

G-7 HOLDINGS INC.

7508

Tokyo Stock Exchange Prime Market

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Summary

Advancing M&A strategy toward achieving medium-term business plan targets

G-7 HOLDINGS INC. <7508> is a holding company that owns subsidiaries operating the largest franchises of AUTOBACS and Gyomu Super stores in Japan. It excels at store profitability with emphasis on productivity per employee and inventory turnover rates. It has been actively conducting M&As and expanding its business scale. In April 2022, it shifted to the Prime Market in the Tokyo Stock Exchange category reorganization.

1. Overview of FY3/22 results

In its FY3/22 results, the Company achieved increased sales and profits to record high results for a consecutive year, with net sales increasing 3.0% year on year (YoY) to ¥168,525mn and ordinary income increasing 7.8% to ¥7,877mn. By business, the Gyomu Super business expanded steadily due to the effect of new store openings, and increased sales of winter tires and motorcycle-related products in the AUTOBACS and car-related business were the cause of the return to increased sales and profits despite sluggishness in the meat business and other businesses. The number of Group stores at the end of March 2022 was 600 stores, an increase of 14 stores from the end of the previous fiscal year (34 store openings, 20 store closings). This was mainly due to the opening of 10 Gyomu Super and Oniku no Terabayashi stores each, and moving ahead on closing unprofitable stores such as those shut down through the complete withdrawal from the dining industry. The Company opened one TREASURE CYCLE store, a bicycle shop and new business format for it.

2. Forecasts for FY3/23

For FY3/23 results, the Company continues to forecast increased sales and profits, forecasting net sales to increase 6.8% YoY to ¥180,000mn and ordinary income to rise 1.6% to ¥8,000mn. The Company plans 35 new store openings, mainly of Gyomu Super stores. Under the medium-term business plan, the Company aims to expand to 70-100 store openings yearly, but opening costs are rising due to factors such as an increase in the price of building materials, so it will adopt a cautious stand for FY3/23 and is considering store expansion through M&A. At the same time, it is progressing on closing unprofitable stores and plans to strengthen its earnings structures. By business, the Gyomu Super business and AUTOBACS and car-related business will be the driving force. Meanwhile, the Company will continue to proactively develop private-brand products (PB) for the quality food and private brand business, and has a strategy of expanding new business through sales at Group stores such as the Megumi no Sato farmers' market chain and RICO'S (formerly mini PIAGO*) mini supermarkets.

* Store names changed to RICO'S in April 2022 (explanation below). All store signage, etc. scheduled for completion during June 2022.

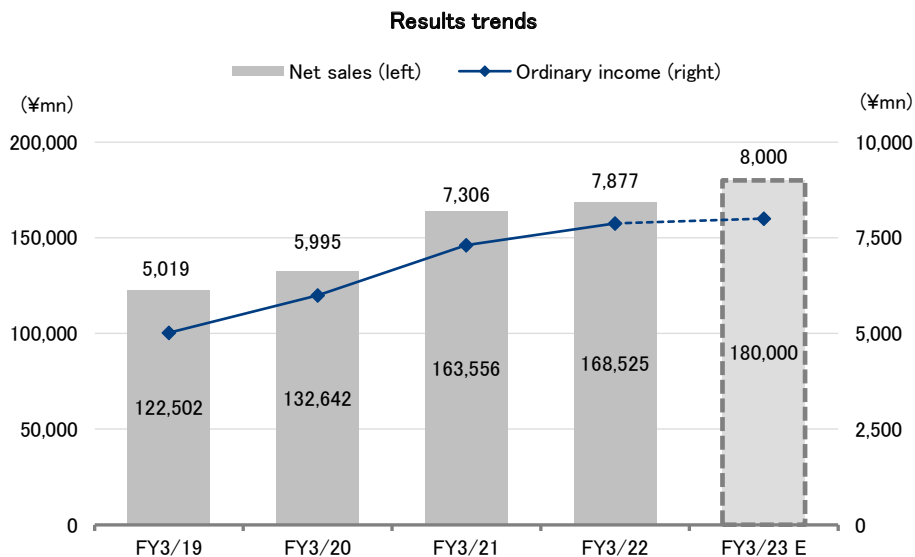
Summary

3. Medium-term business plan

The Company has started a 5-year medium-term business plan running through FY3/26, the plan's final fiscal year, and though it failed to achieve net sales targets in the initial year of FY3/22, it got off to a steady start on a profit basis. To achieve its targets of net sales of ¥250bn and ordinary income of ¥10bn as its business targets for FY3/26, the Company will work to strengthen earnings capabilities of existing stores by improving net sales per employee and gross profit, and by moving ahead on expanding new store openings. Moreover, it also appears to have a policy of proactively developing and nurturing new business formats and conducting M&As. In particular, the Company intends to proactively conduct M&As as a key priority strategy to achieving its plan and focus should be made on its movements going forward.

Key Points

- Continuing record high results in FY3/22, exceeded Company forecasts on profit basis
- Aiming for increased sales and profits in FY3/23 while moving ahead on scrap & build of stores
- Advancing M&A strategy, targeting ¥250bn in net sales and ¥10bn in ordinary income in FY3/26



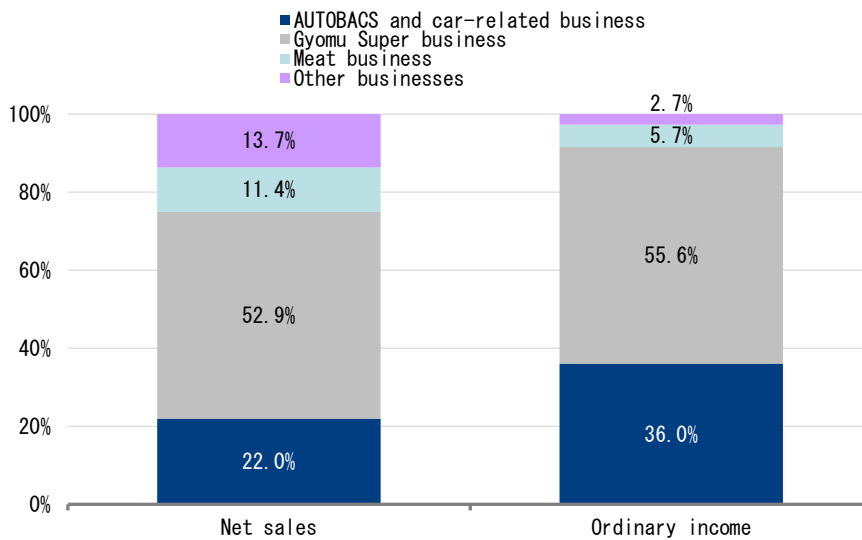
Source: Prepared by FISCO from the Company's financial results

Business overview

AUTOBACS, Gyomu Super are the main pillars of earnings

The Company discloses information on four business segments: AUTOBACS and car-related business, Gyomu Super business, meat business, and other businesses. Looking at the percentages of total net sales by business in FY3/22, the AUTOBACS and car-related business accounted for 22.0% of net sales and the Gyomu Super business accounted for 52.9% of net sales. By segment income, the AUTOBACS and car-related business accounted for 36.0% of net sales and the Gyomu Super business accounted for 55.6%, meaning that these two businesses accounted for over 70%. In addition, if you add the sales from the Gyomu Super business, the meat business, quality food and private brand business, Megumi no Sato and mini PIAGO, which are included in other businesses, approximately 70% of net sales come from food retail businesses.

Percentages of Total Net Sales by Business Segment (FY3/22)



Source: Prepared by FISCO from the Company's financial results

1. AUTOBACS and car-related business

The AUTOBACS and car-related business comprises four companies, and consists of AUTOBACS franchise activities, including car product sales and maintenance mainly handled by G-7 AUTO SERVICE CO., LTD.; motorcycle product sales and maintenance carried out by BIKE WORLD, which is managed by G-7 BIKE WORLD CO., LTD.; AUTOBACS franchise development and BIKE WORLD management in Malaysia by G7 RETAIL MALAYSIA SDN. BHD., and export sales of cars handled by G-7.CrownTrading Co., Ltd.

Business overview

More than 80% of sales are provided by AUTOBACS-related stores, and as of the end of March 2022, the number of AUTOBACS-related stores was 76 domestic stores (69 AUTOBACS stores and 7 AUTOBACS Express stores) and 2 stores in Malaysia, and the Company is the largest franchisee within the AUTOBACS Group (588 domestic stores and 62 overseas stores). Stores are located predominantly in Hyogo, Kyoto, Fukui, Okayama, Hiroshima, Chiba, and Ibaraki prefectures. Hyogo is particularly important with 39 stores, or around 50% of the Company's entire network. Store management places strong emphasis on productivity per employee, gross profit margin and inventory turnover rates, and the franchise business is notable for maintaining the highest profitability within the AUTOBACS group. Other car-related businesses include 9 BP centers (body repair and coating), and one Suzuki Cars Osaka store for buying and selling new and used cars.

The BIKE WORLD business consisted of 16 stores at the end of March 2022 with 14 domestic stores and 2 stores in Malaysia. In Japan, the Company is moving ahead on collaborative store openings with BIKE O & COMPANY Ltd. <3377>, with which it has entered a capital and business alliance. G-7.CrownTrading, which was made a subsidiary in 2017, conducts export sales of automobiles mainly to Southeast Asia. Sales composition ratios for each of these businesses are just under 10%.

In addition, G-7 AUTO SERVICE manages 3 Yamaya Honpo taiyaki specialty stores (Yamaya Taiyaki Honpo Co., Ltd.) and 6 mammaciao stores, which are coin operated laundries (MIS Co., Ltd.), while as a new business format, the Company launched FIELD SEVEN outdoor goods stores in 2020, and has opened 4 stores within AUTOBACS stores.

2. Gyomu Super Business

The Gyomu Super business is operated by G-7 SUPER MART CO., LTD., which develops the Gyomu Super franchise. Store openings took place in the Kanto, Chubu, Kansai, Kyushu, and Hokkaido regions, reaching 175 stores at the end of March 2022, the largest number within the Gyomu Super group (964 stores). Looking at store numbers by region, the Kanto area has the most with 69 stores (19 in Tokyo, 17 in Kanagawa, 19 in Saitama, and 14 in Chiba), followed by Chubu with 38 stores (26 in Aichi, 8 in Mie, and 4 in Gifu), Kansai with 34 stores (23 in Hyogo and 11 in Osaka), Kyushu with 23 stores (17 in Fukuoka, 4 in Kumamoto, and 2 in Nagasaki), and Hokkaido with 11 stores. The Company has expanded the number of stores through an emphasis on productivity per employee and inventory turnover rates to strengthen earnings capacity, and from FY3/21 onward, the Company has accelerated the opening of new stores in Kyushu.

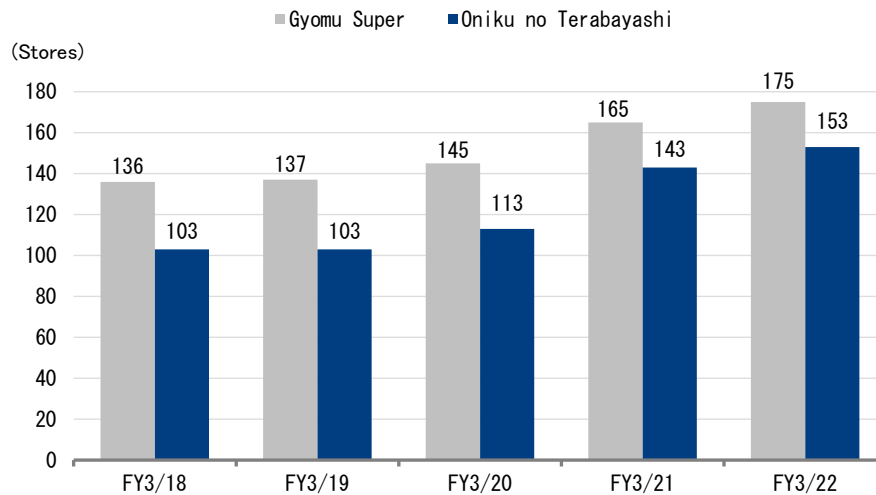
3. Meat business

The meat business is operated by G-7 MEAT TERABAYASHI CO., LTD. (formerly Terabayashi Co., Ltd.), which was made a subsidiary in 2015, and it operates Oniku no Terabayashi retail butcher stores across the country. Since it was made a subsidiary, it has actively opened stores as a tenant of Gyomu Super and Megumi no Sato. Also, in April 2020, the Company made Andesfoods Co., Ltd. a consolidated subsidiary (through an absorption-type merger in July 2020; currently the Andesfoods business division), which engages in wholesale and retail sale of meat. Andesfoods mainly wholesales to the restaurant and other food services and prepared food industries, and conducts some retail sales in the Tokyo metropolitan area.

Store numbers at the end of March 2022 were 153 Oniku no Terabayashi stores and 14 Andesfoods stores, for a total of 167 stores. By region, Kanto had the most with 71 stores, followed by Kansai (Hyogo Prefecture, Osaka Prefecture) with 36 stores, Tokai (Aichi Prefecture, Mie Prefecture, and Gifu Prefecture) with 26 stores, Kyushu (Fukuoka Prefecture, Kumamoto Prefecture, Saga Prefecture) with 17 stores and Hokkaido with 10 stores. Around 90% of the total number of Oniku no Terabayashi store openings are within Group stores, such as Gyomu Super and Megumi no Sato stores.

Business overview

Number of Gyomu Super and Oniku no Terabayashi stores



Source: Prepared by FISCO from the Company's financial results and earnings presentation materials

4. Other businesses

Other businesses consist of the businesses of G7 AGRI JAPAN CO., LTD., which manages the Megumi no Sato farmers' market chain; G7 JAPAN FOOD SERVICE CO., LTD., which operates quality food and private brand businesses; and G7 RETAIL JAPAN CO., LTD., which manages Curves clubs (Curves Japan Co., Ltd.), which are workout and training clubs for women and TREASURE CYCLE, which is a bicycle shop and a new business format for the Company. It also includes the mini PIAGO mini supermarkets business conducted by G7 RICO'S STORES CO., LTD. (formerly 99 ICHIBA)*, which was made a subsidiary in April 2020.

* In April 2022, the Company made 99 ICHIBA a wholly owned subsidiary and used this as an opportunity to change the company name after it acquired an additional 20% of its stock for ¥250mn from UNY Co., Ltd., a subsidiary of Pan Pacific International Holdings Corporation <7532>.

At the end of March 2022, 44 Megumi no Sato stores had been opened. By region, Kansai has 23 stores (17 in Hyogo, 4 in Osaka, and 2 in Nara), Kanto has 15 stores (7 in Tokyo, 3 in Chiba, 3 in Saitama, and 2 in Kanagawa), and Chubu has 6 stores (5 in Aichi and 1 in Gifu). Among all 44 stores, 33 stores have been opened within a Gyomu Super store. Moreover, the sales method varies, with the Kansai region having adopted consignment sales (around 20.0% of the sales amount is recorded as commission income) as its sales method, whereas Chubu and Kanto have adopted the purchase-based sales method (products are purchased from wholesalers and sold to customers). The purchase-based sales method has been adopted in the Chubu and Kanto regions because the Company has not established a network of direct relationships with producers in those areas. This has become a key priority for the Company to address in the future from the perspective of mitigating business risk.

In the quality food and private brand business, the Company discovers regional delicacies and local specialty products and sells them to places such as department and specialty stores or e-commerce shops, as well as develops, produces, and sells various types of PB products centered on frozen and processed foods.

Business overview

Mini PIAGO mini supermarkets have opened in Tokyo and Kanagawa Prefecture, and as of the end of March 2022 there were 69 stores (55 stores in Tokyo, 14 in Kanagawa Prefecture). Store sales are of the scale of just under ¥200mn annually per store and profit rates are comparatively smaller than Gyomu Super, so raising earnings capabilities is an issue to be challenged.

Other than these, as a franchisee, the Company manages 25 Curves clubs (in Kanagawa Prefecture), which are workout and training clubs for women, and opened one TREASURE CYCLE store, which is a bicycle shop and a new business format for the Company, in July 2021.

The Company previously operated restaurant businesses and franchises of the indoor golf school Step Golf (stepgolf Inc.) but it closed all stores and completed withdrawal in FY3/22.

Major consolidated 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.
	G-7.CrownTrading Co., Ltd	100.0%	New vehicle and used vehicle export sales
	G7 RETAIL MALAYSIA SDN.BHD	100.0%	Operator of AUTOBACS and BIKE WORLD, etc.
Gyomu Super business	G-7 SUPER MART CO., LTD.	100.0%	Operator of Gyomu Super, etc.
Meat business	G-7 MEAT TERABAYASHI CO., LTD.	100.0%	Retail sales of meats and processed livestock products
Other businesses	G7 AGRI JAPAN CO., LTD.	100.0%	Operator of Megumi no Sato, etc.
	G7 JAPAN FOOD SERVICE CO., LTD.	100.0%	Manufacturing and wholesale of food products and beverages, etc.
	G7 RETAIL JAPAN CO., LTD.	100.0%	Operator of Curves training clubs for women, TREASURE CYCLE bicycle shop
	G7 RICO'S STORES CO., LTD.	100.0%	Operator of RICO's (formerly mini PIAGO) urban-type mini supermarkets

Source: Prepared by FISCO using the Company's securities report, website and news releases

Results trends

Continuing record high results in FY3/22, exceeded Company forecasts on profit basis

1. Overview of FY3/22 results

In its FY3/22 consolidated results, the Company consecutive record high results. Net sales rose 3.0% YoY to ¥168,525mn, while operating income increased 5.5% to ¥7,448mn and ordinary income rose 7.8% to ¥7,877mn. Profit attributable to owners of parent was up 8.2% to ¥5,255mn. There was a minor shortfall against internal forecasts for net sales, but on an income basis each item ended exceeding plans.

Results trends

Consolidated results for FY3/22

(¥mn)

	FY3/21		Forecast	FY3/22			
	Results	vs. net sales		Results	vs. net sales	YoY	vs. forecast
Net sales	163,556	-	175,000	168,525	-	3.0%	-3.7%
Cost of sales	121,715	74.4%	-	126,215	74.9%	3.7%	-
SG&A expenses	34,782	21.3%	-	34,860	20.7%	0.2%	-
Operating income	7,058	4.3%	7,400	7,448	4.4%	5.5%	0.6%
Ordinary income	7,306	4.5%	7,700	7,877	4.7%	7.8%	2.3%
Profit attributable to owners of parent	4,855	3.0%	5,000	5,255	3.1%	8.2%	5.1%

Source: Prepared by FISCO from the Company's financial results

Net sales maintained its overall trend of increasing growth as the Gyomu Super business continued to grow due to the effects of new store openings and the AUTOBACS and car-related business and quality food and private brand business increased sales, despite decreased sales in the meat business and Megumi no Sato and mini PIAGO under other businesses due to a rebound against people staying at home. From a profit aspect, increased profits from the AUTOBACS and car-related business, Gyomu Super business and quality food and private brand business covered decreased profits in the meat business and Megumi no Sato and mini PIAGO under other businesses. In comparison with the Company's forecasts, Gyomu Super business and quality food and private brand business all achieved net sales and income that exceeded the projections.

At the end of March 2022, the number of Group stores was 600 stores, an increase of 14 stores compared to the end of the previous fiscal year (34 store openings, 20 store closures), but falling short of the 635 stores initially planned. The number of stores fell short of the forecast and there was a downswing in net sales due to factors such as the inability to secure properties meeting store opening conditions, which resulted in lower-than-forecast openings of Gyomu Super, Oniku no Terabayashi and Megumi no Sato stores, while the impact of the novel coronavirus pandemic (hereafter, "the COVID-19 pandemic") caused the postponement until FY3/23 of openings of AUTOBACS and BIKE WORLD stores in Malaysia (1 store each), and the Company moved ahead on withdrawal from part of the dining business and closed unprofitable stores.

Results trends

Number of Group stores and number of store openings and closures

Store name	Number of stores at end of FY3/21	FY3/22		Number of stores as of end of FY3/22
		Openings	Closures	
AUTOBACS (including SA and SH)	68	2	1	69
AUTOBACS Express	7			7
BP centers (body repair and coating)	9			9
G-7 TSUCHIYAMA CIRCUIT	1			1
FIELD SEVEN (new business format)	2	2		4
mammaciao	5	1		6
Taiyaki Specialty Store Yamaya Honpo	3			3
BIKE WORLD	12	2		14
Gyomu Super	165	10		175
Obentoya K	1			1
Oniku no Terabayashi	143	12	2	153
Andesfoods	16		2	14
Megumi no Sato	45	1	2	44
Gekiyasu Super Megumi no Sato	1			1
RICO'S (formerly mini PIAGO)	72	3	6	69
RINGO	1		1	-
Curves	25			25
TREASURE CYCLE (new business format)	-	1		1
Step Golf	3		3	-
IKINARI! STEAK (including Taiwan)	3		3	-
Overseas (AUTOBACS, BIKE WORLD)	4			4
Total	586	34	20	600

Source: Prepared by FISCO from materials provided by the Company

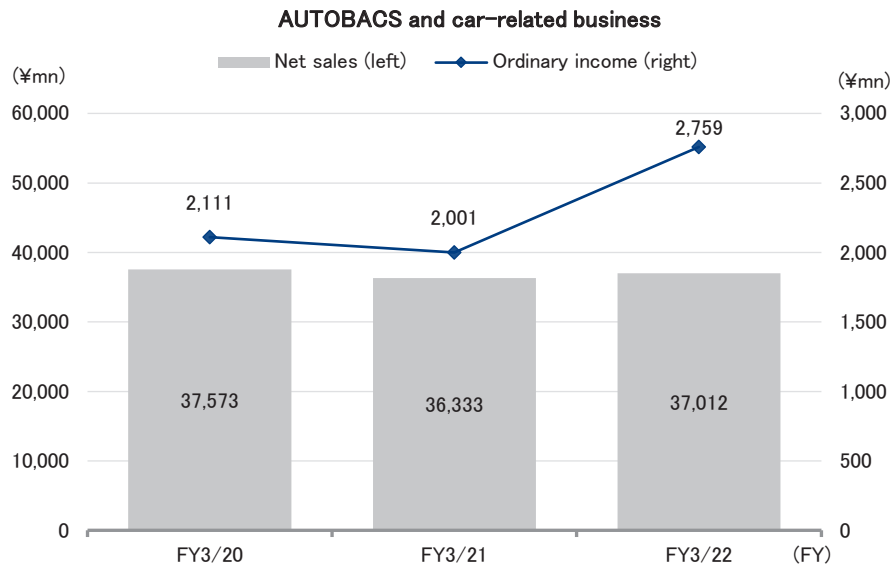
AUTOBACS and car-related business and Gyomu Super business to increase sales and profits

2. Performance trends by business segment

(1) AUTOBACS and car-related business

The AUTOBACS and car-related business returned to increased sales and profits as net sales rose 1.9% YoY to ¥37,012mn and ordinary income grew by 37.9% to ¥2,759mn.

Results trends



Source: Prepared by FISCO from the Company's financial results

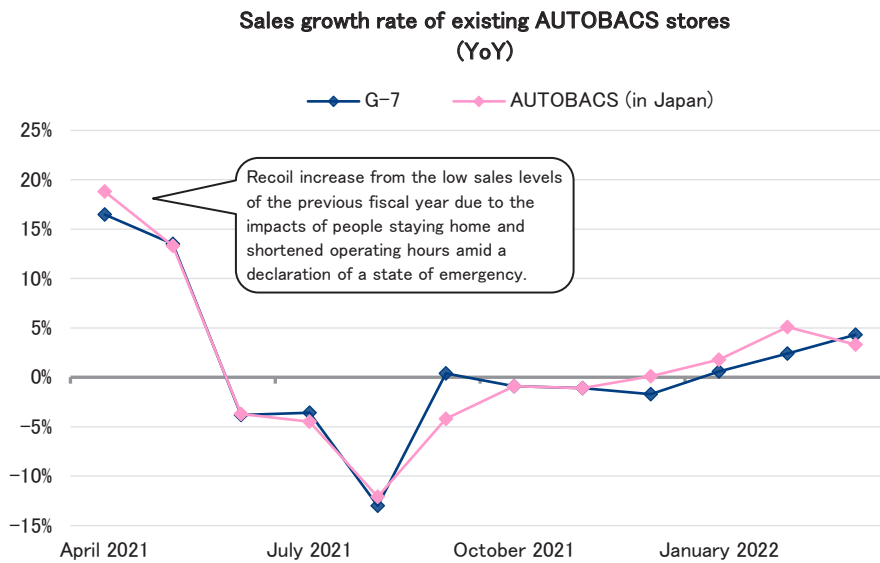
Within the AUTOBACS and car-related business, mainstay G-7 AUTO SERVICE increased net sales 1.1% YoY, a first increase in sales for three years, due to the strong profitability in winter tires due to snowfalls during the winter season and sound sales of tire chains, despite sluggish customer traffic due to the impact of the COVID-19 pandemic and lack of supply of car AV equipment due to a shortage of semiconductors. On the other hand, from a profit aspect, G-7 AUTO SERVICE profits were down 5.2% due to recording the payment of incentive costs to AUTOBACS.

Looking at YOY changes in net sales in the main categories, tires increased 6.1% and maintenance-related services rose 14.3% YoY and oil increased 2.6% in step with increased car commuting. On the other hand, car AV decreased 14.3%, accessories declined by 6.6% and services were down 1.8%.

Looking at the monthly trend in the sales growth rate on an existing store basis, although double-digit increases were recorded in April and May 2021 due to a recoil from the same months of the previous fiscal year, when growth rates were at low levels, but the market was in negative territory from June to August due to a decrease in demand for driving during the COVID-19 pandemic. September saw a slight rise YoY and followed by a minor decline from October to December, but since the beginning of 2022, performance has returned to a single-digit increase due to an increase in demand for tire replacements. The number of existing stores for AUTOBACS remained unchanged in comparison to the previous fiscal year-end.

The number of AUTOBACS-related stores in Japan remained increased by 1 store to 76 at the end of March 2022 in comparison to the previous fiscal year-end, as 2 new stores were opened while 1 store was closed.

Results trends

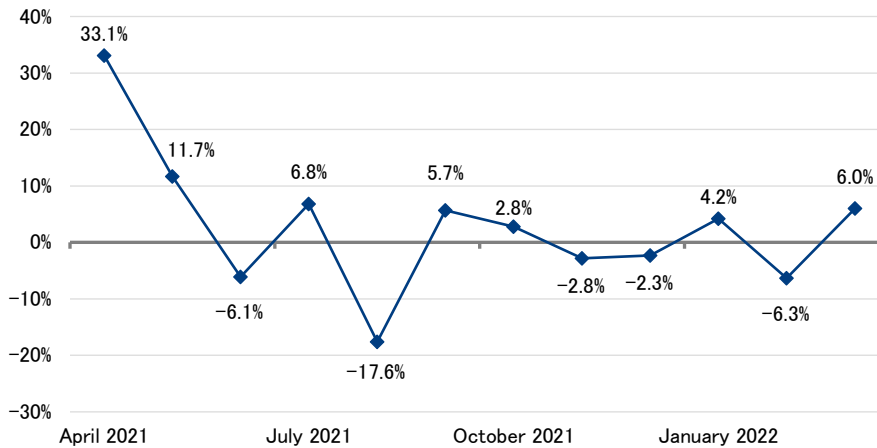


Also, as a new business format, the Company started opening FIELD SEVEN outdoor goods stores in March 2020. With the opening of 2 new stores (Fukui Prefecture, Chiba Prefecture), there are now a total of 4 FIELD SEVEN stores. Amid the continuing COVID-19 pandemic, net sales at FIELD SEVEN stores have not yet reached what could be described as an adequate level. But the Company is aiming to be profitable while reviewing its product strategy and other aspects of its operations in anticipation of increased demand for camping after the COVID-19 pandemic is resolved. The Company envisions providing total solutions for car life, including the future operation of campgrounds, and it currently has narrowed down candidate sites to two, and is moving ahead on formulating a business plan. Other than that, the Company opened 1 mammaciao coin laundry store in the Kinki region, bringing the total number of these stores to 6.

With G-7 BIKE WORLD, the Company recorded a YoY increase in sales in the vicinity of 3% on an existing store basis, and sales increased on an all-stores basis. This increase resulted from growth in demand for motorcycles as a means of transportation during the COVID-19 pandemic and the success of measures related to the opening of collaborative stores with BIKE O managed by BIKE O & COMPANY Ltd. Meanwhile, on the profit front, profit rose by double-digits, reflecting improved profitability in step with sales growth at existing stores and changes in the sales composition. As of the end of March 2022, the number of BIKE WORLD stores in Japan stood at 14 stores, an increase of 2 from the end of the previous fiscal year due to new openings in Mie Prefecture and Hiroshima Prefecture.

Results trends

Sales growth rate of existing BIKE WORLD stores (YoY)



Source: Prepared by FISCO from materials provided by the Company

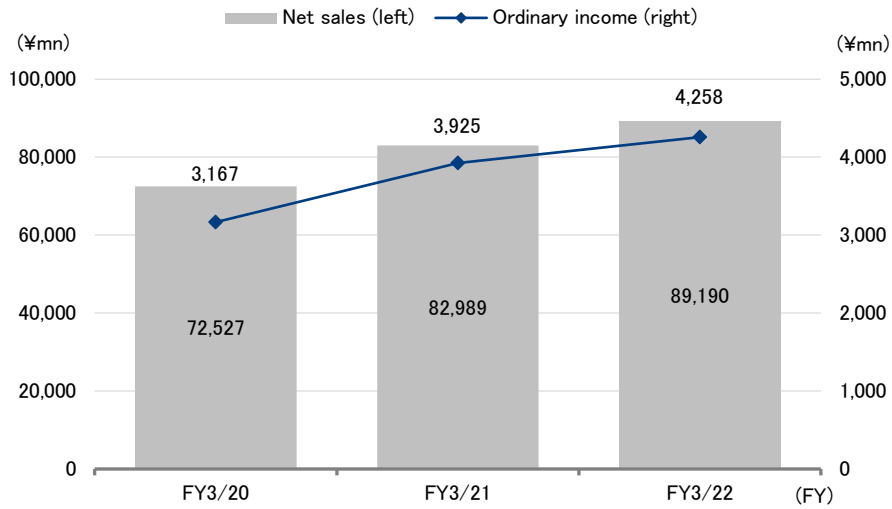
For the overseas AUTOBACS and BIKE WORLD businesses, in Malaysia, where there are stores, sales decreased due to the impact of the continuing COVID-19 pandemic and outbreak of floods in the country, but the amount of losses decreased from the same period of the previous fiscal year because of cost reduction measures. As of the end of March 2022, there were 2 AUTOBACS stores and 2 BIKE WORLD stores, unchanged compared to the previous fiscal year-end. In other areas, G-7.CrownTrading, which conducts the car export sales business, experienced a continued downtrend in sales during 1H , but the number of car exports recovered in 2H , and increased sales and profits were recorded over the full year.

(2) Gyomu Super business

In the Gyomu Super business, which is conducted by G-7 SUPER MART, net sales increased 7.5% YoY to ¥89,190mn and ordinary income rose 8.5% to ¥4,258mn, both of which reached record highs. Although there were concerns about a recoil from stay-at-home demand, the number of customers visiting stores remained strong due to the effects of media and social media exposure, and existing store sales increased by about 1% for the full year. In addition, the opening of 10 new stores (5 in the Kyushu region, 2 each in the Tokyo metropolitan area and Hokkaido, and 1 in the Chubu region) was a factor in increased sales. As of the end of March 2022, the number of stores had increased by 10 stores YoY, to 175 stores. On the profit front, the positive effect of the increase in sales absorbed increases in store opening and renovation costs.

Results trends

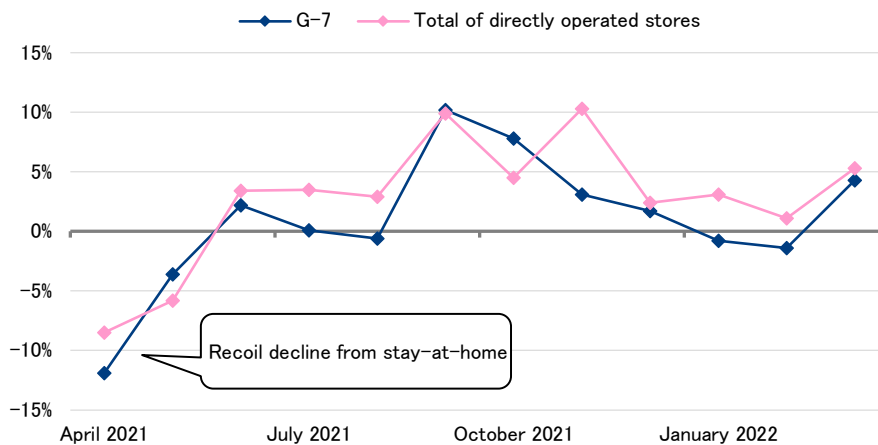
Gyomu Super business



Source: Prepared by FISCO from the Company's financial results

Looking at the monthly trend in the sales growth rate on an existing store basis, there was a downturn in the sales growth rate in April and May 2021 compared with the same months of the previous year, due to the recoil from stay-at-home demand in the previous year. However, the sales growth rate trended firmly from June 2021 onward. The sales trend in the directly managed stores of Kobe Bussan Co., Ltd. <3038> moved at roughly the same pace.

Sales growth rate of existing Gyomu Super stores (YoY)



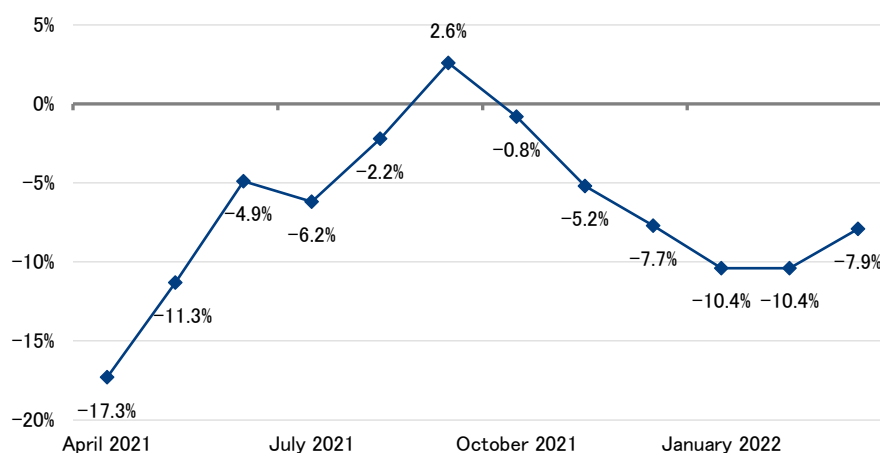
Source: Prepared by FISCO from materials provided by the Company

Results trends

(3) Meat business

The meat business conducted by G-7 MEAT TERABAYASHI recorded its first-ever decrease in both sales and profits since being made a subsidiary, with net sales decreasing 0.2% YoY to ¥19,208mn and ordinary income decreasing 48.4% YoY to ¥436mn. The decrease in net sales was caused by a decrease in sales by Oniku no Terabayashi in the vicinity of 7.0% YoY on an existing store basis, due to a recoil from stay-at-home demand in the previous year. The number of stores at fiscal year-end was 153 with 12 openings and 2 closures.

**Sales growth rate of existing Meat business
(Oniku no Terabayashi) stores (YoY)**



Source: Prepared by FISCO from materials provided by the Company

Meanwhile, on the profit front, there was a decrease in profit mainly due to an increase in SG&A expenses such as tenant rent associated with growth in the number of stores and a decrease in gross profit margin caused by surging raw materials prices globally due to the COVID-19 pandemic. Imported U.S. beef, which is a main product sold at stores, in particular saw surging prices and sluggish growth in production output due to the COVID-19 pandemic, which put pressure on profits in this business.

In the Andesfoods business division, sales increased as commercial demand recovered as the COVID-19 pandemic situation settled somewhat. On the profit front, income also increased due to cost-reduction measures such as closing unprofitable stores. The number of stores in the division as of the end of FY3/22 was 14 stores with 2 stores having closed.

(4) Other businesses

In other businesses, net sales decreased 7.5% YoY to ¥23,113mn, and ordinary income decreased 54.1% YoY to ¥211mn. Both mini PIAGO and Megumi no Sato posted lower sales and lower profit due to a recoil decrease from the rapid growth in demand for eating at home in the same period of the previous fiscal year, which was caused by the COVID-19 pandemic.

The number of mini PIAGO stores at the end of the fiscal year was 69 after 3 new openings in the Tokyo metropolitan region and 6 closures after they were judged to be unprofitable and no hope of becoming profitable. Currently, it is estimated that about half of all stores are unprofitable, but the Company is working to improve profitability by reviewing such matters as operational methods and product strategy. For stores where profitability is judged to be unlikely after taking those measures, the Company is poised to close them.

Results trends

For Megumi no Sato, profits also deteriorated due to product waste loss at stores in the Chubu and Kanto regions that use the purchase-based sales method. The number of stores at the end of the fiscal year was 44 after 1 new opening in the Kinki region and 2 closures.

Results in the quality food and private brand business were steady. Sales of frozen foods, which are private-brand products, were favorable. In addition, progress was made on developing customers for quality food products primarily in the Tokyo metropolitan area. Moreover, business sites in Tokyo were reduced from 2 sites to 1 site due to efforts to reduce fixed costs, and progress on the reorganization of the unprofitable restaurant and withdrawal from the sweets businesses served as positive factors behind profits. In the restaurant business, particularly IKINARI! STEAK restaurants, two restaurants in Japan were closed at the end of May 2021, and the remaining restaurant in Taiwan closed in February 2022. Moreover, in the sweets business, one RINGO restaurant closed in January 2022.

Curves, a chain of workout and training clubs for women, had double-digit sales growth and profits also improved. In the same period of the previous year, Curves had to suspend operations temporarily due to the COVID-19 pandemic but in FY3/22, the number of Curves members gradually recovered as operating hours normalized. The number of Curves clubs was 25 as of the end of March 2022, mostly unchanged from the previous fiscal year-end. Regarding Step Golf, which had been experiencing sluggish earnings, the Company withdrew from all 3 stores at the end of July 2021. Moreover, as a new business format, the Company opened its first TREASURE CYCLE specialty bicycle shop in July 2021 on the grounds of a Group store in Hyogo Prefecture.

Exploring M&A opportunities within the scope of cash on hand, with a stable financial base

3. Financial condition and key financial indicators

At the end of FY3/22, total assets were up ¥2,753mn from the previous fiscal year-end to ¥54,145mn. The main changes were as follows. In current assets, there were increases in cash and deposits by ¥774mn, accounts receivable-trade of ¥639mn and merchandise and finished goods of ¥337mn. In non-current assets, property, plant and equipment increased ¥760mn in connection with new store openings in the Gyomu Super, meat, and other businesses, and an increase of ¥299mn in leasehold and guarantee deposits, while there was a decrease in goodwill of ¥79mn.

Total liabilities at the end of FY3/22 decreased by ¥730mn from the previous fiscal year-end to ¥29,398mn. The main factors behind this decrease were an increase in accounts payable-trade of ¥183mn, while there was a decrease of ¥649mn in income taxes payable, etc. Net assets at the end of FY3/22 increased by ¥3,484mn from the previous fiscal year-end to ¥24,747mn. Retained earnings increased by ¥3,581mn mainly owing to the recording of profit attributable to owners of parent of ¥5,255mn and payment of dividends of ¥1,620mn.

Looking at financial indicators, the equity ratio rose 4.3pp from the previous fiscal year-end to 45.4%, and the interest-bearing debt ratio decreased 6.3pp to 37.8%, improving the Company's financial well-being together with expanding earnings. Profitability has also been on an upward trend in recent years, with ROE at 23.0% and ROA at 14.9%, and the operating income margin has remained stable at 4.4%. Diversity in the business portfolio that includes the AUTOBACS and Gyomu Super businesses is believed to contribute to stable earnings. The Company's strategy is to use in-hand cash, which it has accumulated to a record high of ¥17bn, to continue to fund new store openings, M&A and other investments to expand business. The Company has budgeted about ¥5bn for M&A and is always looking for prospective projects.

Results trends

Consolidated balance sheet

	(¥mn)				
	FY3/19	FY3/20	FY3/21	FY3/22	Change
Current assets	24,575	27,040	27,650	29,498	1,848
(Cash and deposits)	14,518	16,465	16,259	17,033	774
(Merchandise and finished goods)	5,767	5,602	6,517	6,854	337
Non-current assets	20,115	20,846	23,741	24,647	906
(Goodwill)	150	67	516	437	-79
Total assets	44,691	47,886	51,391	54,145	2,753
Total liabilities	25,188	25,868	30,128	29,398	-730
(Interest-bearing debt)	8,804	9,348	9,300	9,300	0
Net assets	19,502	22,018	21,263	24,747	3,484
Key financial indicators					
(Financial strength)					
Equity ratio	43.6%	45.9%	41.1%	45.4%	4.3pt
Interest-bearing debt ratio	45.2%	42.5%	44.1%	37.8%	-6.3pt
Net cash	5,714	7,117	6,959	7,733	774
(Profitability)					
ROE (Return On Equity)	16.5%	17.0%	22.5%	23.0%	0.5pt
ROA (Return on Assets)	11.6%	13.0%	14.7%	14.9%	0.2pt
Operating income margin	4.1%	4.4%	4.3%	4.4%	0.1pt

Source: Prepared by FISCO from the Company's financial results

Business outlook

Aiming for increased sales and profits in FY3/23 while moving ahead on scrap & build of stores

1. Forecast for FY3/23

For the FY3/23 consolidated results, the Company forecasts net sales to increase 6.8% YoY to ¥180,000mn, operating income to rise 3.4% to ¥7,700mn, ordinary income to increase 1.6% to ¥8,000mn, and profit attributable to owners of parent to increase 2.7% to ¥5,400mn.

Consolidated forecast for FY3/23

	FY3/22		FY3/23		YoY
	Results	vs. net sales	Company forecast	vs. net sales	
Net sales	168,525	-	180,000	-	6.8%
Operating income	7,448	4.4%	7,700	4.3%	3.4%
Ordinary income	7,877	4.7%	8,000	4.4%	1.6%
Profit attributable to owners of parent	5,255	3.1%	5,400	3.0%	2.7%
Earnings per share (¥)	119.28		122.55		

Source: Prepared by FISCO from the Company's financial results

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Business outlook

By business segment, the Company forecasts the Gyomu Super business, AUTOBACS and car-related business and quality food and private brand business to continue increased sales and profits. On the other hand, reduced sales are expected as it makes progresses on closures of unprofitable Megumi no Sato and mini PIAGO stores, but in terms of the profit-loss front, this is seen to contribute to a positive factor.

In FY3/23, the Company plans to increase the number of stores by 35 stores from the previous fiscal year-end to 635 stores (not including store closures). Under the medium-term business plan announced in May 2021, the Company is targeting 70-100 new store openings yearly, but it has taken a conservative forecast given the recent rise in construction material prices that have swollen new store opening costs by more than 1.5 times* and store operating costs have risen due to the rising cost of electricity. As the Company is also moving ahead on closures of Megumi no Sato and RICO'S stores, we at FISCO believe there is a possibility the actual increase in the number of stores at fiscal year-end will stop at around 10-20. On the other hand, the Company has displayed its policy of proactive M&A, which could be a potential source of variation. It plans an investment amount of ¥10bn in FY3/23 (of which ¥5bn is for M&A).

* For an AUTOBACS store, the investment amount previously required had been about ¥120mn per store, but recently this has grown to around ¥200mn.

Number of Group stores and number of store openings and closures

Store name	Number of stores at end of FY3/21	Number of stores at end of FY3/22	FY3/23 store opening forecast	Number of stores at end of FY3/22 E
AUTOBACS (including SA and SH)	68	69	1	70
AUTOBACS Express	7	7		7
BP centers (body repair and coating)	9	9		9
G-7 TSUCHIYAMA CIRCUIT	1	1		1
FIELD SEVEN (new business format)	2	4		4
mammaciao	5	6		6
Taiyaki Specialty Store Yamaya Honpo	3	3		3
BIKE WORLD	12	14	4	18
Gyomu Super	165	175	12	187
Obentoya K	1	1		1
Oniku no Terabayashi	143	153	5	158
Andesfoods	16	14		14
Megumi no Sato	45	44	5	49
Gekiyasu Super Megumi no Sato	1	1		1
RICO'S (formerly mini PIAGO)	72	69	2	71
RINGO	1	-		-
Curves	25	25	4	29
TREASURE CYCLE (new business format)	-	1		1
Step Golf	3	-		-
IKINARI! STEAK (including Taiwan)	3	-		-
Overseas (AUTOBACS, BIKE WORLD)	4	4	2	6
Total	586	600	35	635

Source: Prepared by FISCO from materials provided by the Company

The Gyomu Super business will continue new store openings at a pace of more than 10 stores

2. Segment outlook

(1) AUTOBACS and care-related business

Within the AUTOBACS and care-related business, mainstay G-7 AUTO SERVICE is forecast to increase sales and profits. The key to achieving increased sales and profits will be expanding sales at existing stores. Although the market environment is hardly favorable as the rising cost of raw materials is expected to drive up the prices of tires and various types of car accessories, if the COVID-19 pandemic subsides and driving demand recovers during holiday seasons or homecoming trips, an increase in sales can be expected due to an increase in the number of customers visiting stores.

There are no new store openings planned for the new business format FIELD SEVEN, which will strive for earnings through 4 existing stores. Currently, these stores are opened within AUTOBACS stores, but going forward the Company is considering opening in shopping malls and large-scale commercial facilities, or standalone roadside openings.

BIKE WORLD is planning 4 new store openings to meet solid demand for motorcycles brought about by the COVID-19 pandemic. These stores will all be in collaborative stores with BIKE O, and the forecast for FY3/23 is increased sales and profits.

Regarding overseas AUTOBACS and BIKE WORLD stores, the Company opened 1 of each in June 2022 as planned for FY3/22, bringing the total to 6 stores. The impact on earnings will be minimal, but the Company is building a foundation, forecasting expanding demand for automobile and motorcycle products in the Southeast Asian market in the future. For the car export sales business, while sales to the mainstay market Malaysia and to South Africa have started to grow, and the forecast is for solid results in FY3/23.

(2) Gyomu Super business

In the Gyomu Super business, the Company is forecasting single-digit YoY increases in both sales and profits. The Company plans 12 new store openings, of which properties for 7 have already been secured. The Company policy is to continue opening in the Kyushu region, Tokyo metropolitan region and Hokkaido, as well as focus on opening in Aichi Prefecture, which has a comparatively fewer number of stores. In addition, it is also poised to sequentially introduce self-check-out registers and cashless payments to enhance convenience for customers.

(3) Meat business

In the meat business, the Company is expecting a single-digit YoY increase in net sales, but forecasting a continuing decrease in profits on an income basis. This is because imported beef prices have remained high and the Company has switched to domestic beef, but it is difficult to pass on to customers the entirety of the increase in purchase price. Profit is expected to continue to decrease in 1H due to a reduced gross profit margin, while 2H will depend on the state of purchase prices going forward. Regarding store opening plans, the Company is due to open 5 new Oniku no Terabayashi stores, while the Andesfoods business division will maintain its current state.

(4) Other businesses

Other businesses are forecasting reduced sales and increased profits. Sales are expected to decrease as a result of closing unprofitable mini PIAGO and Megumi no Sato stores, but this will be a factor for improvement in a profit-loss aspect.

Business outlook

Regarding mini PIAGO, the Company will open 2 new stores and decide on closures for 4 stores by May, the judge after viewing the situation going forward. In regard to store naming, all stores will be rebranded as RICO'S within FY3/23. Net sales are forecast to be ¥12.2bn, which will be a second consecutive decrease, but operating income is forecast to be several dozen millions of yen, returning to profitability. Measures to improve profitability including closures of unprofitable stores, as well as a review of product strategy and enhanced productivity. In regard to the product lineup, the Company has conventionally sold national brand (NB) products and UNY PB products, but going forward it is expected to increase sales through a lineup of PB products developed and produced by G7 JAPAN FOOD SERVICE CO., LTD. and Group company products (meat, fruit and vegetables). It will also continue to engage in product waste loss reduction. The current waste ratio is approximately 2% of net sales, which is high compared to Gyomu Super, so the aim is to lower the waste ratio to the same level as Gyomu Super. The Company will also review product ordering system and train foreign staffers, and is also considering the introduction of self-check-out systems in the future to hold down labor costs per store. RICO'S has established a 100-store platform in the Tokyo metropolitan area and has reached a stage where its earning capabilities can improve, and it is also examining moves into new areas such as Nagoya.

Regarding Megumi no Sato, earnings have been sluggish in the stores in the Chubu region and Tokyo metropolitan region that use the purchase-based sales method, and the Company is considering closure of the shops that are temporarily unprofitable. It has moved ahead on preparations to withdraw from all 6 stores in the Chubu region during 1H, and planning 5 store openings in the Kansai region. As stores in the Kansai region use the consignment sales method, product waste loss is eliminated and stable earnings ensured. From a results aspect, sales will be reduced due to the reduction in stores with the purchase-based sales policy, but from the income aspect, profits are expected to return to an increase.

Regarding G7 JAPAN FOOD SERVICE, it aims to increase sales and profits by continuing to discover local quality foods and to cultivate customers such as department stores and specialty stores while also moving ahead proactively on development of PB products such as frozen foods and sweets. Then, for the Curves chain of workout and training clubs for women, it expects to acquire 4 clubs in Kanagawa Prefecture through M&A, and to continue to forecast increased sales and profits, including through membership acquisition at existing clubs.

Advancing M&A strategy, targeting ¥250bn in net sales and ¥10bn in ordinary income in FY3/26

3. Medium-term business plan

The Company has started a five-year medium-term business plan running through FY3/26, which is the plan's final fiscal year and will mark the Company's 50th founding anniversary. The plan's business targets are net sales of ¥250bn and ordinary income of ¥10bn for FY3/26. Relative to results for FY3/21, the Company aims to increase net sales by 1.53x and ordinary income by 1.37x. In terms of compound annual growth rates, these targets represent firm growth of around 9% in net sales and around 6% in ordinary income. During the five fiscal years covered by the previous medium-term business plan (from FY3/17 to FY3/21), the Company achieved increases of 1.57x in net sales and 2.27x in ordinary income. Therefore, FISCO believes that the business targets of the Company's current plan have been set at achievable levels.

Business outlook

To achieve these targets, the Company will work to achieve the following 10 priorities as its goals:

- Each operating company will strive to deliver increases in sales and profits and record-high results every fiscal year.
- Each operating company must always achieve profitability.
- Strive to have no unprofitable stores and reduce the total amount of losses to zero.
- Aim for year-on-year increases in every productivity indicator, specifically net sales, gross profit and net income per employee.
- Profit growth rates in excess of sales growth rates must always be achieved.
- Strive to develop new businesses and business formats with high investment returns.
- Strive to open 70 to 100 new stores with high investment returns every fiscal year (The number of stores will be increased from 586 at the end of FY3/21 to 1,000 in FY3/26, including G-7 Mall.)
- Work to advance M&A deals and capital and business alliances
- Make every effort to strengthen recruitment and nurture and educate human resources
- Promote ESG and SDGs measures

Moreover, as its sales targets for each business, the Company is forecasting net sales of ¥100bn and ¥4.5bn in ordinary income in the Gyomu Super business (net sales up 1.19x and ordinary income up 1.13 x from FY3/21), net sales of ¥50bn and ordinary income of ¥2.5bn (net sales up 1.57x and ordinary income up 1.20x) in the AUTOBACS business; and net sales of ¥35bn and ordinary income of ¥1.2bn (net sales up 1.91x and ordinary income up 1.28x) in the meat business.

Of these businesses, the Gyomu Super business is aiming to achieve its targets by expanding the number of stores, mainly in the regions of Kyushu, Chubu and metropolitan Tokyo, and Hokkaido. Net sales are calculated at an annual growth rate of 3.5%, so if store openings proceed smoothly, the target can be said to be of a sufficiently achievable level. For the AUTOBACS business, meanwhile, the Company has set a challenging target requiring sales at an annual growth rate of 9.4%. The Company's strategy is to expand domains into peripheral businesses in categories such as car life. Specifically, this involves aiming to achieve the target by nurturing the outdoor business (FIELD SEVEN, auto campgrounds, etc.). The meat business is forecasting net sales growth at an annual rate of 13.8%. The aim is for double-digit growth through openings in Gyomu Super stores and strengthening sales to the wholesale business, but as mentioned earlier, the recent supply environment has deteriorated, so it is off to a tough start.

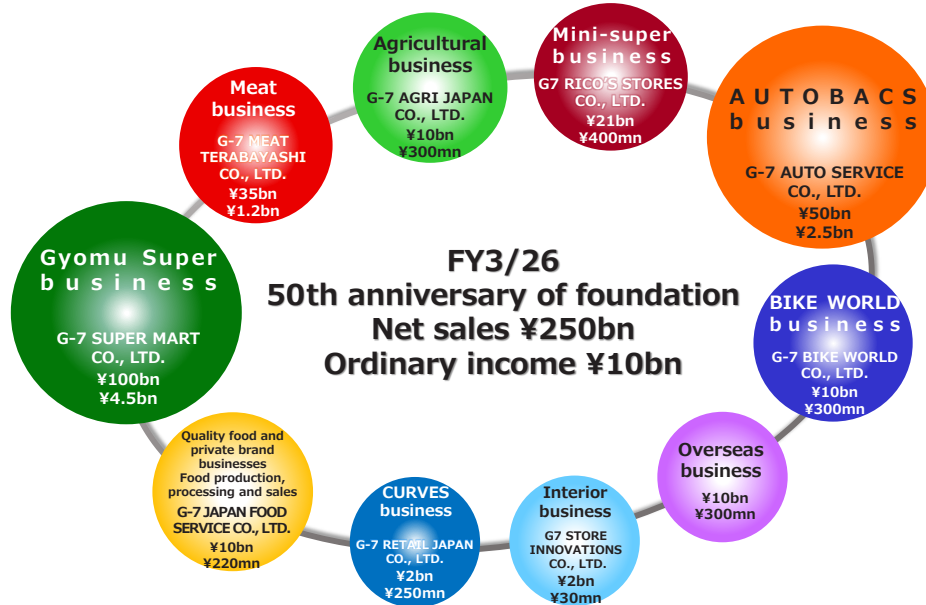
The mini-super business is forecasting net sales of ¥21bn and ordinary income of ¥400mn. While moving ahead on the scrap and build strategy in the Tokyo metropolitan area, it aims to increase customer attraction capabilities through a lineup of attractive Group products and achieve the target by a re-expansion in the number of stores while improving per store profitability. However, the immediate situation is harsher than envisaged and the key is coming up with measures that will lead to an increase in customer attraction.

The Company is also forecasting net sales of ¥10bn and ordinary income of ¥200mn -¥300mn each in the BIKE WORLD business, quality food and private brand business, agricultural business (Megumi no Sato) and overseas business (The agricultural business is on a distribution amount basis.). In the Curves business and the store interior business (mainly construction of Gyomu Super stores), net sales of ¥2bn is forecast in each business.

Furthermore, the Company will develop new businesses expected to synergize with existing businesses and advance proactively acquisitions through M&A. The Company was able to achieve its business targets for the previous medium-term business plan (from FY3/17 to FY3/21) partly because the meat business, which it acquired through an M&A, contributed to net sales and profits. Therefore, the key to whether the Company can achieve the targets in this medium-term business plan depends on whether it can create examples replicating this success.

Business outlook

Business targets for each business



Source: Published from materials provided by the Company

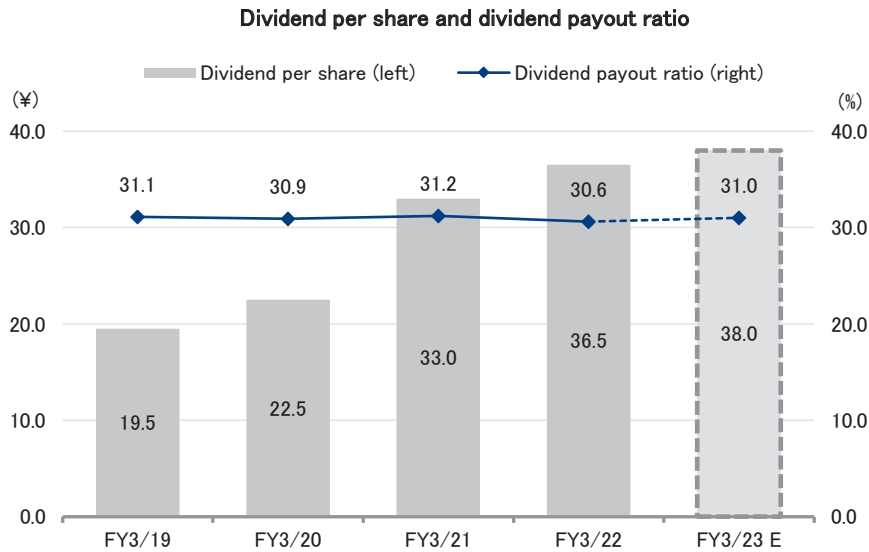
Shareholder return policy and sustainability initiatives

Plans to increase the dividend for the eighth consecutive year, targeting a dividend payout ratio of 30%

1. Shareholder return policy

Regarding the dividend policy, the Company has stated that it will comprehensively determine the dividend policy based on the fundamental principle of returning profits to shareholders in accordance with business performance, while maintaining stable dividends, and taking into consideration factors including capital required for future business expansion and its financial condition. Looking at the dividend level, the Company seems to be targeting a dividend payout ratio of around 30%. For FY3/22, it plans to increase the dividend per share by ¥3.5 YoY to ¥36.5, representing a dividend payout ratio of 30.6%, and for FY3/23 increase the dividend per share by ¥1.5 per share YoY to ¥38.0, representing a dividend payout ratio of 31.0%. This would be the eighth consecutive year of higher dividends. Continued dividend growth can be expected if earnings continue to increase going forward.

Shareholder return policy and sustainability initiatives



Note 1: The Company paid commemorative dividends of ¥1.0 in FY3/20 and ¥8.0 in FY3/21 and a special dividend of ¥1.5 in FY3/22.

Note 2: The Company conducted 2-for-1 stock splits in January 2020 and October 2021. The dividend per share amounts have been retroactively adjusted.

Source: Prepared by FISCO from the Company's financial results

Practicing sustainability management will lead to improved brand value, business domain cultivation and enhanced employee satisfaction

2. Sustainability initiatives

The Company's basic philosophy on sustainability is "to contribute to society by practicing management aims at improving the satisfaction of customers, shareholders, employees, local communities and other stakeholders through a local, hands-on policy and customer-first policy with respect for human rights as a management foundation," and believes that leveraging the strength of each business to contribute to a sustainable society will lead to the Group's long-term growth. Moreover, as benefits of practicing management, it will lead to improved brand value, business domain cultivation and enhanced employee satisfaction.

Regarding sustainability initiatives, the Company published information on its SDGs measures in the "Sustainability Measures by the G-7 Group" section of its website. The main initiatives are divided from an ESG perspective as follows.

Shareholder return policy and sustainability initiatives

(1) Environment**a) Consideration for climate change and other global environmental issues**

The Group will contribute to decarbonization by reducing and suppressing CO₂ emissions by switching its company vehicles to electric vehicles (battery electric vehicles, fuel cell electric vehicles, and plug-in hybrid vehicles (PHEVs) and hybrid vehicles (HEVs)), converting store lighting to LED and prioritizing use of renewable energies, thus addressing climate-related disaster and holding off the outbreak of natural disasters. Moreover, autocamp grounds the Company is planning for development going forward will also be made available as evacuation sites at times of disaster.

In addition, efforts are made to reduce waste products by making store inventory management more sophisticated, and consideration shown to the environment by also conducting proper separation and disposal of waste items. For example, tires for disposal collected from customers visiting AUTOBACS stores are recycled by a specialist company and reused as an energy source, while waste oil, waste batteries and other items are separated by material, which leads to their reuse as resources through designated companies.

b) Renewable energy and energy-saving initiatives

To increase the use of renewable energy, the Company installed solar panels on the rooftop of its newly completed Head Office in 2021, thereby increasing its solar energy usage rate. Moreover, the Company will rapidly replace its company vehicles with electric vehicles. In addition, the Company will improve energy efficiency by promoting the conversion of in-store lighting to LED lights, as part of efforts to advance reduced power consumption and CO₂ emissions. In addition, in AUTOBACS stores, the Company plans to move ahead with the installation of electric vehicle charging stations that will be available for use by customers at its stores. (It has currently installed a charging station at the AUTOBACS Kisarazu Kaneda store.)

c) Crisis management for natural disasters

The Group has formulated principles, a basic policy, objectives and targets related to crisis management for natural disasters. In addition, it is developing a crisis response plan envisaging damage scenarios.

(2) Society**a) Contributing to local communities**

The Group conducts an annual Food Drive Campaign to donate food, clothing, daily goods and other items to those who are socially vulnerable. The Company will also continue to hold recreational activities and similar initiatives for child welfare facilities and childcare support facilities, including the start of provision of ingredients for children's food halls in communities. By increasing the frequency of these activities going forward, the intent is to focus even more on health and welfare activities.

As part of efforts to contribute to local communities and improve the living environment, the Group cleans the roads around its stores on AUTOBACS Day and strives to ensure proper sorting and separation of waste according to each community's stipulations.

b) Safe driving initiatives

The SDGs target reducing global traffic accident fatalities by half, and to achieve this target the Group also conducts activities such as encouraging drivers to have their vehicles inspected every 12 months, along with encouraging the installation of drive recorders in company vehicles, and promoting the sale of such items in stores. Through these activities, the Company strives to "prevent traffic accidents, facilitate the early resolution of accidents should they occur, and suppress driving behavior that leads to accidents." It also provides hands-on workshops such as changing tires as one aspect of safety education for children.

Shareholder return policy and sustainability initiatives

c) Sports support

The Company supports athletes such as the local professional soccer team and golf players as one aspect of its activities contributing to society. By supporting sports, it strives to further strengthen relations with local communities as a company deeply rooted in the region.

(3) Governance

The Group has formulated the Corporate Ethics Committee (Compliance Committee) Regulations and established the Corporate Ethics Committee (Compliance Committee) for the objective of conducting business activities in accordance with social norms and ethics to contribute to society through the promotion of sound management. The Ethics Committee (comprising the chair, division heads and the president and CEO) meets once a month, and has built a structure that checks whether there have been actions beyond socially norms and ethics and responds promptly in the event of recognizing a problem. In addition, the introduction of a whistle-blowing system has enabled mutual monitoring within the Group, which not only raises awareness of compliance among directors and employees, but also leads to early detection, correction, and prevention of recurrence of legal violations or misconduct that have or may have a significant impact on management.

The Group has also formulated Risk Management Regulations and established a Risk Management Committee to prevent the occurrence of significant risks, minimizing the impact on business of significant risks that do eventuate and preventing recurrence.

The Risk Management Committee (comprising the chair and president and CEO) meets monthly and has a unified management structure for each risk encompassing the Group, based on reports received from each committee member. The Committee works to ascertain, analyze and address the Group's risk information and promptly responds in an appropriate manner to risks through individual risk countermeasure committees and other means. Moreover, risk management in business activities is monitored through internal auditors and reported to representatives of each Group company as appropriate.

Furthermore, the Group is planning to transition to being a Company with Supervisory Committee to further enhance its corporate governance structure. The issue will be tabled for discussion at the general meeting of shareholders held in June 2022, approval received and the transition made.



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