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■ Preparing to achieve ¥100bn of sales in FY3/16

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.

On November 5, 2012, the company announced its results in the first half of FY3/13. Its consolidated sales grew by 10.3% year-on-year (y-o-y) to ¥40,235mn, and its consolidated operating profit rose 2.9% y-o-y to ¥1,067mn, probably in line with company forecasts. The opening of new stores supported sales growth in the Autobacs and “business supermarkets” segments, and the closure of unprofitable Megumi no Sato markets reduced losses in this business.

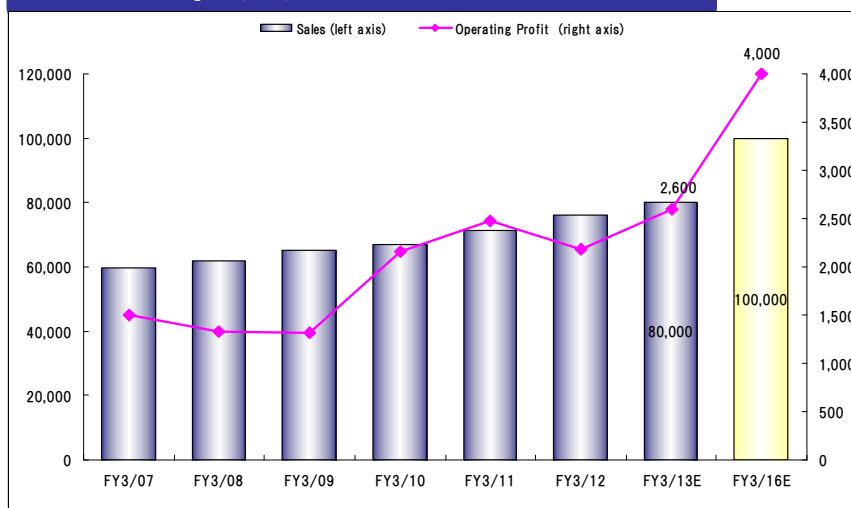
For FY3/13, G-7 Holdings maintained its earlier projections of a 5.1% y-o-y rise in consolidated sales to ¥80bn and a 19.3% y-o-y increase in consolidated operating profit to ¥2.6bn. Prospects for the Japanese economy have been downgraded, and overall market conditions remain difficult, but the company expects new Autobacs stores and new “business supermarkets” to support sales and profit growth in their respective businesses. Thus, it expects to earn a record-high operating profit, eclipsing the previous high of FY3/11.

On October, 2012, G-7 Holdings bought Coldfamily Co., a producer of foodstuffs with annual sales of ¥600mn, for ¥10mn. This follows on its purchase, in December 2011, of Ueno Shokuhin Co. G-7 Holdings expects Coldfamily Co. to expand the range of products offered by its Megumi no Sato markets and help these markets to achieve greater sales and profits. Overseas, G-7 Holdings has opened an Autobacs store in Malaysia and is preparing to launch agricultural businesses in Myanmar and Vietnam. The company expects these expansions and future expansions to help it achieve its FY3/16 targets of ¥100bn in sales and ¥4bn in operating profit.

■ Check Points

- Autobacs business continues to grow despite a challenging operating environment for automotive products
- Company aims to establish synergy between its businesses through strategic M&A
- Company aims to establish stores with close ties to the areas they serve, enabling them to provide meticulous service

Business Results in FY3/07 - FY3/12, Forecasts for FY3/13, and Medium-term Targets (¥mn)

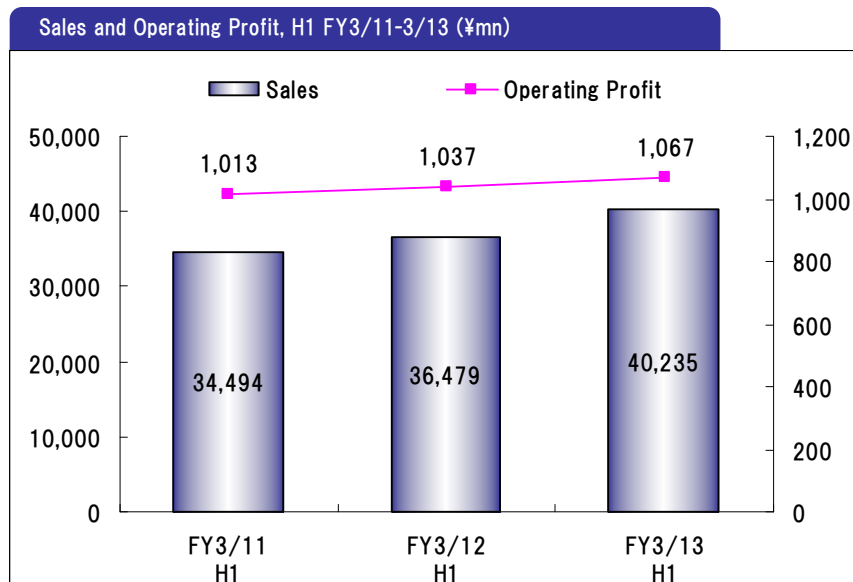


■ H1 FY3/13 Results

Sales and profit growth supported by large decline in losses suffered by Megumi no Sato markets business

In the first half (H1) of FY3/13, G-7 Holdings increased its consolidated sales by 10.3% y-o-y, to ¥40,235mn, its consolidated operating profit by 2.9% y-o-y, to ¥1,067mn, its recurring profit by 15.1% y-o-y, to ¥1,206mn, and its net profit by 18.2% y-o-y, to ¥666mn. Sales grew because the company opened new Autobacs and “business supermarket” stores. Operating profits earned by the Autobacs and “business supermarket” businesses declined slightly, but overall operating profit increased because losses suffered by the Megumi no Sato markets business shrank notably due to the disposal of unprofitable markets. Non-operating profit grew by more than ¥100mn y-o-y, mainly because the company claimed no losses on the disposal of fixed assets similar to the losses it declared in H1 FY3/12. Therefore, recurring profit advanced by 15.1% y-o-y. G-7 Holdings did not announce official forecasts for H1 FY3/13, but its results in that half seem to have been close to its internal targets. Results by segment were as follows.

■ H1 FY3/13 Results

**Sales and Recurring Profit, FY3/11-FY3/13E (¥mn)**

	Sales	YOY	Operating Profit	YOY	Recurring Profit	YOY	Net Profit	YOY	EPS (yen)	Dividend (yen)
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
FY3/12E	80,000	5.1%	2,600	19.3%	2,700	20.0%	800	10.7%	65.73	16.00

Sales and Recurring Profit by Quarter, FY11/3-FY13/3 (¥mn)

	Sales					Recurring Profit				
	FY11/3	FY3/12	YOY	FY3/13	YOY	FY11/3	FY3/12	YOY	FY3/13	YOY
1Q	17,058	18,119	6.2%	20,090	10.9%	584	485	-17.0%	567	16.8%
2Q	17,436	18,360	5.3%	20,145	9.7%	484	563	16.3%	639	13.4%
3Q	19,390	20,700	6.8%	-	-	1,063	1,015	-4.5%	-	-
4Q	17,573	18,951	7.8%	-	-	460	187	-59.4%	-	-

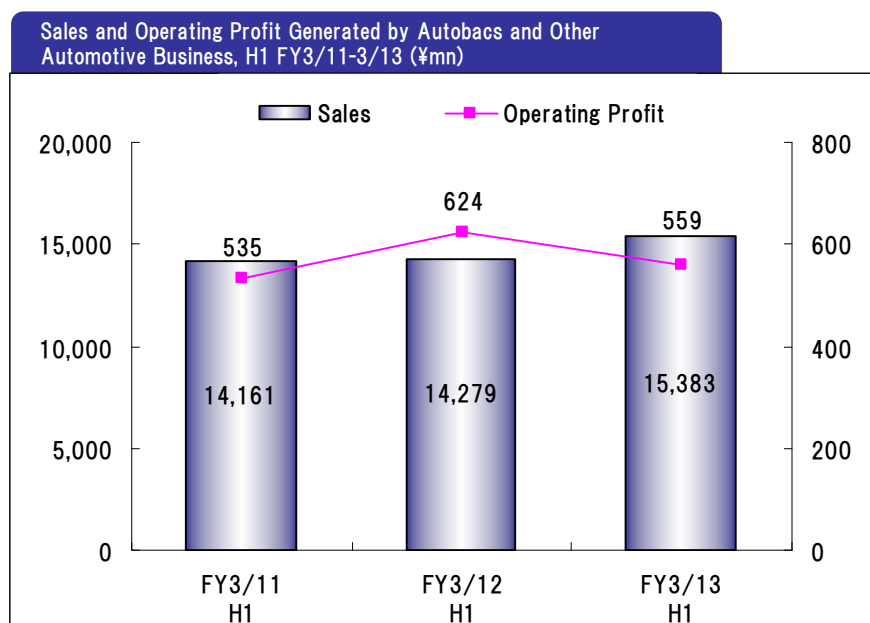


Growth despite a difficult operating environment

(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 H1 FY3/13, the automotive business generated sales of ¥15,383mn, up 7.7% y-o-y, and operating profit of ¥559mn, down 10.4% y-o-y. Sales of tires and car accessories rose y-o-y, reflecting an increase in sales of new cars in Japan, which was supported by government subsidies for purchases of ecological cars and by a decrease in taxes on these cars. However, sales of electronic goods for automobiles dropped by more than 10% y-o-y because sales of navigation equipment and audiovisual digital tuners declined in reaction to strong sales in H1 FY3/12 accompanying the digitization of television broadcasting in Japan. Based on the same number of stores in operation in H1 FY3/12, automotive business sales in H1 FY3/13 were unchanged y-o-y. However, the business acquired three Autobacs stores in Hiroshima Prefecture in April 2012, and it opened two new stores in Hyogo Prefecture, one in April, the other in July. In April 2012, it also opened its first overseas store, in Malaysia. Thus, by the end of September 2012, the business operated or franchised 57 stores, including the one in Malaysia.

Operating profit in the automotive business decreased y-o-y in H1 FY3/13, mainly because sales of car audiovisual equipment fell and the business incurred costs in acquiring new stores. However, both sales and profits were roughly in line with company expectations. Furthermore, the company's automotive business performed well, given the difficult operating environment for automotive equipment. Autobacs Seven (9832), the company which franchises the Autobacs business, reported a 3.4% y-o-y drop in consolidated sales and a 31.7% fall in consolidated operating profit in H1 FY3/13.

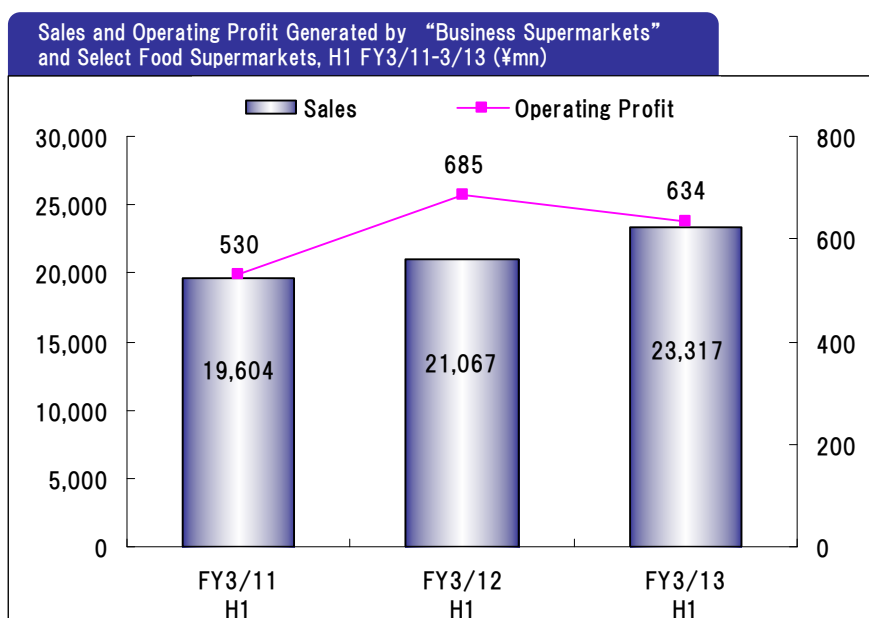


Number of “business supermarkets” increased by 10 y-o-y to 102

(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 ¥23,317mn in H1 FY3/13, up 10.7% y-o-y, and operating profit of ¥634mn, down 7.5% y-o-y as company expected. 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 H1 FY3/12, “business supermarkets” sales were unchanged y-o-y in H1 FY3/13. However, the company opened one new “business supermarket” in Kanagawa Prefecture and another in Aichi Prefecture as part of its strategy to dominate the market in Greater Tokyo and Greater Nagoya, bringing the total to 102. This is 10 more than it had at the end of September 2011, and the new stores accounted for much of the sales growth achieved by the business. Ueno Shokuhin Co., purchased by G-7 Holdings in December 2011, also contributed to sales growth.

The gross profit margin on this business declined y-o-y because Kobe Bussan (3038), which franchises “business supermarkets”, changed some of the terms of its franchise contracts as of April 1, 2012. This is the main reason that the business’ s operating profit fell y-o-y.

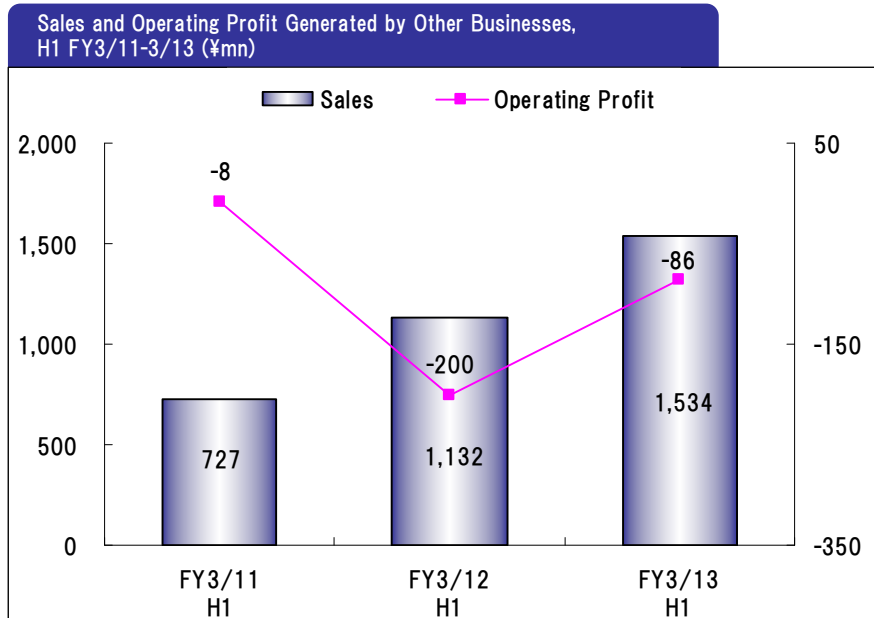


Closing unprofitable stores and shoring up private brands

(3) Other Businesses

The company's main other businesses are the Megumi no Sato market business, the "Green's K" Teppan Buffet restaurant business, and the Ryohin Kaikan recycling and reusing business. In H1 FY3/13, these businesses increased their combined sales by 35.5% y-o-y, to ¥1,534mn and their combined operating loss of ¥86 million was much smaller than their operating loss of ¥200mn in H1 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 and the opening of a new "Green's K" Teppan Buffet restaurant, bringing the total to eight from seven in FY3/12. Most of the profit improvement resulted from the closure of eight Megumi no Sato markets in the latter part of FY3/12, bringing the total down to 16, and from an expansion of sales of private brand processed food by the remaining markets. Consequently, the operating loss suffered by the Megumi no Sato markets business narrowed to only ¥1mn in H1 FY3/13 from ¥200mn in H1 FY3/12.

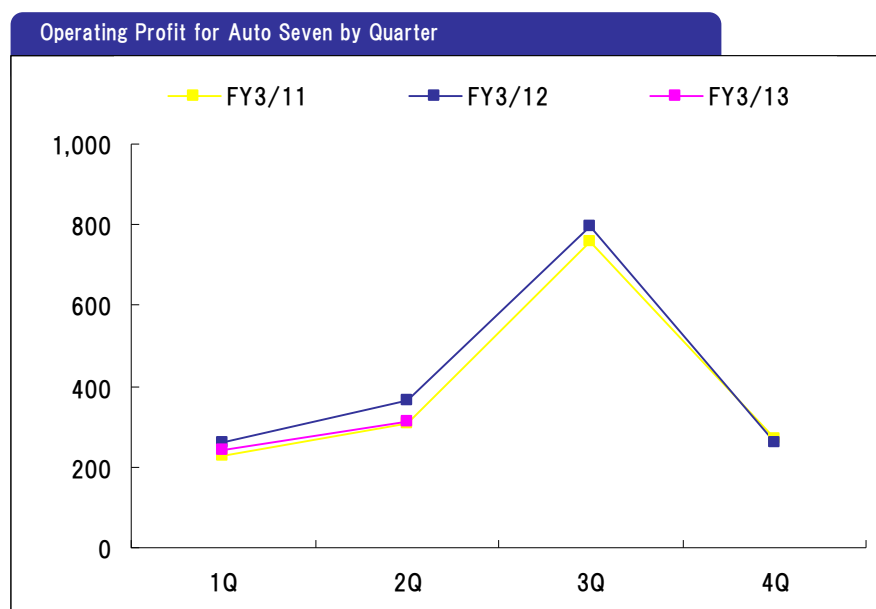


■ Company forecasts for FY3/13

Aiming for record-high operating and recurring profits

For FY3/13, G-7 Holdings maintained its forecast announced in 14 May, 2012: 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 trends of Japan's economy are becoming more difficult, but the group plans to meet this challenge by cutting administrative costs, raising productivity per employee, and reducing inventories to appropriate levels. The company also expects its two main businesses, "business supermarkets" and Autobacs, to expand their sales and profits by opening new stores. Thus, it anticipates record-high operating and recurring profits, exceeding the highs two fiscal years ago.

Sales in H1 FY3/13 equaled half the sales forecast by the company for the full fiscal year, but H1 operating profit was only 41% of the operating profit forecast for the full fiscal year. This seeming shortfall in operating profit reflects the fact that the Autobacs business earns most of its profits in the third quarter of each fiscal year, i.e., the October-December quarter, when it sells high-margin studless tires and chains. To achieve the company's operating profit forecast for the full fiscal year, sales of these items in the last quarter of 2012 will have to match company expectations. Company forecasts for each main segment of business are as follows.

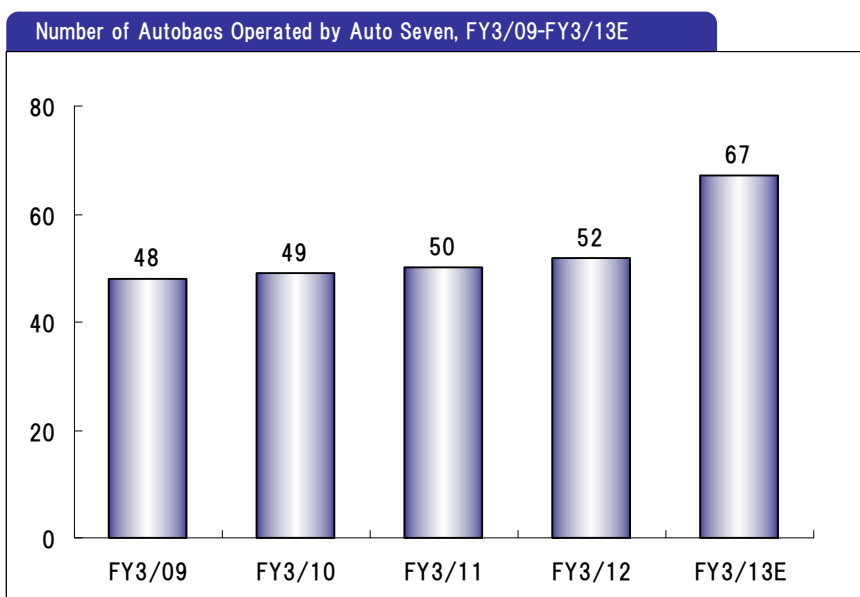


Autobacs business to increase high value-added services and raising profitability

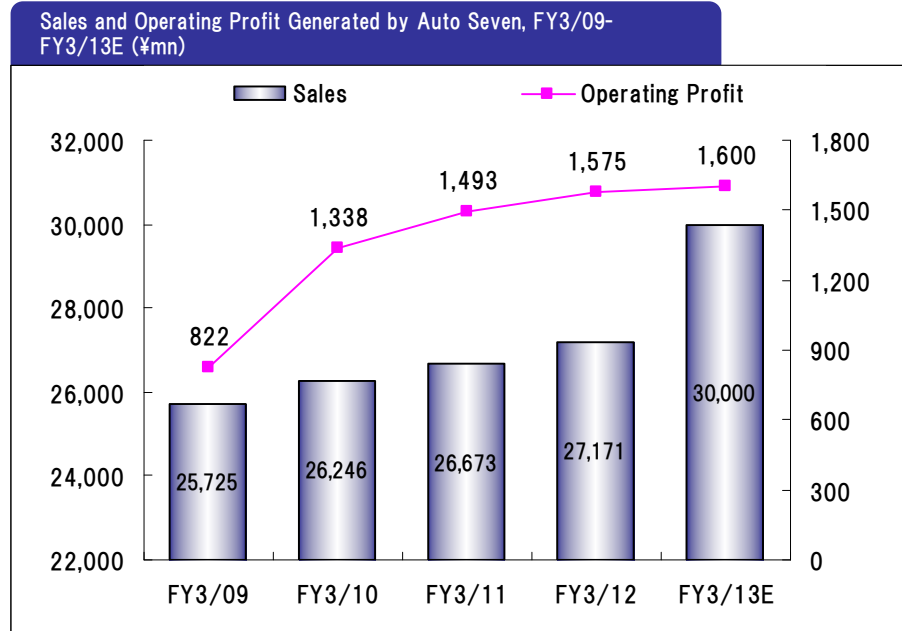
(1)Autobacs and other automotive business

Auto Seven, a subsidiary of G-7 Holdings that operates Autobacs stores, plans to open 15 new stores in FY 3/13. These new stores will probably contribute to sales growth, but the cost of opening them will probably weigh on profit growth. Thus, for FY3/13, G-7 Holdings forecasts sales of ¥30bn, up 10% y-o-y, and operating profit of ¥1.6bn, up 2% y-o-y, for this subsidiary. In October 2012, sales of new cars in Japan weakened, as did the y-o-y growth of same-store sales by the Autobacs business. The achievement of the company's full-year forecasts will depend heavily on sales of studless tires and chains in the current quarter, but based on the pessimistic outlook for the Japanese economy, the company plans to promote sales with a sense of urgency.

To improve profitability over the medium-to-long term, Auto Seven plans to raise its sales weighting in high added-value services, such as installing automotive parts and maintaining autos, from the current proportion of about 20% to 40% and the operating profit weighting of these services from 36% now to 50%.



■ Company forecasts for FY3/13



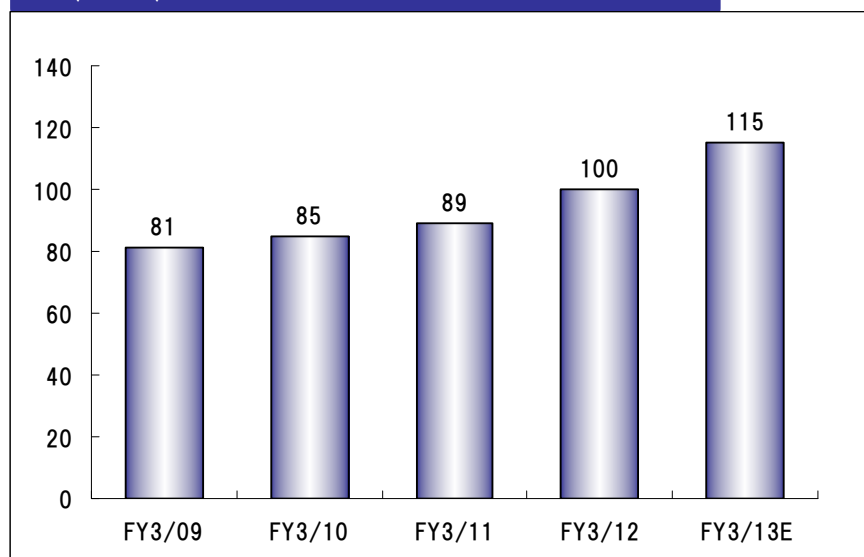
Pace of opening new “business supermarkets” may slow due to greater demand for vacant buildings

(2) “Business supermarkets” and select food supermarkets

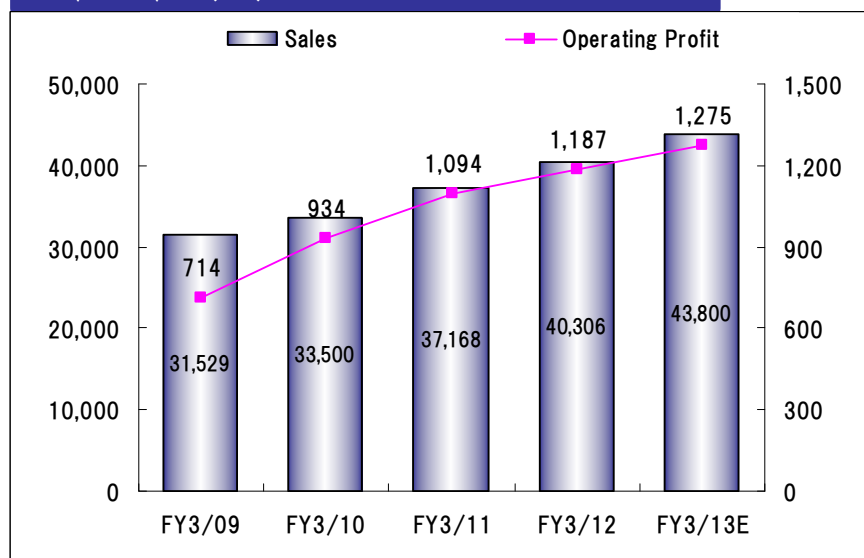
Sun Seven, the G-7 Holdings subsidiary that operates “business supermarkets”, had planned to open 15 new supermarkets in FY3/13, but it now estimates that it may open only 6-8 new stores. To limit the cost of opening new stores, mainly in the Greater Tokyo and Greater Nagoya areas which the company aims to dominate, Sun Seven has been renting vacant buildings, rather than constructing new ones. However, more companies are now following the same strategy, so the rent for vacant buildings has risen. Therefore, as mentioned above, this subsidiary will not open as many new “business supermarkets” as it had originally planned to, but by improving the freshness of its products, offering more products, and attracting more commercial customers, the subsidiary expects to increase its sales in FY3/13 by 9% y-o-y, to ¥43.8bn, as originally planned.

■ Company forecasts for FY3/13

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)



Losses shrinking rapidly and business may turn profitable

(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 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 declined faster than the company had planned in H1 FY3/13, and depending on its growth in H2 FY3/13, this business may earn an operating profit in the full fiscal year. Thus, the company has decided to open four new markets in the Greater Osaka area in H2 FY3/13, bringing the nationwide total to 20.



Recent acquisition

Company aims to establish synergy between its businesses through strategic M&A

On November 1, 2012, G-7 Holdings, through subsidiary C and C Co., bought Coldfamily Co. and made it a wholly-owned subsidiary. C and C plans to merge Coldfamily in January 2013. Coldfamily sells local specialty foods and specially made foods wholesale throughout Japan. It also manufactures and sells frozen foods.

With annual sales of only about ¥600mn, Coldfamily will not greatly affect the sales and profits of G-7 Holdings. However, it will develop and produce private brand foods for sale by Megumi no Sato markets. In the future, it may also promote sales of foods developed by the G-7 Holdings group to former customers, including prestigious supermarket chain stores and department stores.

Coldfamily Co. is briefly described in the following tables.

Outline of Coldfamily Co. Ltd.

Capital	¥10mn
Year of establishment	1974
Sales	¥610mn as of FY2/12
Businesses	Wholesale sales of local specialty foods and specially made foods throughout Japan (80%) Development, production and sale of high-grade frozen foods (20%)
Number of employees	10
Customers	National prestigious supermarkets and department stores

Overseas Business Expansion

Medium-term plan aims to obtain 10% of sales overseas

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. The company is now promoting agricultural businesses in Myanmar and Vietnam. It had planned to set up its first food supermarket in China by the end of FY3/13, but it has put that venture on hold due to a recent souring of relationships between Japan and China.

Building agricultural businesses in developing countries

(1) Agricultural business in Myanmar

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. 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.

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 Import and export of seeds, fertilizers, and animal feed
Capital	¥40mn
Proposed date of establishment	November 2012
Ownership ratios	City Mart Holding 60% Megumi no Sato 40%

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 annual temperature at this site is 25° C. In its first year of operation, the joint venture plans to cultivate six crops: cabbage, lettuce, cauliflower, strawberries, chayote, and rape, on an experimental basis to determine how they will grow and taste. Then, it will decide which crops to sell commercially. Hereafter, it must also decide on a means of distributing its products. It currently takes about five hours by truck to transport goods. To deliver fresh produce to the capital, the joint venture may develop a more efficient means of distribution than the current road system.

G-7 Holdings has also recently acquired farmland in Vietnam. Hereafter, the company plans to establish a joint venture in that country and prepare to sell produce there on a wholesale basis.

Landscape of Farm in Myanmar



Establishing stores with close ties to the areas they serve, enabling them to provide meticulous service

(2) Autobacs business in Malaysia

The company's first overseas operation is Autobacs-Klang Sentral, opened in Malaysia in April 2012. This was also the first Autobacs store in Malaysia. The store is staffed by three Japanese and about 20 local employees, and it currently serves 50-100 customers per day, including many Japanese customers. Malaysia does not require annual automobile inspections, so drivers in that country tend to drive their cars until they need repair. Thus, the demand for automobile repair service in Malaysia is greater than the corresponding demand in Japan. To exploit this demand, Autobacs Klang Sentral has developed its own automobile inspection service. The fee for this service is 90 Malaysian ringgit (about ¥2,340). Based on the results of the inspection, the store recommends parts replacements and repairs. The potential demand for this automobile inspection service appears great, as the diffusion rate for autos is high in Malaysia and there are many traffic jams in Kuala Lumpur due to the breakdown of old vehicles.

Hereafter, Autobacs Klang Sentral will strive towards accomplishing two goals: 1) attracting more customers by increasing the public's awareness of its services, and 2) training its local employees. Under the slogan "Anything about cars, you can find at Autobacs", the store hopes to establish close ties with the local population by providing high value-added goods, full pit service, and personal services just as they are provided by Autobacs stores in Japan. The store aims to achieve profitability within three years. G-7 Holdings tentatively plans to open a second Autobacs store in Malaysia in the current fiscal year, FY3/13.

Opened first overseas store, in Malaysia



■ Medium-term Plan and Share Valuation

Realization of growth potential could lift valuation

The medium-term plan of G-7 Holdings aims to achieve consolidated sales of ¥100bn and consolidated operating profit of ¥4bn in FY3/16. To reach these objectives, G-7 Holdings intends to pursue the following strategies.

Strategies for achieving objectives of medium-term plan	
1	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.
2	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.
3	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.
4	The Ryohin Kaikan reusable goods business will develop more stores in Hyogo Prefecture, Okayama Prefecture, and Greater Tokyo. The "Green's K" Teppan Buffet restaurant chain will open new restaurants in Greater Osaka and Greater Tokyo.
5	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.
6	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.
7	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 o

**■ Medium-term Plan and
Share Valuation**

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. To open small stores in Greater Tokyo, the company must be able to find vacant buildings there which it can afford to rent.

Since April 2011, the share price of G-7 Holdings has fluctuated around ¥400, putting the shares on a PER of 6x based on the company' s estimate of its earnings per share in FY3/13 and on a PBR of 0.5x based on the company' s declared book value per share at the end of March 2012. Based on the company' s planned dividend payment for FY3/13, the shares offer a dividend yield of 4%. The company' s PER and PBR are lower than the valuations for TOPIX, the stock index for all companies listed on the First Section of the Tokyo Stock Exchange. TOPIX has a PER of 12x, a PBR of 0.9x, and a dividend yield of 2.3%. The superb store operation knowhow acquired by G-7 Holdings has enabled the company to raise the profitability of its Autobacs business and its " business supermarkets " business to levels comparable to those of the franchisors of these businesses. The company plans to apply this expertise to its Megumi no Sato business, its other operations in Japan and its overseas operations. If it taps the growth potential of these businesses, its share price is likely to rise.

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