ratio of 23.1%, with it expected that this will be topped up by way of a special dividend, if the Group's results achieve the planned targets.



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