

7-Jun-2013

Important disclosures and disclaimers appear at the back of this document.

FISCO Ltd. Analyst
Yuzuru Sato

■ Aims to improve synergy between businesses through development of malls

G-7 Holdings is the largest franchisee in Japan of Autobacs stores and of youmu supermarkets (“business supermarkets”). It is developing agricultural business and overseas business as new growth areas, with the goals of achieving sales of ¥100bn and operating profit of ¥4bn in the fiscal year through March 2016, i.e., FY3/16.

In FY3/13, its consolidated sales grew by 8.5% year-on-year (y-o-y) to ¥82,623mn, and its consolidated operating profit rose 20.4% y-o-y to ¥2,622mn, both record highs. Sales and profits increased in the mainstay Autobacs and other automotive and “business supermarkets” , losses in the Megumi no Sato markets business declined. Reflecting the company’ s strong profit growth, G-7 Holdings declared a dividend of ¥34 per share for FY3/13, which was more than twice its original planned dividend of ¥16.

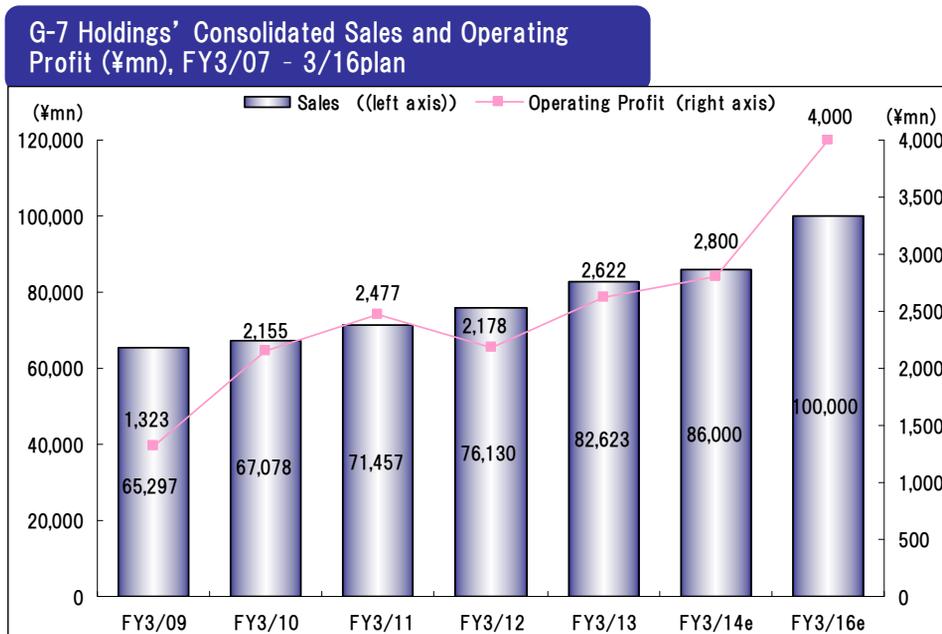
For FY3/14, G-7 Holdings projects further sales and profit growth, led by the Autobacs and “business supermarkets” businesses. Both businesses provide higher profitability than the average for G-7 Holdings, attesting to their astute management. The company cites employee development as its main strength and expects new Autobacs stores and new “business supermarkets” to support sales and profit growth in their respective businesses. In FY3/13, it re-named its five main subsidiaries, starting each new name with G-7 to strengthen the brand name. G-7 Holdings plans to develop malls housing several of its operations, thereby attracting more customers and increasing synergy between the operations.

The company is well on the way to achieving its FY3/16 targets of ¥100bn in sales and ¥4bn in operating profit. Based on its forecasts for FY3/14, its PER is below 10x, indicating a strong potential for share price appreciation.

■ Check Point

- In FY3/13, net profit hit a record high, surpassing previous high six years earlier
- Company projects further growth for FY3/14 as a result of opening new stores in its two main businesses and promoting mall development
- Company is likely to increase its dividend for FY3/14, reflecting profit growth

■ FY3/13 Results

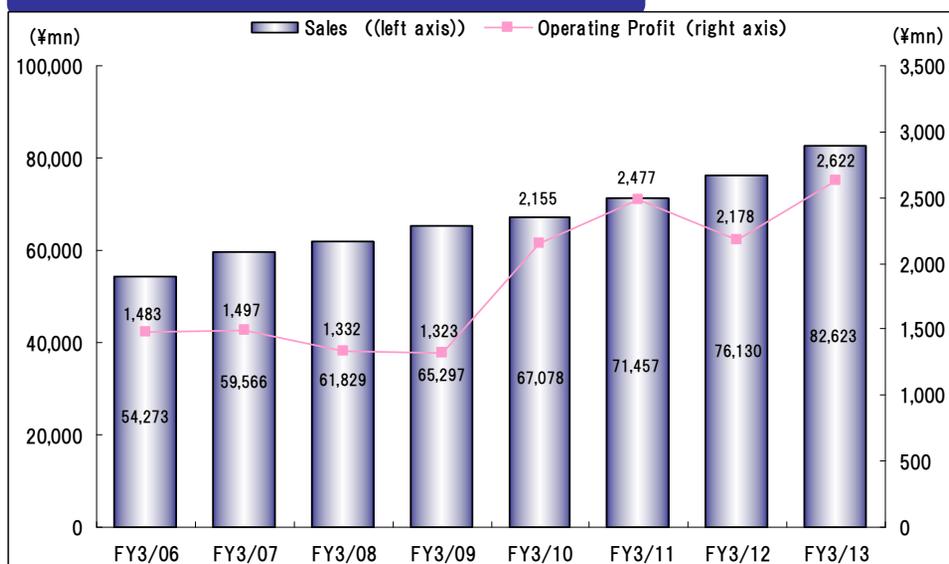


■ FY3/13 Results

Net profit exceeded previous high of FY3/07, company raised dividend substantially

(1) FY3/13 Results

In FY3/13, G-7 Holdings increased its consolidated sales by 8.5% y-o-y, to ¥82,623mn, its consolidated operating profit by 20.4% y-o-y, to ¥2,622mn, its recurring profit by 30.4% y-o-y, to ¥2,933mn, and its net profit by 86.1% y-o-y, to ¥1,345mn. Sales and profits grew in the Autobacs and other automotive business and in the “business supermarkets” and food related business, and the Megumi no Sato markets business reached the break-even point, following a large operating loss in FY3/12, due to the closure of unprofitable stores. Operating and recurring profits surpassed their previous highs of FY3/11, and net profit exceeded its previous high of FY3/07. Because of the strong profit growth achieved, the company announced that it would pay a dividend of ¥34 per share for FY3/13, up from ¥20 for FY3/12.

G-7 Holdings' Consolidated Sales and Operating Profit (¥mn), FY3/09 - 3/13

G-7 Holdings' Consolidated Results (¥mn, ¥) in FY3/13

(Unit : ¥mn, %)

	Sales		Operating Profit		Recurring Profit		Net profit		EPS
	Amount	YOY	Amount	YOY	Amount	YOY	Amount	YOY	
Initial Co. forecast	80,000	5.1	2,600	19.3	2,700	20.0	800	10.7	65.73
Result	82,623	8.5	2,622	20.4	2,933	30.3	1,345	86.1	110.51
Difference	2,623		22		233		545		44.78

Net non-operating profit increased by ¥240mn y-o-y because the company earned a currency exchange gain accompanying yen depreciation and its losses on the disposal of fixed assets declined y-o-y. Thus, recurring profit increased by a higher rate than operating profit. In FY3/12, the company declared a net extraordinary loss of ¥512mn stemming from losses on the closure of stores and from asset impairment losses. In FY3/13, however, asset impairment losses shrank, so net profit surged.

FY3/13 consolidated sales surpassed the company's initial forecast by ¥2,623mn and operating profit exceeded the company's initial forecast by ¥22mn because the Autobacs and other automotive business and the "business supermarkets" business performed better than first projected. Results by segment were as follows.

Three Autobacs stores acquired in April 2012 turned profitable

○ Autobacs and other automotive business

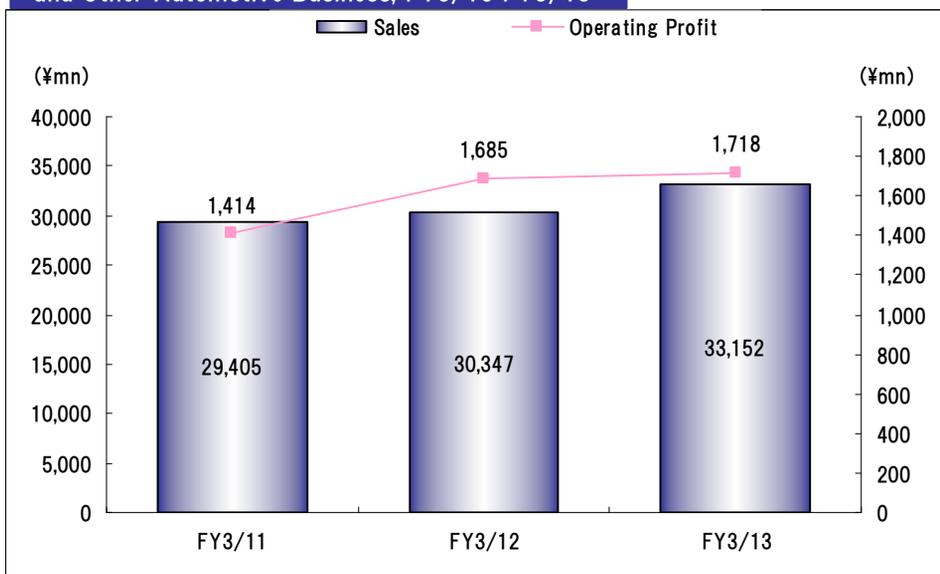
Most of the company's automotive business is conducted by subsidiary G-7 Auto Service (formerly Auto Seven Co.), which operates Autobacs stores and manages Autobacs franchises. In FY3/13, the automotive business generated sales of ¥33,152mn, up 9.2% y-o-y, and operating profit of ¥1,718mn, up 2.0% y-o-y. Sales of electronic goods for automobiles dropped because sales of navigation equipment and audiovisual digital tuners declined in reaction to strong sales in FY3/12 accompanying the digitization of television broadcasting in Japan. However, sales of studless tires rose y-o-y, reflecting cold winter weather, and sales of maintenance and other services, such as car inspections and body painting, advanced. Automotive business monthly sales in March 2013 grew by more than 10% y-o-y, reflecting the effectiveness of policies to promote these sales. G-7 Motors, which operates Bike Seven motorcycle shops, increased its sales by 11% y-o-y. By the end of FY3/13, the Autobacs business operated or franchised 60 stores, including one in Malaysia, which was eight more stores than it operated or franchised at the end of FY3/12. Automotive businesses other than Autobacs business operated 22 stores at the end of FY3/13, eleven more than it had operated a year earlier. Thus, the division operated or franchised 82 stores at the end of FY3/13.

The operating profit margin in the automotive business decreased slightly y-o-y in FY3/13, mainly because prices of car audiovisual equipment fell, eroding their profitability, and because the business incurred higher costs in opening or acquiring new stores. However, this business performed well, given that Autobacs Seven (9832), the company which franchises the Autobacs business, reported y-o-y drops in consolidated sales and operating profit in FY3/13. Three unprofitable Autobacs stores in Hiroshima that the company acquired in April 2012 turned profitable in FY3/13, attesting to the company's management skill.

The company attributes its success to thorough on-the-job employee training. Every six months, G-7 Holdings' president Tatsumi Kaneda visits each store in the group and personally quizzes each employee. All employees are instructed in a curriculum with 10 themes, including customer approach, divisional profit management and the construction of sales platforms, using quantitative measures to explain why a process must be performed as taught and the impact of such a process. By improving such on-the-job training, the company advances the skills of each employee, strengthens each store, raises the local market share of each store, and expands sales and profits.

■ FY3/13 Results

Sales and Operating Profit (¥mn) of the Autobacs and Other Automotive Business, FY3/10-FY3/13



New store openings based on a strategy to dominate certain areas supported growth

○ “Business supermarkets” and food related business

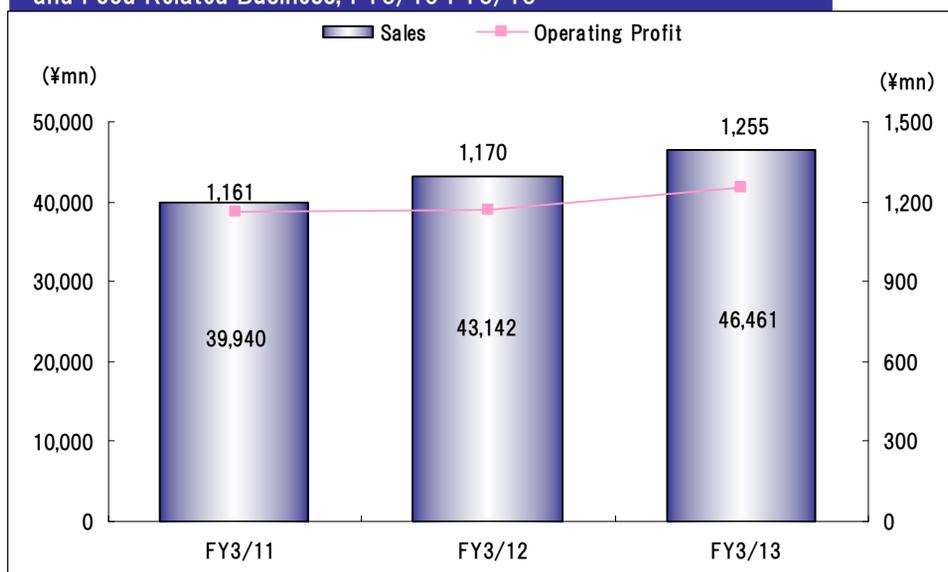
The low-priced “business supermarkets” operated by subsidiary G-7 Super Mart (formerly Sun Seven Co.), and food related business generated sales of ¥46,461mn in FY3/13, up 7.7% y-o-y, and operating profit of ¥1,255mn, up 7.3% y-o-y. Japanese consumers continued to prefer lower-priced foods, and supermarkets competing with the “business supermarkets” of G-7 Holdings tried hard to satisfy this preference. Therefore, based on the same number of “business supermarkets” in operation in FY3/12, “business supermarkets” sales were unchanged y-o-y in FY3/13. However, the company opened five new “business supermarkets” and relocated and renovated another in Greater Tokyo and Greater Nagoya as part of its strategy to dominate these markets, bringing the total to 103 at the end of the fiscal year. This was three more than it had at the end of FY3/12, and the new stores accounted for much of the sales growth achieved by the business. At the start of FY3/13, the company planned to open 15 new “business supermarkets” during the year. It was unable to open this many because of increased competition, especially in Greater Tokyo, making it impossible to acquire desirable sites on acceptable terms.

■ FY3/13 Results

Ueno Shokuhin Co., purchased in December 2011, and Coldfamily Co., purchased on October 2012, also contributed to sales growth. In January 2013, Coldfamily Co. was absorbed by G-7 Food System Co.

Operating profit grew slightly y-o-y because of improved product management. The company reduced its losses from the disposal of unsellable items and sold fewer products at discounted prices. It also increased sales of high-margin items. Ueno Shokuhin Co. contributed somewhat to operating profit despite it was the first year after acquisition.

Sales and Operating Profit (¥mn) of the “Business Supermarkets” and Food Related Business, FY3/10-FY3/13



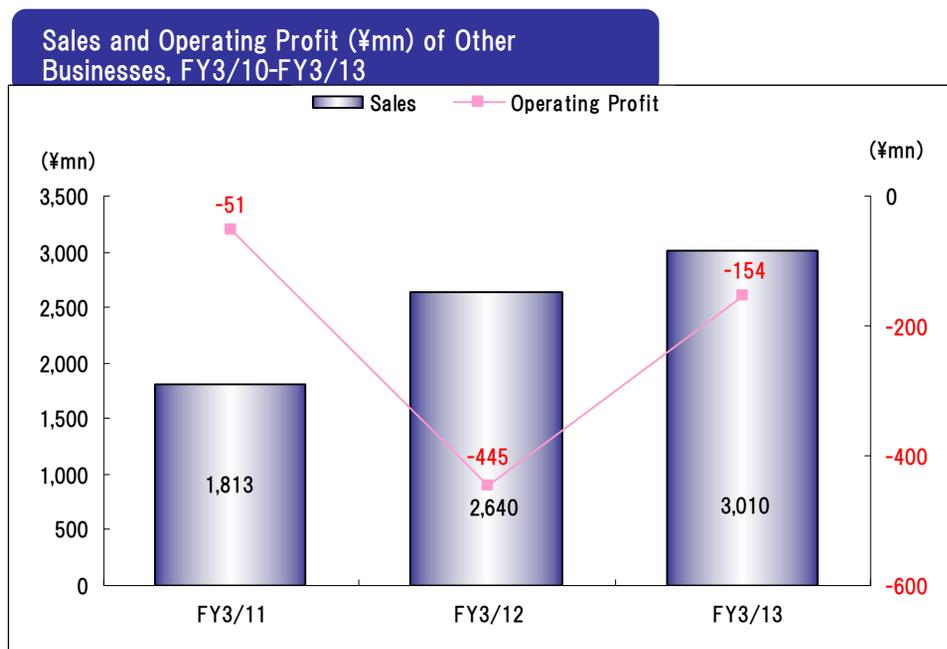
Five main subsidiaries renamed to start with G-7

○ Other Businesses

The company's main other businesses are G-7 Agri Japan, which operates the Megumi no Sato market business, and G-7 Development, which operates the Teppan Buffet “Green's K” restaurant business, the Ryohin Kaikan recycling and reusing business, and the real estate leasing business. In FY3/13, these businesses increased their combined sales by 14.0% y-o-y, to ¥3,010mn and their combined operating loss of ¥154mn was much smaller than their operating loss of ¥445mn in FY3/12.

Most of the sales growth in this business resulted from the opening of a new Ryohin Kaikan recycling store, bringing the total to four, from three in FY3/12. Most of the profit improvement resulted from the closure of four unprofitable Megumi no Sato markets in Greater Tokyo and the opening of new markets focused in Greater Osaka. At the end of FY3/13, 18 Megumi no Sato markets were in operation, two more than at the end of FY3/12. Consequently, the operating profit loss suffered by Megumi no Sato markets decreased significantly y-o-y in FY3/13.

■ FY3/13 Results



To strengthen the G-7 group brand and support the company's global growth strategy, in December 2012, G-7 Holdings re-named its five main subsidiaries as shown in the following table.

Five Main Subsidiaries of G-7 Holdings

New Name	Old Name	Business
G-7 Auto Service	Auto Seven	Operate Autobacs stores
G-7 Super Mart	Sun Seven	Operate "business supermarkets"
G-7 Development	Seven Planning	Operate restaurants, recycling business, real estate development
G-7 Food System	C & C	Sell foods wholesale
G-7 Agri Japan	Megumi no Sato	Operate Megumi no Sato markets

(Source: Produced by Fisco from Company materials)

G-7 Group Logo



G-7 HOLDINGS INC.
G-7 AUTO SERVICE CO.,LTD.
G-7 SUPER MART CO.,LTD.
G-7 DEVELOPMENT CO.,LTD.
G-7 MOTORS CO.,LTD.
G-7 FOOD SYSTEM CO.,LTD.
G-7 AGRI JAPAN CO.,LTD.

New stores for two main businesses and mall development to lead to profit growth

(2) Company forecasts for FY3/14

For FY3/14, G-7 Holdings forecasts a 4.1% y-o-y rise in consolidated sales to ¥86bn, a 6.8% increase in operating profit to ¥2.8bn, a 2.3% upturn in recurring profit to ¥3.0bn, and an 11.5% improvement in net profit to ¥1.5bn. To prosper in an increasingly competitive market, the company plans to cut administrative costs, raise productivity per employee, and reduce inventories to appropriate levels throughout the group. The company also plans to aggressively open new stores in its two main businesses, “business supermarkets” and Autobacs, and to develop more malls housing several group stores to attract more customers, thereby raising the sales and profits earned by each store. Thus, it anticipates sales and profit growth.

Consolidated Results (¥mn) for G-7 Holdings, FY3/09-FY3/14E

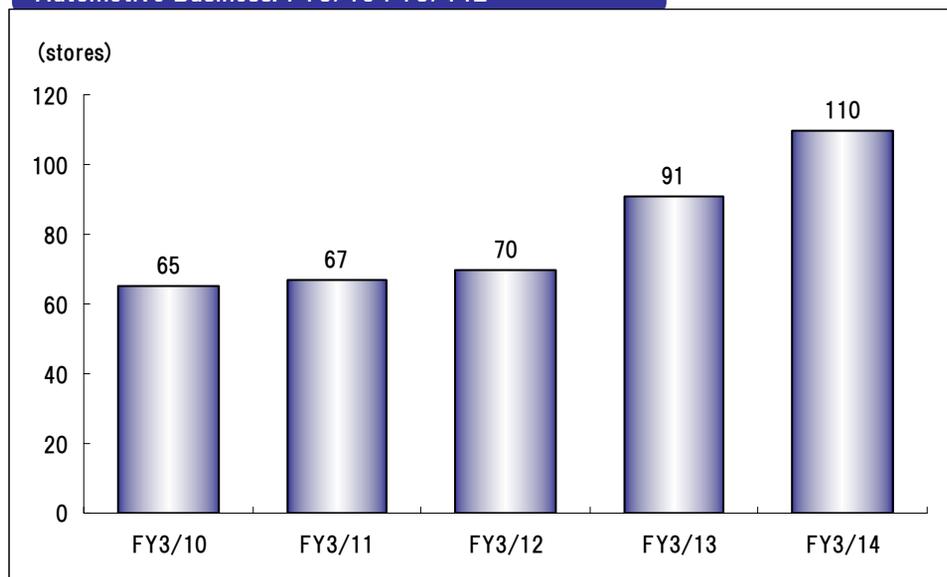
(unit : ¥mn, %, ¥)

Reporting Period	Sales	YOY	OP	YOY	RP	YOY	NP	YOY	EPS	DPS
FY3/09	65,297	5.6%	1,323	-0.7%	1,344	2.7%	259	-33.7%	19.57	10.00
FY3/10	67,078	2.7%	2,155	62.9%	2,247	67.2%	871	236.3%	66.47	22.00
FY3/11	71,457	6.5%	2,477	14.9%	2,591	15.3%	701	-19.4%	56.94	13.00
FY3/12	76,130	6.5%	2,178	-12.0%	2,250	-13.2%	722	3.0%	59.38	20.00
FY3/13	82,623	8.5%	2,622	20.4%	2,933	30.3%	1,345	86.1%	110.51	34.00
FY3/14e	86,000	4.1%	2,800	6.8%	3,000	2.3%	1,500	11.5%	123.24	24.00

○ Autobacs and other automotive business

This business plans to open 21 new stores in FY3/14, mainly Autobacs stores, and it has already acquired sites for about half these new stores. Thus, G-7 Holdings projects sales growth of 10% y-o-y for the business in FY3/14. The cost of opening the new stores will probably weigh on profit growth, so G-7 Holdings forecasts only modest operating profit growth for this business. G-7 Holdings plans to accelerate the pace of opening new stores to gain more profit.

Number of Stores in the Autobacs and Other Automotive Business. FY3/10-FY3/14E



Note: These numbers include the number of Bike Seven shops, which sell motorcycle parts and accessories.

■ FY3/13 Results

To improve profitability over the medium-to-long term, G-7 Holdings plans to raise the sales weighting of this business in high added-value services, such as car inspections and auto body painting, from the current proportion of just over 20% to 50%. In FY3/14, the company plans to raise the merchandizing skill of each employee in this business, enabling them to offer the most suitable product to satisfy a customer's need, in the proper quantity, at an appropriate price and time. It also intends to promote sales of all products deemed commercial, including non-automotive products, such as snacks, thereby raising sales and profits per store.

In FY3/13, the business opened two Autobacs Express gas stations at two Autobacs stores, which saw increases in the number of customers and sales. Therefore, the business plans to open more multiple-function stores in FY3/14.

In FY3/13, this business opened its first overseas store, an Autobacs store in Malaysia. Business at this store has grown strongly, and the company expects the store to turn profitable in three years. In June 2013, the business plans to open its second store in Malaysia, which will be a combines Autobacs and Bike Seven store.

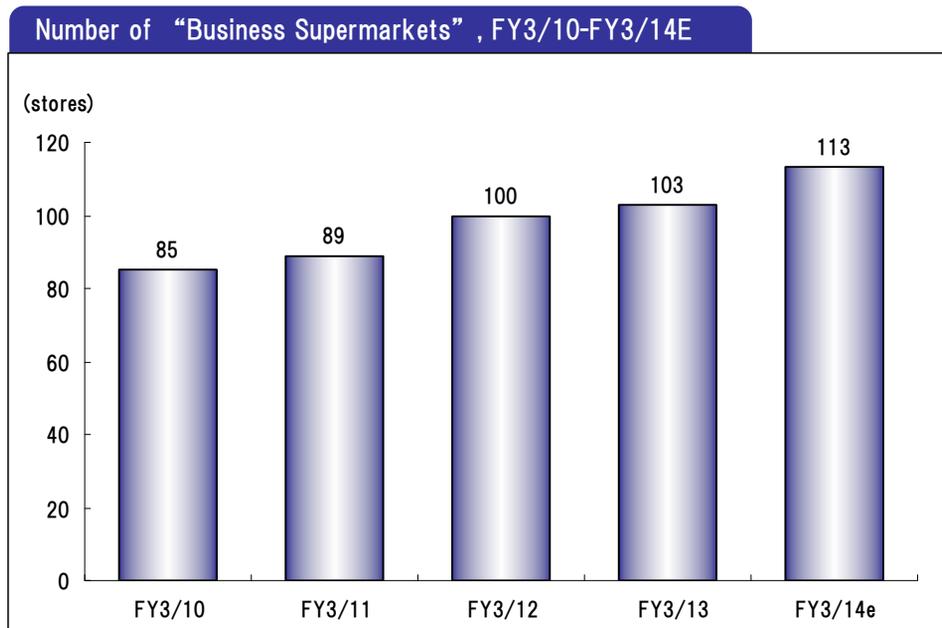
Aims to raise the profitability of each supermarket by selling more private-brand goods and attracting more customers

○ “Business supermarkets” and food related business

This business plans to open 10 new “business supermarkets” in FY3/14, six in Greater Tokyo and four in Greater Nagoya (Aichi, Gifu and Mie prefectures), areas which the company aims to dominate. The business will also relocate and/or renovate “business supermarkets” with declining sales.

The new supermarkets to be opened in FY3/14 will be of two formats, roadside or suburban supermarkets, to be opened in vacant buildings with 700 tsubo (2,310 square meters) or more of floor space, and urban supermarkets, to be opened in vacant buildings with 100 tsubo (330 square meters) or more of floor space. In the new suburban supermarkets, the business will attract tenants capable of attracting customers, thereby expanding sales. The company expects the new supermarkets to support 10% sales growth for the business in FY3/14. The business will try to raise the profitability of each supermarket by selling more private-brand goods and attracting more customers. Thus, the company also forecasts 10% operating profit growth for the business in FY3/14.

■ FY3/13 Results



This business intends to continue to stress employee training to raise productivity per employee. Most of the employees at “business supermarkets” are part-timers. It is important to train and empower these employees effectively because their productivity and customer interaction directly affect the profits of each supermarket. In FY3/12, the business compiled a 250-page store operation manual for all employees and started using it as training material. This manual contains more illustrations than the previous manual, so it is easy to understand, even for employees with no previous experience. Using this manual, new employees can become efficient faster than they could using the old manual.

At the end of FY3/13, the “business supermarkets” division had about 150 regular employees and about 1,660 part-time employees. The regular employees mainly manage service areas containing 10-15 supermarkets each, and some serve as supermarket managers of two or three supermarkets. The business sometimes promotes superior part-time employees with long experience to supermarket manager. In April 2013, two part-timers were made supermarket managers in the Greater Tokyo area. Part-timers who are promoted increase their income, and the business benefits in many ways from promoting part-time employees. Part-timers often have a deeper knowledge of the practical aspects of supermarket operation than regular employees, who normally change store every two years, but may change every few months when new supermarkets are being opened at a rapid pace. Part-timers tend to generate greater customer loyalty than regular employees and are often better able to evaluate products from a customer’s perspective. Part-timers can also accurately judge the commercial strength of tenant stores. For these reasons, the business plans to promote more part-timers, and expects this policy to increase the profit earned per store.

To attract more customers, the “business supermarkets” division intends to introduce markets that lease space to highly competitive tenants and to build supermarkets in malls housing other G-7 Holdings operations, such as Autobacs stores, Megumi no Sato markets, and restaurants.



Megumi no Sato markets and other businesses projected to earn a profit

○ Other Businesses

In FY3/14, G-7 Holdings expects the Megumi no Sato market business to earn a small profit and the other businesses division in total to be profitable. G-7 Agri Japan, which operates the Megumi no Sato market business, plans to expand its farms in Japan. In FY3/13, the company's farm in Nishi Ward, Kobe City, began cultivating shiitake mushrooms, which have sold well at Megumi no Sato markets. Therefore, the company intends to build a new greenhouse in May 2013 to harvest in September 2013. It also plans to start cultivating strawberries on a farm in Akashi City, near Kobe City, and to sell the berries through Megumi no Sato markets. The company plans to open four new Megumi no Sato markets in the Greater Osaka area in FY3/14.

G-7 Agri Japan started the experimental cultivation of vegetables on a farm owned by a joint venture in Myanmar and plans to start growing flowers on a farm in Vietnam and supplying these flowers to Megumi no Sato markets in Japan. The company will also try to develop a sales route in Vietnam for these flowers.

Aims to attract many more customers

(3) Mall Development Strategy

In FY3/14, G-7 Holdings plans to concentrate more group stores in single locations, thereby increasing the number of customers per store. In 2011, the company opened an Autobacs store and a "business supermarket" in Tarumi Ward, Kobe City. In 2012, it renewed as "G-7 Mall Shioyakita" by adding an Autobacs Express gas station, a Crystal Seven car wash and wax service, and a Megumi no Sato market to this location. As a result, the average number of customers coming to the automotive-related stores including Autobacs has increased by 312% y-o-y.

As of April 2013, G-7 Holdings had more than one group store at 16 locations in Japan. Since 2012, these locations have been called G-7 Malls. To build a mall, the company must obtain a land site of at least 7,000 tsubo (231,000 square meters) in area. It is difficult to acquire such large properties, so the company will not be able to increase the number of its malls significantly in one fiscal year. However, it plans to build more malls in FY3/14 if it can acquire sites on commercially rational terms.

In March 2013, G-7 Holdings concluded a franchise agreement with Daiso Sangyo Co., which operates Daiso 100 yen shops. On March 20, G-7 Holdings opened its first Daiso 100 yen franchise store at its G-7 Mall Okayamakume, which also contains a Bike Seven and Mega Recycle Okoku store of 8,851 square meters in floor space. On March 21, G-7 Holdings opened a Daiso 100 yen franchise store and a "business supermarket" at its G-7 Mall Nagoyaminato, which already housed a Bike Seven and Bike-O store of 11,600 square meters in floor space. In July 2013, G-7 Holdings plans to open the G-7 Mall Kisarazu, near the Kisarazu Outlet Mall, in Kisarazu City, Chiba Prefecture. This mall will contain an Autobacs store, a Bike Seven store, and other group stores.

■ FY3/13 Results

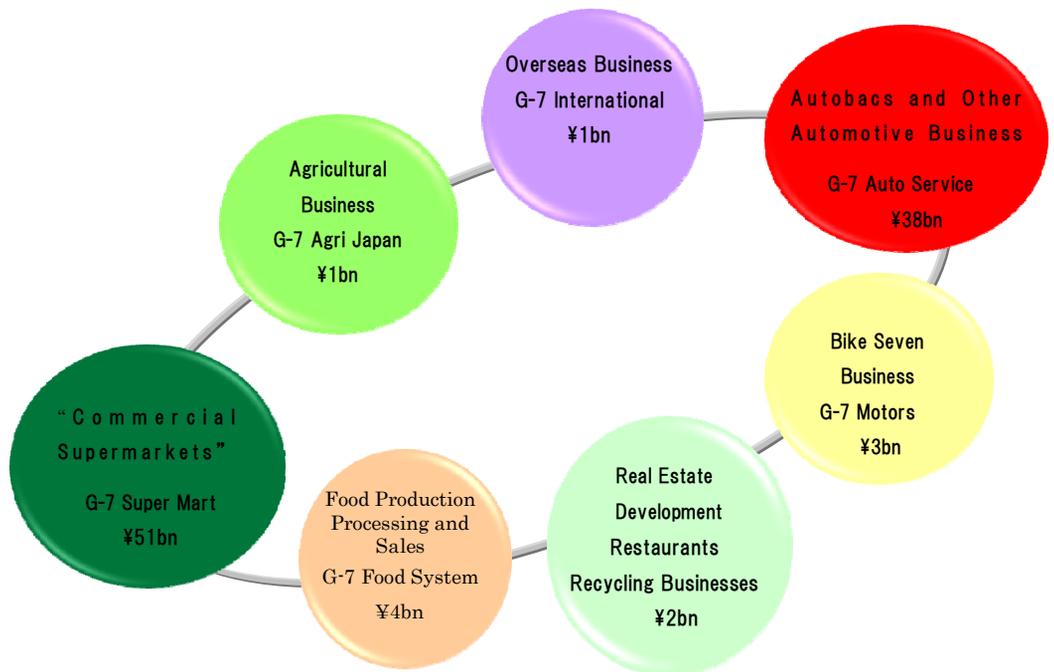
G-7 Mall Shioyakita (left) ,
Daiso 100 yen Store at G-7 Mall Nagoya Minato (right)



Source: Company

The strategy of concentrating multiple group operations with different industries at malls should help G-7 Holdings to expand and achieve its targets for FY3/16, of ¥100bn in sales and ¥4bn in operating profit.

Sales (¥bn) Targets for Businesses of G-7 Holdings in FY3/16



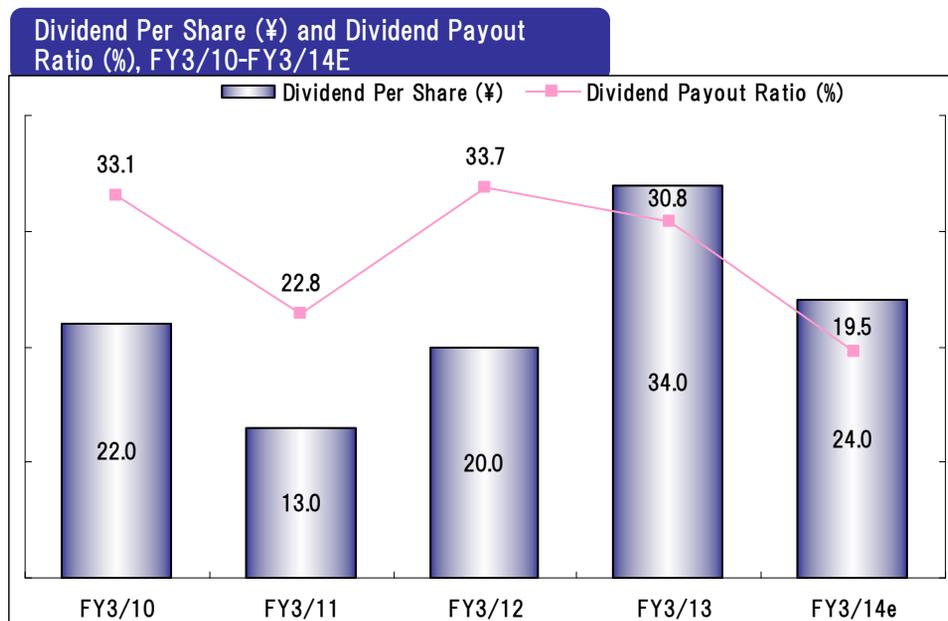
Source: Company

■ Shareholder Return Policy

Company is likely to increase its dividend for FY3/14, reflecting profit growth

Reflecting the company's strong profit growth, G-7 Holdings declared a dividend of ¥34 per share for FY3/13, which was more than twice its original planned dividend of ¥16. Although the company does not specify a target dividend payout ratio, its basic policy is to return profits to shareholders based on its own profits, on the premise that it continues to provide stable dividend. Hereafter, it will determine its dividend based on considerations of investments required to expand business and its financial condition. Given the strong likelihood that its profits will continue to grow in FY3/14 and following fiscal years, the company will most likely increase its dividend further.

Since the start of 2013, the share price of G-7 Holdings has almost doubled, reflecting a sharp rise in the Japanese stock market and the company's strong profit growth in FY3/13. Based on the company's estimate of its earnings per share in FY3/14, the shares currently trade on a PER of less than 10x, indicating potential share price appreciation.



Note: The dividend per share for FY3/12 included a special dividend of ¥6. The dividend per share for FY3/13 included a special dividend of ¥18.

Disclaimer

FISCO Ltd. (the terms “ FISCO ” , “ we ” , mean FISCO Ltd.) has legal agreements with the Tokyo Stock Exchange, the Osaka Securities Exchange, and Nikkei Inc. as to the usage of stock price and index information. The trademark and value of the “ JASDAQ INDEX ” are the intellectual properties of the Osaka Securities Exchange, and therefore all rights to them belong to the Osaka Securities Exchange.

This report is based on information that we believe to be reliable, but we do not confirm or guarantee its accuracy, timeliness, or completeness, or the value of the securities issued by companies cited in this report. Regardless of purpose, investors should decide how to use this report and take full responsibility for such use. We shall not be liable for any result of its use. We provide this report solely for the purpose of information, not to induce investment or any other action.

This report was prepared at the request of its subject company using information provided by the company in interviews, but the entire content of the report, including suppositions and conclusions, is the result of our analysis. The content of this report is based on information that was current at the time the report was produced, but this information and the content of this report are subject to change without prior notice.

All intellectual property rights to this report, including copyrights to its text and data, are held exclusively by FISCO. Any alteration or processing of the report or duplications of the report, without the express written consent of FISCO, is strictly prohibited. Any transmission, reproduction, distribution or transfer of the report or its duplications is also strictly prohibited.

The final selection of investments and determination of appropriate prices for investment transactions are decisions for the recipients of this report.