

Gulliver International Co., Ltd.

Consolidated Results

Fiscal 2005
(March 1, 2005 to February 28, 2006)

This document is a translation of sections of the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions and the pricing and product initiatives of new and existing competitors.

SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

Results for the fiscal year ended February 28, 2006

Gulliver International Co., Ltd.

April 18, 2006

Stock Code: 7599.....

Listed exchanges: Tokyo (1st Section).....

<http://www.glv.co.jp/english/>

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Date of the meeting of the board of directors: April 18, 2006

U.S. GAAP: Not adopted

1. Consolidated financial results for the fiscal year ended February 28, 2005

1) Consolidated Operating Results

	Fiscal year ended February 28, 2006		Fiscal Year ended February 28, 2005	
		(% change)		(% change)
Sales	182,649	16.5	156,696	28.5
Operating income	9,423	(7.8)	10,229	33.7
Ordinary income	9,382	(8.1)	10,219	32.7
Net income	4,421	(21.7)	5,652	39.5
Earnings per share (¥)	435.61	--	548.86	--
Fully diluted earnings per share (¥)	431.10	--	537.88	--
Return on equity (%)	27.4	--	35.6	--
Ratio of ordinary income to shareholders' equity (%)	25.5	--	33.6	--
Ratio of ordinary income to sales (%)	5.1	--	6.5	--

Notes:

1. Investment gains and losses under equity method: FY ended February 2006: ¥ -- million; FY ended February 2005: ¥ -- million
2. Average number of shares outstanding during FY ended February 2006: 9,979,943; FY ended February 2005: 10,127,471
3. Differences in accounting treatments applied compared to previous consolidated fiscal year: No
4. Percentage figures for sales, operating income, etc. represent changes compared to the previous fiscal year.

2) Financial Position (consolidated)

	As of February 28, 2006		As of February 28, 2005	
	Total assets	38,812		34,529
Shareholders' equity	16,011		16,143	
Equity ratio (%)	41.3		46.7	
Shareholders' equity per share (¥)	1,623.1		1,603.84	

Note:

Number of shares outstanding (consolidated) at end of period: FY ended February 2006: 9,865,317; FY ended February 2005: 10,007,067.

3. Consolidated cash flows

	Fiscal Year ended February 28, 2006		Fiscal Year ended February 28, 2005	
	Cash flow from operating activities	4,442		2,724
Cash flow from investing activities	(6,385)		(5,791)	
Cash flow from financing activities	1,029		(1,427)	
Cash and cash equivalents at end of period	3,374		4,130	

4) Scope of consolidation and application of the equity method

Number of consolidated subsidiaries: 7; Number of non-consolidated subsidiaries under the equity method: 0; Number of affiliated companies under the equity method: 0; Changes in the scope of consolidation and companies accounted for by the equity method: 4 companies newly consolidated.

3. Forecasts for the fiscal year ending February 28, 2007 (March 1, 2006 to February 28, 2007)

	Interim period ending August 31, 2006		FY ending February 28, 2007	
	Sales	94,800		205,400
Ordinary income	3,900		11,200	
Net Income	1,900		5,700	
Earnings per share (¥)	--		577.78	

1. Management Policy

1. Basic management policy

Gulliver has adopted 'Growing together' as its corporate philosophy and, under the principle of coexistence and mutual prosperity, the company is striving to become a corporation that is well regarded by community and society as well as all those involved with the Group, including customers, employees, partners and shareholders. Under this philosophy, Group management is making every effort to create an attractive company that is worthy of support from customers. We also aim to bring about a revolution in the distribution of cars, and to support the 'car life' of our customers.

2. Basic policy concerning distribution of profits

We have identified the return of profits to investors as an important management issue and also place emphasis on our dividend payout ratio. We consider the return of profits appropriate to results to be a fundamental management principle.

With the intention of further increasing profits and increasing corporate value, as well as strengthening competitiveness and improving services, retained capital will be used to carry out effective and efficient investments in such areas as the launch or relocation of directly-owned stores and replacement stores (re-locating or launching at new locations), the strengthening of internal infrastructure, and the development and training of personnel.

3. Management targets

We consider return on equity (ROE) to be an important management financial indicator and aim to maintain ROE above 10% over the medium to long term. Further, we are aiming to achieve a Gulliver Group annual purchase volume of one million cars.

4. Mid- to long-term management strategy

We have set an annual purchase volume of one million cars as a specific objective, with the aim of securing a dominant market share in the used car industry. We feel that, in order to realize our goal of bringing about a revolution in the distribution of cars, this is the volume necessary to ensure a dominant number one position in the industry. In order to achieve this goal, the following measures are being taken:

- Creating a low cost operation
- Improving productivity at each store
- Increasing launches of directly operated stores
- Enhancing brand power and recognition
- Improving service quality and customer satisfaction
- Maintaining personnel and strengthening the development and training structure
- Expanding sales channels, utilizing 'Dolphinet System' and 'GAO! Auction'

5. Tasks ahead

In Japan's very large market for used vehicles, where eight million vehicles (including buses, trucks, etc.) are registered each year, there are a range of issues that must be addressed by the Group in order to achieve a dominant market share and improve profitability. As part of our strategic marketing activities, these include further enhancing our brand power, broadening our customer base through improving brand recognition in a wide range of age groups, making qualitative improvements in service and customer satisfaction, and strengthening operations through personnel development and training.

6. Corporate governance and related initiatives

Basic policies regarding corporate governance

In order to maximize corporate value, we are working to enhance corporate governance focused on the board of directors and auditing system.

In a rapidly changing management environment, we have rationalized the board of directors and introduced an executive officer system. In addition, we have adopted a functional organizational system that places emphasis on flexibility, and at the same time we are introducing measures such as the promotion of organizations and projects that cross divisional boundaries to provide dynamism to the organization.

We intend to continue taking active measures to further enhance corporate governance.

Overview of corporate governance initiatives

- (1) Management administration bodies and other corporate governance systems related to
Group management decision making, execution and auditing

We will continue to employ an auditor system, and currently have three auditors, two of which are external auditors.

In order to maintain strategic flexibility in a rapidly changing business environment, in 2001 we reduced the number of directors with the aim of speeding up management decision making and, at the same time, introduced an executive officer system to clarify business execution responsibilities. We have strengthened our management monitoring systems through the improvement of our internal legal division and the establishment of internal audit systems as well as receiving advice and guidance from external lawyers and accounting auditors.

In September 2005, under our new framework, we established a Compliance Committee and created a compliance framework to strictly and effectively adhere to all legal obligations. Further, we are currently involved in the establishment of a crisis management framework to handle latent internal and external risks, and are strengthening our IR and PR structure in order to cope with unforeseen occurrences.

- (2) Overview of personal, capital or business relationships between Gulliver and its external directors and auditors and any other interests

Neither of the two external auditors currently employed by the company have any personal relationship with other auditors or directors, nor does either have any special interests within the Group.

(3) Overview of measure taken to enhance corporate governance in the 12 months ended August 31, 2005.

Recognizing that each director plays an important role as a member of the management decision-making body, we have strengthened the functions not only of the board but also of a range of administrative meetings, while also clearly delegating responsibilities and defining authorities at executive officer level and below, with the aim of continually improving the flexibility and capability of our management.

In addition, as stated above, in September 2005, we established a Compliance Committee and are strengthening our investor relations and corporate communications structure.

7. Items relating to the parent company

None

2. Operating Results and Financial Position

(1) Outline of consolidated interim operating results

Gulliver operates 278 directly operated stores involved in the purchase and sale of cars (30 more than at the end of the previous fiscal year) and has 217 affiliated stores (32 fewer than at the end of the previous fiscal year). In total, Gulliver operates 495 stores (two fewer than at the end of the previous fiscal year).

In our directly operated store operations, the opening of 30 more branches from the end of the previous fiscal year progressed well and we were able to increase the number of cars handled through increasing brand recognition and marketing activities. On the other hand, despite aiming to increase market share and employee numbers during the period, staff training was insufficient in some respects and the efficiency of investments in marketing and personnel costs did not improve as expected. We believe that these are issues which we must address and began modifications to our sales structure from November 2005, as well as improving our business productivity. Further, in affiliated stores, despite decreasing the number of branches, the number of cars handled per store has been increasing.

We are continually engaged in improving the capabilities of our personnel, and in line with the increase of our store network have been recruiting and focusing training efforts on employees at new directly operated stores. Our efforts to improve our strategic position include a range of training methods, including OJT (on-the job training), and we are continuing to adopt measures aimed at improving our sales and management approach.

Vehicles handled by Gulliver are sold quickly, with an average timeframe of only one week to ten days required to achieve a sale via channels that include auction sites throughout Japan, the Company's unique on-screen selling system 'Dolphinet', and GAO! Auction, the internet based real-time auction aimed at used-car dealers. GAO! Auction was launched in January 2005 and has around 20,000 members. It is also performing well, with a closure rate of around 40%.

There are currently seven subsidiaries of Gulliver International: G-Trading Co., Ltd., the second-hand truck, bus and construction vehicles purchase, sales and export company; G-ONE Financial Service Co., Ltd., the consolidated auto-loan and financial business company; Gulliver Europe Ltd., which aims to spread the risks in our future business activities, Hakobo Co., Ltd., which is mainly involved in the car transportation business; and Carcross, which was registered in March 2005 and handles the sale of cars at auction. This figure also includes G-Bus., Ltd. and Samurai Motors Co. which are consolidated subsidiaries of G-Trading Co., Ltd. The Group also includes Gulliver USA, Inc., a non-consolidated affiliate that is involved in the purchase and sale of second-hand cars in the U.S.

G-Trading made efforts to broaden its sales channels by improving its dealer network and strengthening relationships with customers through initiatives such as expanding the workforce and creating new branches in Tokyo and Osaka and launching on-site auctions for domestic users in August 2005, as well as launching its first internet auction for foreign users in July . As a

result of this, due to an increase in the average unit price through increased handling of older cars, revenue from sales increased. However, as regards profits, due to the extended period of higher oil prices, the number of cars handled in the sluggish overseas market has declined and, with an increase in purchase costs due to increased competition, there has been a decline in profitability. Further, SG&A expense has increased due to a sharp rise in employee numbers and we have seen a decline in profits compared to the previous fiscal year.

Consolidated subsidiary G-One Financial Services Co., Ltd. ("G-One") recorded an ordinary loss for the fiscal year ended. During the period under review, G-One began fully-fledged sales of automobile loan products. As a result, from the current period Gulliver has been receiving loan rebates from G-One for automobile loan contracts. Previously, Gulliver received rebates from outside companies, through the provision of loan services from other companies.

Income from automobile loans sold by G-One (a certain proportion of the total credit provided) is recorded on a deferred basis, whereas rebates are recorded as a one-time expense, and in the period under review this led to a loss at the ordinary income level. We had expected that in the case of securitization of loan receivables, income could be recorded as a lump sum, but the Company now understands that recording income on a deferred basis is the appropriate accounting treatment. Business development of G-One is proceeding well, as shown by the steady increase in the number of automobile loan contracts etc..

Hucobo Co., Ltd. began operations in earnest from this period, with expenses relating to business establishment incurred until the middle of the period resulting in an ordinary loss.

As a result of the factors noted above, consolidated net sales for the period under review increased 16.5% (¥25,953 million) to ¥182,649 million and operating income decreased 7.8% (¥806 million) to ¥9,423 million. Ordinary income decreased 8.1% (¥836 million) to ¥9,382million and net income decreased 21.7% (¥1,231 million) to ¥4,421 million.

Performance by Segment

Sale of used automobiles

Net sales in this business segment increased 17.2% (¥25,523 million) to ¥173,647 million, and operating income decreased 9.9% (¥1,265 million) to ¥11,419 million.

Although there was a slight decline in the average unit sales price and gross profit margin per vehicle sold during the period under review, the number of vehicles handled steadily rose due to increased brand awareness and improved effectiveness of marketing activities. As a result of continued business expansion, marketing costs and SG&A expenses increased and, due also to decreased income from the consolidated subsidiary G Trading, operating income declined while net sales increased.

Other businesses

Net sales in this business segment increased 5.0% (¥436 million) to ¥9,011 million, while

operating income decreased 21.6% (¥301 million) to ¥1,698 million.

Due to the decrease in the number of Gulliver affiliated stores, revenue from this area of business decreased. However, the development of GAO! Auction and GiPAS resulted in higher revenue from commissions and subscriptions.

(2) Financial position

For the fiscal year ended February 28, 2006, cash flow from both operating and financing activities was positive and cash flow from investing activities was negative, while overall cash flow was a negative figure of ¥913 million. The balance of cash and cash equivalents as of the end of the period was ¥3,374 million.

Cash flow from operating activities

Cash and cash equivalents (“cash”) generated from operating activities was ¥4,442 million.

Principal components of this included net income before adjustment for taxes of ¥8,437 million, a decrease in receivables of ¥660 million, and a decrease in accounts payable of ¥1,079 million.

Cash flow from investing activities

Net cash used in investment activities was ¥6,385 million. The principal factors contributing to this result was investment in the opening of new directly operated stores and in establishing internal systems.

Cash flow from financing activities

Net cash generated from financing activities was ¥1,029 million. This was primarily due to an increase in short-term loans.

(3) Outlook for the fiscal year ending February 28, 2007

Gulliver intends to continue to pursue higher profits, seeking to increase the number of vehicles handled (by opening new stores and increasing the number of customers handled per store) and the further implementation of low cost operations.

Consolidated forecasts for the fiscal year ending February 2007 are for net sales to increase 12.5% to ¥205,400 million, ordinary income to increase 19.4% to ¥11,200 million and net income to increase 28.9% to ¥5,700 million.

Non-consolidated forecasts for the fiscal year ending February 2007 are for net sales to increase 11.9% to 190,000 million, ordinary income to increase 15.4 to ¥11,700 million, and net income to increase 25.9% to ¥6,700 million.

Note: The above figures do not include consumption tax.

Consolidated Balance Sheets

Millions of yen

	As of February 28, 2006		As of February 28, 2005	
ASSETS		% of total		% of total
Current assets				
Cash and deposits.....	3,374		4,130	
Accounts receivable.....	11,180		10,015	
Marketable securities.....	100		--	
Inventory.....	4,659		4,555	
Deferred tax assets.....	468		549	
Others.....	1,393		1,813	
Allowance for doubtful accounts.....	(84)		(84)	
Total current assets.....	21,091	54.4	20,980	60.8
Fixed assets				
Tangible fixed assets				
Buildings and structures.....	6,812		5,340	
Vehicles and transport equipment.....	5		28	
Tools, fixtures and equipment.....	1,689		1,099	
Land.....	327		327	
Construction in progress.....	409		231	
Total tangible fixed assets.....	9,244	23.8	7,026	20.4
Intangible fixed assets				
Goodwill.....	36		16	
Software.....	2,719		2,187	
Other.....	85		87	
Total intangible fixed assets.....	2,841	7.3	2,290	6.6
Investments and other assets				
Investment securities.....	199		373	
Shares of related companies.....	103		224	
Long-term loans receivable.....	18		135	
Deposits and guarantee money.....	3,052		2,185	
Construction cooperation fund.....	1,890		960	
Deferred tax assets.....	111		135	
Other.....	629		533	
Allowance for doubtful accounts.....	(371)		(314)	
Total investments and other assets.....	5,633	14.5	4,231	12.2
Total fixed assets.....	17,720	45.6	13,548	39.2
Total Assets.....	38,812	100.0	34,529	100.0

Consolidated Balance Sheets

Millions of yen

	As of February, 2006		As of February 28, 2005	
		%		%
LIABILITIES		%		%
Current liabilities				
Accounts payable	3,501		5,734	
Short-term borrowing	9,350		3,950	
Accrued expenses	4,156		2,272	
Accrued corporate taxes	1,867		2,677	
Deposits received	462		767	
Reserve for bonuses	532		519	
Others	1,678		1,513	
Total current liabilities	21,549	55.5	17,435	50.5
Long-term liabilities				
Long-term borrowing	304		--	
Guarantee deposits received	594		621	
Total long-term liabilities	898	2.3	621	1.8
Total liabilities	22,448	57.8	18,056	52.3
MINORITY INTERESTS				
Minority interests	352	0.9	328	1.0
CAPITAL				
Paid-in capital	4,157	10.7	4,139	12.0
Capital surplus	4,032	10.4	4,014	11.6
Retained earnings	15,822	40.8	13,668	39.6
Unrealized gains and losses in other securities	67	0.2	10	0.0
Translation adjustments	(0)	0.0	--	--
Treasury stock <i>Note 1</i>	(8,067)	(20.8)	(5,689)	(16.5)
Total capital	16,011	41.3	16,143	46.7
Total Liabilities, Minority Interests and Shareholders' Equity	38,812	100.0	34,529	100.0

Consolidated Statements of Income

Millions of yen

	March 1, 2005 to February 28, 2006	%	March 1, 2004 to February 28, 2005	%
Sales	182,649	100.0	156,696	100.0
Cost of sales	139,371	76.3	118,089	75.4
Gross profit.....	43,278	23.7	38,607	24.6
Sales general and administrative expenses <i>Note 1</i>	33,855	18.5	28,377	18.1
Operating income	9,423	5.2	10,229	6.5
Non-operating income				
Interest received	1		2	
Dividends received	0		3	
Commissions received.....	16		3	
Investment fund income	--		11	
Other	103		33	
Total non-operating income	120	0.1	53	0.0
Non-operating expenses				
Interest paid	31		12	
New shares issuance expense	5		7	
Addition to reserve for doubtful accounts	35		--	
Cancellation penalties.....	9		11	
Investment fund valuation loss	2		17	
Other.....	77		15	
Total non-operating expenses.....	161	0.1	64	0.0
Ordinary income.....	9,382	5.2	10,219	6.5
Extraordinary profit				
Gains on sales of fixed assets <i>Note 2</i>	3		--	
Reversals of reserve for doubtful accounts	45		--	
Insurance gains	6		--	
Gain on reorganization of related companies	--		82	
Other	1		7	
Total extraordinary profit	56	0.0	90	0.1
Extraordinary losses				
Loss on disposal of fixed assets <i>Note 3</i>	879		247	
Loss on cancellation of insurance contracts.....	121		--	
Other.....	--		4	
Total extraordinary losses	1,001	0.6	251	0.2
Income before taxes, etc.	8,437	4.6	10,058	6.4
Income tax, inhabitants tax and enterprise tax	3,935	2.2	4,402	2.8
Corporate tax adjustment.....	66		(81)	
Minority interests	14	0.0	84	0.0
Net income	4,421	2.4	5,652	3.6

Consolidated Statement of Surplus

	<i>Millions of yen</i>	
	March 1, 2005 to February 28, 2006	March 1, 2004 to February 28, 2005
Capital Surplus		
Capital surplus at beginning of period	4,014	3,943
Increase in capital surplus		
Issuance of new shares through capital increase.....	17	184
Gains on disposal of treasury stock.....	--	(113)
Reduction in capital surplus		
Reduction in capital surplus.....	--	--
Capital surplus at end of period	4,032	4,014
Retained earnings		
Retained earnings at beginning of period	13,668	9,927
Increase in retained earnings		
Net income for the period.....	4,421	5,652
Reduction in retained earnings		
Dividends.....	1,786	1,341
Directors' bonuses.....	94	83
Losses on disposal of treasury stock.....	387	287
Reduction resulting from new consolidation.....	0	--
Retained earnings at end of period	15,822	13,668

Consolidated Statements of Cash flows

Millions of yen

	March 1, 2005 to August 31, 2005	March 1, 2004 to February 28, 2005
I. Cash flow from operating activities		
Income before taxes, etc.	8,437	10,058
Depreciation	2,061	1,383
Increase (decrease) in reserve for bonuses.....	2	139
Increase (decrease) in allowance for doubtful accounts	47	37
Interest and dividends received	(1)	(5)
Interest paid	28	12
New share issuance expenses	5	6
Gain on sale of fixed assets	(3)	--
Loss on disposal of fixed assets	879	247
Appraisal loss on investment securities	(45)	--
Payment of directors' bonuses	(94)	(83)
(Increase) decrease in accounts receivable.....	(660)	(4,757)
(Increase) decrease in inventory.....	(17)	(2,559)
Increase (decrease) in accounts payable	(1,079)	2,657
Increase (decrease) in accrued consumption tax	328	(200)
Other	(549)	54
Subtotal	9,339	6,990
Interest and dividends received	1	6
Interest paid	(26)	(14)
Corporate taxes paid.....	(4,871)	(4,257)
Cash flow from operating activities	4442	2,724
II. Cash flow from investing activities		
Payments for acquisition of marketable securities	--	228
Proceeds from sale/redemption of marketable securities	--	(100)
Payments for purchase of investment of securities.....	212	--
Payments for acquisition of tangible fixed assets	(3,032)	(3,565)
Proceeds from sale of tangible fixed assets.....	7	0
Payments for acquisition of intangible fixed assets.....	(1,588)	(1,322)
Acquisition of shares of affiliates	--	(224)
Amounts lent	(492)	(105)
Proceeds from repayment of loans	(577)	118
Increase (decrease) in short-term borrowing	(130)	(14)
Deposit and guarantee payments	(2,096)	(832)
Proceeds from repayment of investments.....	--	26
Other	128	(0)
Cash flow from investing activities	(6,385)	(5,791)
III. Cash flow from financing activities		
Net increase (decrease) in short term borrowings	5,687	3,400
Repayment of long-term debt.....	(340)	--
Increases in long-term borrowing	200	--
Proceeds from disposal of treasury stock	209	491
Payments for acquisition of treasury stock.....	(2,974)	(4,512)
New share issuance expenses	(5)	--
Proceeds from issuance of new shares	35	367
Payment of dividends.....	(1,786)	(1,341)
Payments from minority shareholders.....	3	167
Cash flow from financing activities	1,029	(1,427)

IV. Exchange differences in cash and cash equivalents	1	--
V. (Decrease) increase in cash and cash equivalents	(913)	(4,494)
VI. Cash and cash equivalents at beginning of period	4,130	8,624
. Increase in cash and cash equivalents due to changes in the scope of consolidation	155	--
. Cash and cash equivalents at end of period.....	3,374	4,130

Material Items Forming the Basis for the Preparation of the Interim Consolidated Financial Statements

Item	March 1, 2005 – February 28, 2006	March 1, 2004 - February 28, 2005
1. Items relating to the scope of consolidation	<p>(1) Number of consolidated subsidiaries: 7 G Trading Co., Ltd. G One Financial Service Co., Ltd. Gulliver Europe Ltd. Hucobo Co., Ltd. SAMURAI MOTORS CO. Ltd. G-Bus., Ltd. Carbross Co., Ltd.</p> <p>(Change in scope of consolidation) Of the above Hakobo Co., Ltd. has been included in the scope of consolidation as its importance to the financial statements has increased. Further, as SAMURAI MOTORS CO. Ltd., G-Bus., Ltd., and Carbross Co., Ltd. were all established in the year under review, they have been included in the scope of consolidation.</p> <p>(2) Non-consolidated subsidiaries: Gulliver USA Inc.</p> <p>Reasons for exclusion from consolidation: Gulliver USA, Inc. is small and its total assets, sales, net income and retained profit, etc. do not significantly affect the consolidated financial statements.</p>	<p>(1) Number of consolidated subsidiaries: 3 G Trading Co., Ltd. G One Financial Service Co., Ltd. Gulliver Europe Ltd.</p> <p>Note: E Investment Co., Ltd. has changed its name to G One Financial Service Co., Ltd.</p> <p>(2) Non-consolidated subsidiaries: Hucobo Co., Ltd. and Gulliver USA Inc.</p> <p>Reasons for exclusion from consolidation: Hucobo and Gulliver USA Inc. were excluded from the scope of consolidation because their importance is low.</p>
2. Application of the equity method	<p>There are no non-consolidated subsidiaries and affiliates to which the equity method is applied Non-consolidated subsidiaries and affiliates to which the equity method is not applied: Gulliver USA Inc.</p> <p>Reasons for not applying the equity method: The effect of the company on net income and retained profit is immaterial and its overall importance is low.</p>	<p>There are no non-consolidated subsidiaries and affiliates to which the equity method is applied Non-consolidated subsidiaries and affiliates to which the equity method is not applied: Hucobo Co., Ltd. Gulliver USA Inc.</p> <p>Reasons for not applying the equity method: Hakobo and Gulliver USA Inc. were excluded from the scope of consolidation because their importance is low</p>
3. Items relating to the (interim) settlement days of consolidated subsidiaries	<p>Of the consolidated subsidiaries, Gulliver Europe Ltd. and SAMURAI MOTORS have a settlement date (December 31) that differs from the Consolidated Settlement Date (end February). In preparing the Consolidated Interim Financial Statements, as the gap between the settlement dates does not exceed 3 months, consolidation is performed based on the said subsidiary's financial statements. For material transactions occurring between the settlement dates necessary consolidation adjustments are made.</p>	<p>Of the consolidated subsidiaries, Gulliver Europe Ltd. has a settlement date (December 31) that differs from the Consolidated Settlement Date (end February). In preparing the Consolidated Financial Statements, as the gap between the settlement dates does not exceed 3 months, consolidation is performed based on the said subsidiary's financial statements. For material transactions occurring between the settlement dates necessary consolidation adjustments are made.</p>
4. Items relating to accounting treatment (1) Valuation criteria and valuation methods for material assets	<p>1. Marketable securities Bonds intended to be held to maturity: As at right</p> <p>Other marketable securities As at right</p>	<p>1. Marketable securities Bonds intended to be held to maturity: Amortizing cost method (straight line)</p> <p>Other marketable securities Those with a market price: Valued by the market method based on the market price as at the accounting date. Valuation gains or losses are taken direct to capital and the book value is determined by moving</p>

<p>(2) Depreciation methods applied to material depreciable assets</p> <p>(3) Treatment of deferred assets</p>	<p>Those without a market value:</p> <p>Shareholdings in subsidiaries: As at right</p> <p>2. Derivatives As at right</p> <p>3. Inventories A. Merchandise: Vehicles: As at right Other: As at right</p> <p>B. Supplies: As at right</p> <p>(i) Tangible Fixed Assets As at right</p> <p>(ii) Intangible Fixed Assets As at right</p> <p>(iii) Long Term Prepaid Expenses As at right</p> <p>New share issue expenses As at right</p>	<p>average method.</p> <p>Those without a market value: The cost method using the moving average method</p> <p>Shareholdings in subsidiaries: The cost method using the moving average method</p> <p>2. Derivatives Market price method</p> <p>3. Inventories A. Merchandise Vehicles: Actual cost method Other: Cost method under first in, first out method</p> <p>B. Supplies: Cost method under last purchase method</p> <p>(i) Tangible Fixed Assets Declining Balance Method is applied. However, for buildings excluding attached equipment) acquired since April 1, 1998, the Straight Line Method has been applied. The useful lives are as follows: Buildings and Structures: 15 – 20 years Vehicles and transportation equipment: 2-6 years</p> <p>(ii) Intangible Fixed Assets The Straight Line Method is applied. However, with respect to software for internal use, the Straight Line Method based on useful lives for internal use (5 years) has been applied.</p> <p>(iii) Long Term Prepaid Expenses The Straight Line Method is applied</p> <p>New share issue expenses Expensed in their entirety at the time of expenditure</p>
<p>(4) Criteria for recording material reserves</p> <p>(5) Treatment of material lease transactions</p> <p>(6) Material hedge accounting</p>	<p>(i) Reserve for Doubtful Accounts As at right</p> <p>(ii) Reserve for Bonuses As at right</p> <p>As at right</p> <p>(i) Method of Hedge Accounting As at right</p> <p>(ii) Hedging Tools and Hedge Target As at right</p> <p>(iii) Hedging Policy As at right</p> <p>(iv) Method of evaluating hedge effectiveness As at right</p>	<p>(i) Reserve for Doubtful Accounts To prepare for the losses occurring from bad debts, with respect to general claims the actual bad debt to loan rate is applied. Specific claims, such as those where there are concerns on the probability of recovery, are assessed on an individual basis and estimated unrecoverable amounts are recorded.</p> <p>(ii) Reserve for Bonuses To prepare for the payment of bonuses to employees, amounts are recorded based on the estimated payment amount.</p> <p>Financing leases other than those lease assets whose title is deemed to pass to the lessee have been accounted for in accordance with methods applied to normal lease transactions.</p> <p>(i) Method of Hedge Accounting According to Deferred Hedge Treatment</p> <p>(ii) Hedging Tools and Hedge Target Hedging Tools – Interest Rate Swap Hedge Target - Borrowings</p> <p>(iii) Hedging Policy Interest Rate Swap transactions are entered into for the purpose of hedging the risk of interest rate fluctuation on borrowings and entered into only for the target obligations.</p> <p>(iv) Method of evaluating hedge effectiveness The target cumulative market fluctuation of the hedge target and the hedge tool are compared during the period from the initiation of the hedge to the time of assessing the effectiveness and the evaluation is made based on the variance of the two values.</p>

(7) Other material items in the preparation of the consolidated financial statements	Accounting treatment for Consumption Tax As at right	Accounting treatment for Consumption Tax The Tax Exclusion Method is applied in the accounting treatment of Consumption Tax.
5. Items relating to the valuation of assets and liabilities of consolidated subsidiaries		The Market Value Method is used for the valuation of all assets and liabilities of consolidated subsidiaries.
6. Items relating to the amortization of the consolidation adjustment account	As at right	No items.
7. Items relating to the appropriation of profits	As at right	In respect of the appropriation of profits of consolidated subsidiaries the Consolidated Statement of Surplus is based on confirmed profit appropriation during the consolidated fiscal year.
8. Definition of cash in the consolidated statements of cash flow	As at right	Cash on hand, deposits that can be withdrawn as needed, and short term investments that are easily convertible into cash and that have low risk of fluctuation in value and whose maturities are 3 months or less at the date of acquisition.

Changes in Accounting Treatment

March 1, 2005 – February 28, 2006	March 1, 2004 - February 28, 2005
<p style="text-align: center;">-----</p>	<p>Method of presentation of Gains from Sale of Courtesy Cars and Procurement Expenses for Courtesy Cars</p> <p>In the previous consolidated fiscal year the acquisition expense and gains on sale of vehicles to be used as courtesy cars were presented as "Gains on Sale of Courtesy Cars" in Non-Operating Income but due to the fact that in many cases such cars were sold after use and in addition to a change in policy to actively market the vehicles in the same way as other used vehicles the number of cars sold has been increasing resulting in the increased materiality. Thus, the amount of the proceeds of such sales has been recorded in Sales while the cost of acquisition has been included in Cost of Goods Sold.</p> <p>The impact of the change is not material.</p>

Additional information

March 1, 2005 – February 28, 2006	March 1, 2004 - February 28, 2005
<p>Treatment of the tax based on business size portion of corporate taxes in the statements of income</p> <p>Following the promulgation of 'Treatment of the tax based on business size portion of corporate taxes in the Statements of Income' (February 13, 2004, Corporate Accounting Standards Committee Practice Report 12), from this accounting period the proportionate amounts of corporation tax on value added and capital have been included in Selling, General and Administrative expenses. As a result Selling, General and Administration expenses increased by ¥122 million and operating income, ordinary income and income before taxes, etc. each decreased by ¥122 million.</p>	<p style="text-align: center;">-----</p>

Notes

(Related to the consolidated balance sheets)

February 28, 2006	February 28, 2005
1 Number of treasury shares held: The number of Gulliver shares held by consolidated companies is as follows: Ordinary shares: 823,000 shares	1 Number of treasury shares held: The number of Gulliver shares held by consolidated companies is as follows: Ordinary shares: 670,000 shares

(Related to the consolidated statements of income)

(Millions of yen)

March 1, 2005 – February 28, 2006	March 1, 2004 - February 28, 2005
1. Principal components of SGA expenses	1. Principal components of SGA expenses
Advertising 6,300	Advertising 4,737
Contracting fees 1,839	Contracting fees 1,618
Salaries 8,178	Salaries 6,912
Bonuses 723	Bonuses 1,290
Transfer to reserve for doubtful accounts 13	Transfer to reserve for doubtful accounts 39
Transfer to reserve for bonuses 1,503	Transfer to reserve for bonuses 519
Depreciation 2,064	Depreciation 1,383
Rent 3,540	Rent 2,899
2. Components of gains on sales of fixed assets.	2. Components of gains on sales of fixed assets.
Buildings and structures --	Buildings and structures --
Tools & equipment 3	Tools & equipment --
Vehicles and transportation equipment --	Vehicles and transportation equipment --
Total 3	Total --
3. Components of losses on disposal of fixed assets	2. Components of losses on disposal of fixed assets
Buildings and structures 699	Buildings and structures 217
Vehicles and transportation 0	Vehicles and transportation 0
Tools & equipment 50	Tools & equipment 8
Construction in progress 51	Software 14
Software 80	Long-term prepaid expenses 5
Long-term prepaid expenses 0	Total 247
Total 879	

(Related to the consolidated statements of cash flow)

(Millions of yen, rounded down)

March 1, 2005 – February 28, 2006	March 1, 2004 - February 28, 2005
<p>(1) Relationship between period end cash and cash equivalents and cash recorded in the balance sheet</p> <p>Cash and deposit accounts</p> <p>Securities account</p> <hr/> <p>Total</p> <p>Fixed deposits with maturities exceeding 3 months</p> <p>Stocks and bonds with redemption period exceeding 3 months</p> <hr/> <p>Cash and cash equivalents</p>	<p>(1) Relationship between period end cash and cash equivalents and cash recorded in the balance sheet</p> <p>Cash and cash deposit accounts</p> <p>Securities accounts</p> <hr/> <p>Total</p> <p>Fixed deposits with maturities exceeding 3 months</p> <p>Stocks and bonds with redemption period exceeding 3 months</p> <hr/> <p>Cash and cash equivalents</p>
	<p>4,130</p> <p>--</p> <hr/> <p>4,130</p> <p>--</p> <p>--</p> <hr/> <p>4,130</p>

Segment Information

Segment information by business type

Fiscal year ended February 28, 2006 (March 1, 2005 to February 28, 2006)

Millions of yen

	Trading of used cars	Other business	Total	Elimination/ All company	Consolidated
Sales					
(1) Sales to external customers	173,648	9,001	182,649	--	1826,49
(2) Inter-segmental sales or transfers	--	--	--	--	--
Total	173,648	9,001	182,649	--	1826,49
Operating expenses	162,227	7,302	169,529	3,696	173,226
Operating income	11,420	1,698	13,119	(3,696)	10,229
Assets, Depreciation and Capital Expenditure	24,441	4,187	28,628	10,184	38,812
Assets					
Depreciation	1,127	235	1,363	701	2,064
Capital expenditure	2,546	416	2,963	2,595	5,558

Notes:

1. Method of business classification: Businesses have been classified according to the classification used in calculating sales.

Further, due to the increased importance of other business in the 'Franchise operations' segment this segment has been renamed 'Other businesses' commencing from the fiscal year ended February 28, 2006.

2. Names of principal products or services attributable to each business classification:

Business Classification	Principal Product Name or Service Name
Used Car Sales	Purchase and sales of used automobiles through directly operated outlets and the like.
Other business	Royalties arising out of franchise agreements and fees for the provision of training etc., and intermediation in buying and selling of used automobiles, fees arising from financial business and other business.

Fiscal year ended February 28, 2005 (March 1, 2004 to February 28, 2005)
Millions of yen

	Trading of used cars	Franchise business	Total	Elimination/ All company	Consolidated
Sales					
(1) Sales to external customers	148,131	8,564	156,696	--	156,696
(2) Inter-segmental sales or transfers	--	--	--	--	--
Total	148,131	8,564	156,696	--	156,696
Operating expenses	135,438	7,167	142,605	3,860	146,466
Operating income	12,693	1,396	14,090	(3,860)	10,229
Assets, Depreciation and Capital Expenditure					
Assets	22,734	3,915	26,649	7,879	34,529
Depreciation	833	235	1,068	315	1,383
Capital expenditure	2,926	1,027	3,953	777	4,731

Notes:

1. Method of business classification: Businesses have been classified according to the classification used in calculating sales.

2. Names of principal products or services attributable to each business classification:

Business Classification	Principal Product Name or Service Name
Used Car Sales	Purchase and sales of used automobiles through directly operated outlets and the like.
Franchising	Royalties arising out of franchise agreements and fees for the provision of training etc., intermediation in buying and selling of used automobiles and services included in other businesses, such as financial businesses.

Amount and principal content included in the "Elimination or Total Company" item

Millions of yen

	March 1, 2005 to February 28, 2006	March 1, 2004 to February 28, 2005	Principal content
Amount of operating expense which cannot be allocated	3,696	3,860	Expenses relating to head office administration at the parent company
Amount of assets included in "Eliminations or Total Company" item	10,184	7,879	Expenses related to management of surplus funds and head office administration at the parent company.

Segment information by geographical location

For the current consolidated fiscal year and for the previous fiscal year over 90% of total sales and assets for each segment were in Japan so segment information by geographical location has been omitted.

Overseas sales

For the current consolidated fiscal year, and for the previous fiscal year, overseas sales were less than 10% of consolidated sales and have therefore been omitted.