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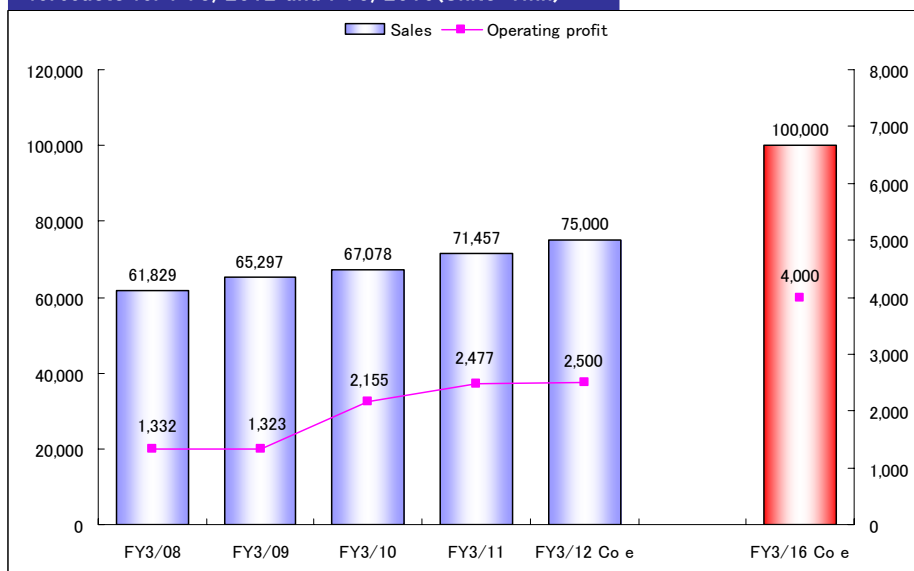
Aiming for sales of ¥100bn by expanding existing businesses and developing new ones

G-7 Holdings subsidiary Auto Seven Co. is a franchisee of Autobacs Seven (9832), a supplier of automobile parts and supplies, and subsidiary Sunseven Co. is a franchisee of Kobe Bussan (3038), which sells food and general merchandise through “business supermarkets”. These subsidiaries operate more stores of both franchises than any other franchisee in Japan. G-7 Holdings plans to apply the knowhow it has accumulated through business in Japan to expand overseas. In early 2012, it intends to open its first overseas store, to sell automobile parts and supplies in Malaysia. Subsequently, the company aims to open food supermarkets in China and Vietnam.

As its third main business in Japan, G-7 Holdings is developing Megumi no Sato stores, which sell produce grown by local farmers and picked the day it is sold. This business is now being built, so investment costs are high, and the business does not yet contribute to profits. However, the company is expanding the scope of these stores, thereby increasing their customer appeal, so it expects the business to turn profitable.

G-7 Holdings has compiled business plans through the fiscal year ending in March 2016, when it targets sales of ¥100billion and operating profit of ¥4billion. To reach these goals, it will increase the number of “business supermarkets” in Japan, expand its Megumi no Sato and other businesses in Japan, and develop business overseas. If these plans proceed on schedule, the goals appear to be achievable.

Business results, FY3/2008-2011, and company forecasts for FY3/2012 and FY3/2016(Units: ¥mn)



■ Check Point

- Expand Autobacs and “business supermarket” franchises
- Develop Megumi no Sato business and overseas business over the next 1-2 years
- FY3/2016 goals: ¥100bn of sales, ¥4bn of operating profit

■ Company History

Diversification around a base of Autobacs and “business supermarket” businesses

In October 1975, the current Chairman of the Board and Representative Director, *Mamoru Kinoshita* opened an automobile accessories store called Auto Seven Kakogawa in the parking lot of a bowling alley, Seven Bowl, in Kakogawa City, Hyogo Prefecture. In July 1976, the company concluded a franchisee license with Autobacs Seven. Thereafter, it opened 50 Autobacs stores in seven prefectures, primarily in Hyogo Prefecture. This is the largest number of stores operated by an Autobacs Seven franchisee in Japan. In April 1995, the company changed its name from Kinoshita Shoji to Auto Seven Co.

In January 2002, Auto Seven Co. established Sevenplanning Co., a consolidated subsidiary that engages in real estate business, such as planning and acquiring sites for new stores. In April 2002, Auto Seven set up another consolidated subsidiary, Sunseven Co., which became a franchisee of Kobebussan, an operator of “business supermarkets”. Initially, Sunseven opened “business supermarkets” in Kobe City, but it now operates 92 such supermarkets in 12 prefectures, more than any other franchisee in Japan.

In April 2004, the group established Bike Seven Co., a consolidated subsidiary which sold motorcycle parts and supplies. That subsidiary is now called G-7 Motors. In September 2004, the group set up Seven Fortune Group, Limited in Hong Kong to provide managerial guidance for expanding its business into Asian countries. In April 2006, the company reorganized as a holding company. All operational (or managerial) functions other than holding company functions were transferred to Auto Seven Co. In November 2006, G-7 Holdings bought Fukuzin Sangyo, which sold automobile parts and supplies, and Takatsuki Co., a painter of sheet metal. In June 2008, G-7 Holdings purchased C & C Co., a wholesaler of select foods, from Coca-Cola West Co. In November 2009, the holding company started a recycling business at its Sevenplanning subsidiary, and in December of that year, it bought Megumi no Sato.

In 1996, the company listed on the second section of the Osaka Securities Exchange, in 2001, on the second section of the Tokyo Stock Exchange, and in 2005, on the first sections of both exchanges. The “G” in the company’s name is the first letter of three English words - global, guts, and group - that summarize the company’s essence or intent. The “7” in the company’s name refers to its origin, next to Seven Bowl, and is known as a lucky number.



Business Overview

Total automobile maintenance improving growth and profitability

1) Autobacs and other automotive business

This was the company's original business and remains its largest, generating sales of ¥29,405 million, or 41% of total sales, and operating profit of ¥1,414 million (57%) in FY3/2011.

This business is carried out by two group subsidiaries, Auto Seven Co., which operates Autobacs stores that sell automotive parts and supplies and provide maintenance services, and G-7 Motors, which sells and maintains automobiles and motorcycles. As of June 2011, Auto Seven Co. operated 50 Autobacs stores, the most of any Autobacs Seven franchisee in Japan. In FY3/2011, Auto Seven Co. generated sales of about ¥26,600 million and recurring profit of about ¥1,600 million, the bulk of both figures for the division.

The main strength of Auto Seven Co. is its ability to operate effectively. The company's strategy is to constantly improve operational efficiency, from the receipt and placement of orders to inventory control, while providing high-quality customer service, including after-sale care. Other franchise owners sometimes visit Autobacs stores operated by Auto Seven for hints about ways to improve their operations. The Japanese market for automotive supplies has matured, so the ability to attract customers is vital to the survival of sellers of such supplies. Auto Seven Co. has improved its ability to attract customers by strengthening its total automotive maintenance business earlier than competitors. This business includes automobile inspection, sheet metal coating and painting, and car washing. As a result of concentrating on such maintenance service, Auto Seven has achieved superior sales growth and profitability, as shown in the chart below.

Auto Seven does not expect the Japanese market for auto supplies to grow, so it intends to continue to pursue a basic strategy of improving its maintenance service. It plans to increase its ability to attract customers and to expand its profits by offering total car life support. The profitability of automobile inspections, changing supplies and painting automobile steel sheet depends greatly on productivity per worker. Given Auto Seven's record of applying its knowhow to improve productivity, it appears likely that it will continue to do so, contributing to further profitability. Currently, car maintenance services account for about 20% of Auto Seven's total sales, but revenues from car maintenance services are growing by more than 10% annually, so their contribution to total sales is rising. G-7 Holdings is also open to increasing its car maintenance business and market share through opportune mergers or acquisitions.

Auto Seven Co. also operates BP Centers, which provide a wide range of automotive maintenance services, including the repair of scratches and dents, insured repairs, body coating, wheel alignment testing, sheet metal replacement and painting, glass repair, and the application of coatings that respond to the environment.

Autobacs



BP Center

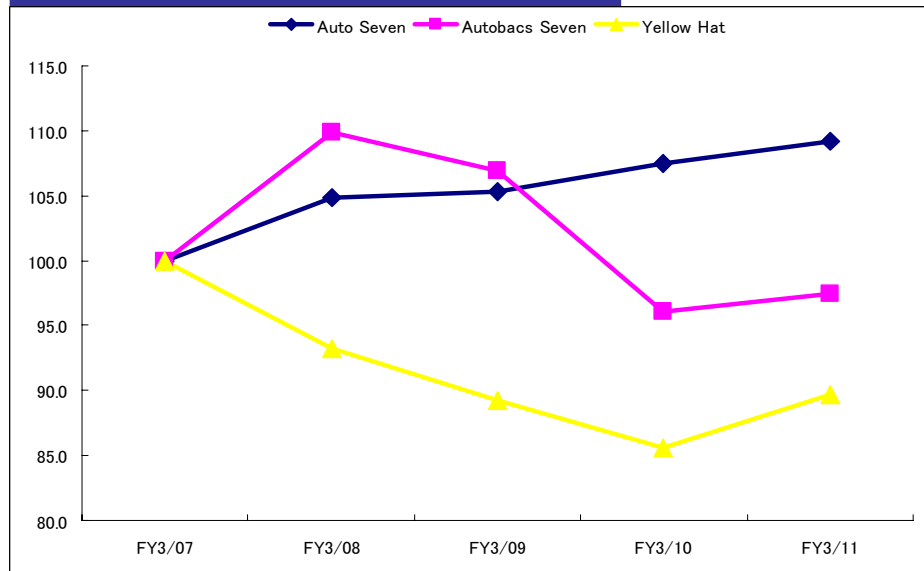


Business Overview

Quick car inspections at Auto Seven's Autobacs franchises

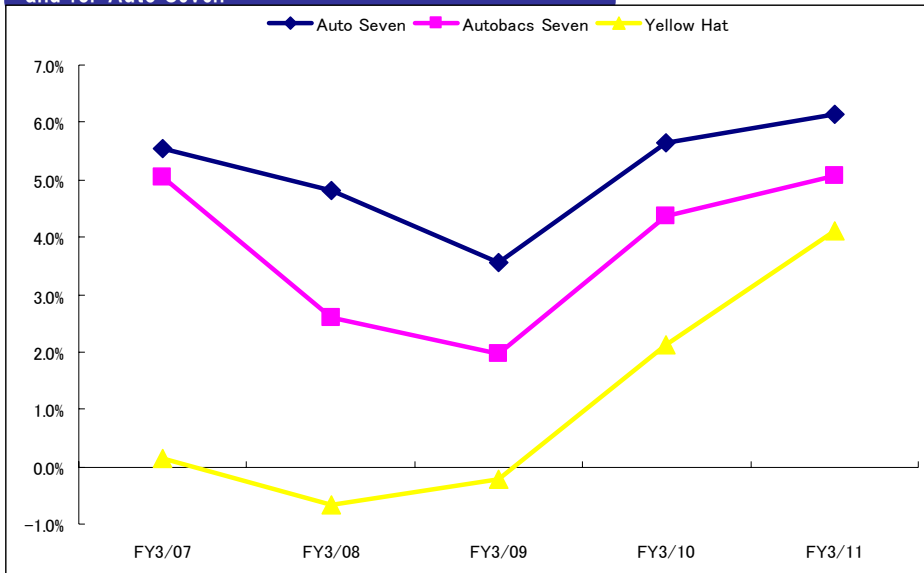


Sales indices for Japan's two leading aftermarket suppliers of auto parts and supplies and for Auto Seven



※FY3/2007 = 100

Consolidated operating profit ratios for Japan's two leading aftermarket suppliers of auto parts and supplies and for Auto Seven



※For Auto Seven, the graph shows the consolidated recurring profit ratio.
For Yellow Hat, the graph shows the consolidated operating profit ratio for the automobile supplies division.

Auto Seven has grown faster than Japan's two leading aftermarket suppliers of auto parts and supplies since FY3/2007

Profitability ratios were adversely affected by Japan's recession in FY3/08 and FY3/09, but they have rebounded since then.



Auto Seven's knowhow contributing to profits

2) "Business supermarkets" and select food sales

In FY3/2011, this division supplied sales of ¥39,940 million, or 56% of total sales, and operating profit of ¥1,116 million (45%). Sunseven contributed sales of ¥37,168 million and operating profit of ¥1,174 million. The "business supermarkets" operated by Sunseven sell produce and goods purchased directly from their makers/growers, avoiding wholesalers. Thus, these supermarkets sell at low prices to professionals and individual consumers. This relatively new type of supermarket is thriving in Japan, which has been plagued by deflation for many years as consumers have sought lower prices.

After Sunseven concluded a franchise agreement with Kobebussan in 2002, it rapidly increased the number of franchise "business supermarkets" it operated, mainly in Hyogo Prefecture. As of the end of June 2011, it operated 92 supermarkets, the most of any Kobebussan franchisee. As shown in the accompanying graph, Sunseven opened more than 10 supermarkets per year through 2007. Over the past 2-3 years, the number of new supermarkets opened has stagnated, but hereafter, Sunseven intends to open about 10 new supermarkets each year. It will concentrate expansion in Greater Tokyo and the Chubu region of Japan, two areas with great sales potential. The cost of expansion kept Sunseven's profitability low until FY3/2009, when the number of profitable supermarkets began to grow notably. Since then, profitability has been improving steadily.

To strengthen its sales capability, Sunseven has begun to increase the number of its supermarkets that offer fresh fruits, vegetables, meat and fish. Taking advantage of Auto Seven's knowhow in store operation, Sunseven is thoroughly raising its sales efficiency and lowering its operating to increase sales and profits while selling low-priced goods. For example, the company often uses buildings with all its furnishings and equipment to open new supermarkets, thereby limiting initial costs.

Sunseven also operates a chain of Green's K shops, which sell prepared foods.

This division also includes subsidiary C & C Co., which wholesales carefully selected goods of 60,000 products from 3,000 companies nationwide to department stores and high-grade supermarkets. In May 2011, this subsidiary opened its first retail outlet, in Osaka.

business supermarkets



Green's K

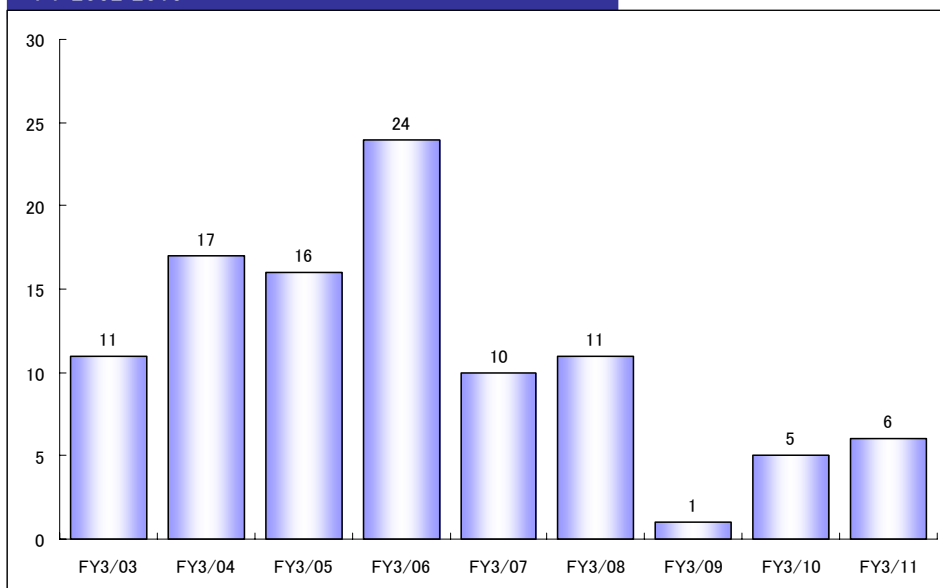


■ Business Overview

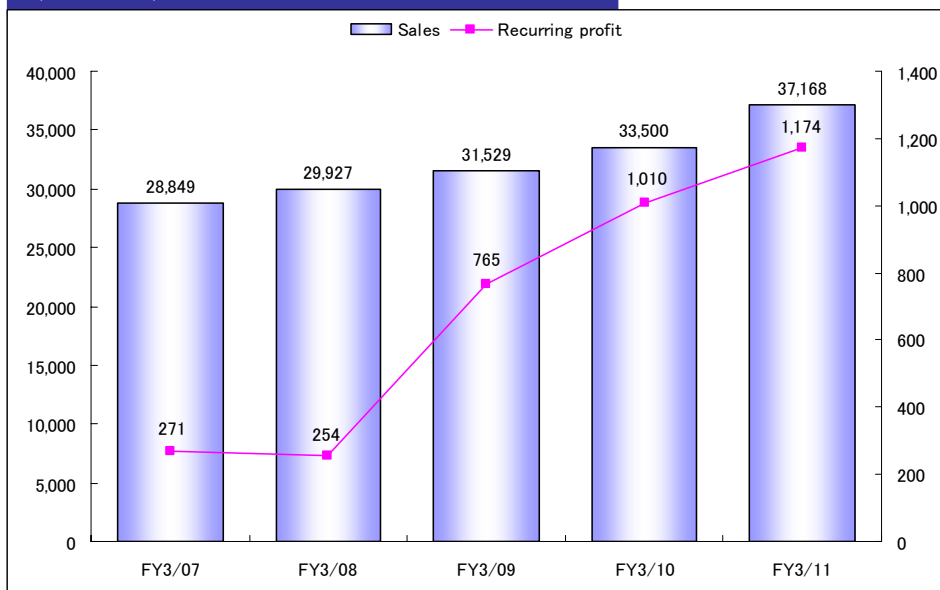
high-grade supermarkets



Number of new “business supermarkets” opened, FY 2002-2010



Business results for Sunseven, FY3/2007-2011 (Units: ¥mn)



Through 2007, the company opened 10 or more “business supermarkets” per year. In 2008-2010, it opened a smaller number, but it plans to resume the faster pace as soon as possible.

Sunseven operates “business supermarkets” and Green’s K shops, which sell prepared foods. Until FY3/2008, the company’s profitability was hindered by the costs of a rapid increase in the number of stores. Since then, profitability has improved.



Number of Megumi no Sato stores increasing rapidly

3) Other businesses

Subsidiary Sevenplanning engages in real estate development, restaurant operations, the recycling of various goods, and care for the elderly. Subsidiary Megumi no Sato markets fresh produce and grows some of its own at the Megumi no Sato Farm. Since G-7 Holdings bought Megumi no Sato in December 2009, it has rapidly increased the number of stores operated by this subsidiary. As of the end of June 2011, this subsidiary had 22 stores, centered in Hyogo Prefecture. Hereafter, G-7 Holdings plans to continue to open more than 10 new Megumi no Sato stores per year.

In FY3/2011, businesses other than the Autobacs and other automotive business and the “business supermarkets” and select food sales business generated sales of only about ¥2,100 million and operating profit of approximately ¥100 million.

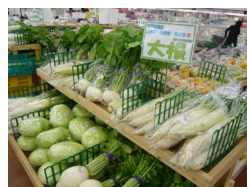
Megumi no Sato store in Izumisano



Megumi no Sato store in Gakuen Minami



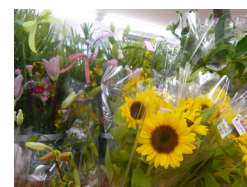
Fruits and vegetables harvested in the morning of the day



Select processed foods



Freshly cut flowers and plants



Recent business

Established businesses thrive even though prior investments in Megumi no Sato business weigh on the recent result

1) Business results in Q1 FY3/2012

On 9 August, G-7 Holdings announced its results for the first quarter of FY3/2012, i.e., for April-June 2011. Sales grew by 6.2% y-o-y, to ¥18,119 million, operating profit fell by 14.4%, to ¥488 million, recurring profit declined by 17.0%, to ¥485 million, and net profit jumped by 52.8%, to ¥269 million.

In the Autobacs and other automotive business division, sales grew by 1.0% y-o-y, to ¥6,941 million, reflecting an increase in sales of automotive digital tuners following the digitization of all broadcasts in Japan and rush demand for tires before scheduled price rises. Division operating profit increased by 13.2%, to ¥259 million, due to an increase in the sales weighting of maintenance services and an improvement in productivity per worker.

In the “business supermarkets” and select food sales division, sales increased by 8.0% y-o-y, to ¥10,606 million, and operating profit advanced by 17.1%, to ¥381 million. This growth was led by “business supermarkets”, as Japanese consumers continued to seek low-priced goods.

In the Other businesses division, sales jumped by 54.5% y-o-y, to ¥571 million, reflecting the opening of six new Megumi no Sato stores. However, the division suffered an operating loss of ¥122 million, reversing an operating profit of ¥27 million a year earlier, because of the costs of opening new stores and increased depreciation. This cost increase and accompanying deterioration of profitability was expected by the company.

In the first quarter of FY3/2011, the company suffered an extraordinary loss of ¥232 million arising from the change in accounting standards. In the first quarter of the current fiscal year, the company had no such extraordinary loss. Thus, its net profit grew strongly.

Quarterly sales and recurring profit, FY3/2010 - 1Q FY3/2012 (¥mn)

	Sales					Recurring profit				
	FY3/10	FY3/11	yoy	FY3/12	yoy	FY3/10	FY3/11	yoy	FY3/12	yoy
1Q	16,309	17,058	4.6%	18,119	6.2%	563	584	3.70%	485	-17.0%
2Q	16,551	17,436	5.4%	-	-	582	484	-16.80%	-	-
3Q	18,216	19,390	6.4%	-	-	755	1,063	40.80%	-	-
4Q	16,002	17,573	9.8%	-	-	347	460	32.60%	-	-

Company still foresees strong growth of main businesses, increased customer appeal by Megumi no Sato business

2) Company forecasts for FY3/2012

For FY3/2012, the company maintained its initial forecasts: sales of ¥75,000 million (+5.0% y-o-y), operating profit of ¥2,500 million (+0.9%), recurring profit of ¥2,200 million (-15.1%), and net profit of ¥500 million (-28.8%). Sales and profits tend to be stronger in the third quarter of each fiscal year than in other quarters because of strong sales of seasonal items, such as winter tires and chains.

Through August, the two main divisions continued to grow briskly. In the other businesses division, the ability of Megumi no Sato stores to attract customers stagnated a bit, but the company expected this ability to improve as a result of increasing the variety of the stores.

For FY3/2012, Auto Seven expects to increase its sales by 5%, to ¥28,000 million, and Sunseven also aims to raise its sales by 5%, to ¥39,000 million. Auto Seven plans to open one new Autobacs store and one new automotive body painting center (BP Center). Sunseven plans to open at least 11 new “business supermarkets”, bringing the total to at least 100. Megumi no Sato intends to open 14 new stores, bringing the total to 30.

Company results, FY3/2008-3/2012E (¥mn, ¥)

Fiscal Year	sales	yoy	Op. profit	yoy	Rec. profit	yoy	Net Profit	yoy	EPS (¥)	Div./share(¥)
FY3/08	61,829	3.8%	1,332	-11.0%	1,308	-16.4%	391	-49.8%	29.38	10.00
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
FY3/11 Co e	75,000	5.0%	2,500	0.9%	2,200	-15.1%	500	-28.8%	41.08	14.00

■ Important businesses hereafter

8 business strategies expected to yield sales of ¥100bn and operating profit of ¥4bn by FY3/2016

G-7 Holdings targets consolidated sales of ¥100billion and consolidated operating profit of ¥4billion in FY3/2016. In other words, it foresees average annual sales growth of 7.0% and average annual operating profit growth of 10.1% from now through FY3/2016. To achieve these targets, it will implement the following eight business strategies.

- 1) Strengthen the total car life support service
- 2) Increase the number of “business supermarkets”, confirm the growth potential of their new business model, and increase the number of Green’s K shops
- 3) Expand the select foods wholesaling business and experiment with the retailing of these foods
- 4) Develop new automotive maintenance factories called Car Zones
- 5) Develop new types of business in Japan, such as the *nagomi* daytime rehabilitation service for the elderly, and recycled goods services including Ryohin Baikan and Mega-recycle Okoku
- 6) Aggressively pursue M&A
- 7) Build businesses overseas, primarily in Asia
- 8) Increase the number of Megumi no Sato stores

Over the next 1-2 years, G-7 Holdings will stress the development of businesses overseas and the expansion of the Megumi no Sato business in Japan.

Overseas business strategy

G-7 Holdings will build overseas operations in Asia, where the growth potential is high. It intends to open an automotive parts sales business in Malaysia in early 2012, then food supermarkets in China and Vietnam later that year. In general, it will establish wholly-owned subsidiaries overseas through subsidiary G-7 International, in Singapore. However, Vietnam imposes restrictions on foreign investment. Therefore, G-7 Holdings plans to take an approximately 70% stake in a Vietnamese wholesale company to establish a foothold in that country.

1) Malaysia

In January 2011, G-7 Holdings set up a wholly-owned subsidiary, Seven Fortune Malaysia. This subsidiary has leased a plot of land 1,750 tsubo (5,775 square meters) in area about a 20-minute drive from Kuala Lumpur. At the end of August, construction was begun on a two-story building covering 400 tsubo (1,320 square meters) of the rented land. The first story of this building will house an Autobacs store, and the second story will contain around four restaurants to be operated by tenants. Seven Fortune Malaysia plans to start operating the Autobacs store in January or February 2012. The company plans to invest initially about ¥300 million in this building, including the cost of products to stock it. This is a significant amount, but the building is large. Hereafter, Seven Fortune Malaysia plans to construct one-story buildings for about ¥120-130 million each. The company intends to make its first Autobacs store profitable on an annual basis or a cumulative basis in its third year of operation, i.e., in 2014. This store will be staffed by three Japanese and several Malaysians. Three Malaysians have already been hired, and from October, they will be posted to the Autobacs store in Singapore for training.



■ Important businesses
hereafter

Seven Fortune Malaysia plans to open about five Autobacs stores by the end of 2014. Most will be in or near Kuala Lumpur. G-7 Holdings decided to set up Autobacs operations in Malaysia for many reasons. Car ownership is relatively high in the country, and automobiles are popular, as shown by the country's hosting of an F-1 race. The country has a substantial aftermarket for automotive parts and supplies, and competition in the market is limited. Only two large companies sell these products, Eneos, of Japan, and Brother's, based in Malaysia. Most other stores selling these products are proprietorships. Thus, there appears to be ample room in the market for Autobacs stores to prosper.

G-7 Holdings has decided to forgo supermarket business in Malaysia because many large supermarket companies are already established in the country, including Aeon Co., of Japan.

2) China

G-7 Holdings intends to develop food supermarkets in China. For this purpose, in October 2011, it will set up a subsidiary in Shanghai. This subsidiary will build supermarkets called Seven Fortune Marts, which will sell slightly expensive foods. Thus, the supermarkets will be located in middle-class or upper-class residential areas. About 90% of the foods sold at these supermarkets will be purchased from local suppliers. The first supermarkets to be opened will have floor areas of 250-300 tsubo (825-990 square meters) each. The sizes of subsequent stores will be adjusted to most accurately reflect local conditions. Initial stores are expected to cost about ¥50 million each, including the cost of initial stock.

G-7 Holdings hopes to identify a location for the first Seven Fortune Mart by September 2011. It is considering sites in the suburbs of Shanghai and sites in Beijing, Chengdu, Hángzhōu, Níngbō, Tiānjīn, and Qīngāo. It aims to open 30 stores in three years. If it opens 25 or more stores within a single area, it may construct a distribution center for the area.

G-7 Holdings plans to introduce to the Seven Fortune Marts the knowhow accumulated by group companies in Japan about managing fresh produce, displaying it effectively, and facilitating its purchase. Applying this knowhow, it aims to distinguish Seven Fortune Marts from competing supermarkets, thereby attracting a growing number of customers.

G-7 Holdings does not plan to establish Autobacs stores in China at this time because the franchise division of Autobacs Seven is currently expanding in that country.

3) Vietnam

G-7 Holdings also plans to open food supermarkets in Vietnam. It hopes to open its first store after Summer 2012 and six stores within the following three years, three in Ho Chi Minh City and three in Hanoi.

The company hopes to achieve overseas sales of about ¥10billion in FY3/2016, or 10% of the total sales targeted for that fiscal year. It is prepared to suffer losses on overseas operations for three years because it expects initial costs will be heavy. However, it considers the investment worthwhile, given the long-term growth potential of its overseas businesses.

After G-7 Holdings establishes its businesses in Malaysia, China and Vietnam, it may enter Indonesia.



■ Important businesses
hereafter

Megumi no Sato business

Since G-7 Holdings bought Megumi no Sato in December 2009, it has been opening about 15 new Megumi no Sato stores each year. There are now 22 stores in operation, 14 in Hyogo Prefecture, 3 each in Nara Prefecture and Chiba Prefecture, and 1 each in the Osaka Metropolitan Area and Ibaraki Prefecture.

At Megumi no Sato stores, farmers can sell their produce directly to consumers, who can buy fruits, vegetables, seafood and meat harvested or prepared on the day of purchase at low prices. This system of distribution motivates farmers and ensures a steady income for them, which is important in Japan, as the country's self-sufficiency ratio is less than 40%.

The Megumi no Sato business is opening about 10 new stores in the current fiscal year. Thus, the company expects it to generate about ¥3.0billion of sales in FY3/2012, including about ¥600 million of sales commissions. However, the business is projected to remain unprofitable this fiscal year. Therefore, it plans to adopt the business knowhow gained by Sunseven in the operation of "business supermarkets" to attract more customers, increase sales, and turn profitable. More specifically, six Megumi no Sato stores have begun to implement a strategy of incorporating other supermarkets that sell low-priced foods in their stores, thereby increasing customer convenience.

In September 2011, a Megumi no Sato store in Kobe will open a Teppan Buffet Green's K restaurant. The Teppan Buffet Green's K restaurant chain serves okonomiyaki (fried stuffed pancakes) and yakisoba (fried noodles) franchised from Kobebussan Co. and is well known for offering all-you-can-eat lunches for ¥700 for men and ¥500 for women. The company expects the combination of fresh foods, low-priced foods, and a low-priced restaurant in one building to attract more customers than any component of this combination would. It plans to install 4-5 Teppan Buffet Green's K restaurants in FY3/2012 and 100 restaurants by FY3/2016.

Megumi no Sato is taking steps to ensure a stable supply of fresh produce. In March 2011, it established a business relationship with Suzuki Noen, an agricultural corporation in Fukui Prefecture, and with the Chiba Prefecture chapter of Deco-pon Co., a producer and distributor of organic fruits and vegetables. In July of the same year, it set up a similar relationship with Natural Art, a producer and processor of raw meat headquartered in Tokyo. In cooperation with a farmer in Chiba City, the company has established the Megumi no Sato Farm Chiba, which will supply fresh fruits and vegetables to Megumi no Sato stores in Chiba Prefecture and nearby areas. Initially, this farm will cultivate only one hectare of land, but the company plans to increase the area under cultivation to three hectares. It will grow Chinese cabbage, spinach, sweet potatoes, strawberries, and other produce.

It is difficult to raise crops profitably, as they can be damaged by harmful rumors originated from Fukushima nuclear plant accident. However, fresh produce is generally safer than processed foods and is therefore likely to be sought by consumers in coming years.



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