

# Gulliver International Co., Ltd.

## Non-consolidated Results

Interim period of the fiscal year ending February 28, 2007  
(March 1, 2006 to August 31, 2006)

This document has been translated from 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.

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## SUMMARY OF FINANCIAL STATEMENTS (Non-consolidated)

Results for the interim period of the fiscal year ending February 28, 2007

**Gulliver International Co., Ltd.**

**October 17, 2006**

Stock Code: 7599

http://www.glv.co.jp/

President: Kenichi Hatori

Date of the meeting of the board of directors: October 17, 2006

Scheduled date of payment of interim dividend: November 14, 2006

Share trading unit: one unit = ten shares

Listed exchanges: Tokyo (1<sup>st</sup> Section)

Home office: Tokyo

Inquiries: Senior Managing Director: Ikuo Murata

Telephone: +81 3 5208-5503

### 1. Non-consolidated financial results for the interim period of the fiscal year ending February 28, 2007

#### 1) Non-consolidated Operating Results

	Interim period ended August 31, 2006		Interim period ended August 31, 2005		Fiscal year ended February 28, 2006	
		(% change)		(% change)		(% change)
Sales .....	80,061	(0.5)	80,486	29.5	169,735	
Operating income .....	4,274	12.5	3,797	7.2	10,143	
Ordinary income .....	4,273	11.8	3,819	7.9	10,135	
Net income .....	2,272	8.9	2,085	4.0	5,320	
Earnings per share (¥) .....	232.40	--	208.14	--	525.75	--
Fully diluted earnings per share (¥) .....	231.03	--	205.60	--	520.30	--

#### Notes to the preparation of these financial statements:

1. Average number of shares outstanding during the period: Interim period of FY ending February 28, 2007 – 9,778,218; Interim period of FY ended February 28, 2006 – 10,017,053; FY ended February 28, 2006 – 9,979,943
2. Differences in accounting treatments applied compared to previous consolidated fiscal year: Yes
3. Percentage figures for sales, operating income, ordinary income and net income represent changes compared to the comparable period of the previous fiscal year.

#### 2) Financial Position (non-consolidated)

	Interim period ended August 31, 2006		Interim period ended August 31, 2005		Fiscal year ended February 28, 2006	
	Total assets .....	35,342		30,341		35,697
Net assets .....	15,419		14,946		16,094	
Equity ratio (%) .....	43.6		49.3		45.0	
Net assets per share .....	1,581.83		1,502.82		1,631.46	

#### Notes:

1. Number of shares outstanding at end of period: Interim period of FY ending February 28, 2007: 9,747,607; Interim period of FY ended February 28, 2006: 9,945,687; FY ended February 28, 2006: 9,865,317
2. Number of treasury shares at end of period: Interim period of FY ending February 28, 2007: 941, 193; Interim period of FY ended February 28, 2006: 743,113; FY ended February 28, 2006: 823,483

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

	FY ending February 28, 2007
Sales .....	190,000
Ordinary income .....	11,700
Net income .....	6,700
Net income per share (¥) .....	687.34

### 3. Dividend status

#### Cash dividends

	FY ended February 28, 2006	FY ending February 28, 2007 (forecast)
First quarter (¥) .....	--	--
Interim period (¥) .....	79.00	81.00
Third quarter (¥) .....	--	--
Full year (¥) .....	83.00	81.00
Other (¥) .....	--	--
Total for year (¥) .....	162.00	162.00

**Non-consolidated Balance Sheet**
*Millions of yen*

	As of August 31, 2006		As of August 31, 2005		As of February 28, 2006	
		% of total		% of total		% of total
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and deposits.....	1,947		3,303		2,107	
Accounts receivable.....	4,773		4,612		7,235	
Marketable securities .....	--		--		100	
Inventory .....	3,195		4,222		3,309	
Temporary loans to related companies.....	2,910		--		2,769	
Deferred tax assets .....	619		418		448	
Others .....	1,691		2,274		1,378	
Allowance for doubtful accounts.....	(83)		(58)		(98)	
<b>Total current assets .....</b>	<b>15,054</b>	<b>42.6</b>	<b>14,773</b>	<b>48.7</b>	<b>17,249</b>	<b>48.3</b>
<b>Fixed assets</b>						
<b>Tangible fixed assets</b>						
Buildings & structures.....	7,487		5,749		6,805	
Tools, fixtures & equipment.....	1,495		1,215		1,679	
Land .....	327		327		327	
Others .....	166		203		409	
<b>Total tangible fixed assets .....</b>	<b>9,475</b>	<b>26.8</b>	<b>7,495</b>	<b>24.7</b>	<b>9,221</b>	<b>25.8</b>
<b>Intangible fixed assets</b>						
Software .....	2,442		2,659		2,694	
Others .....	91		98		95	
<b>Total intangible fixed assets.....</b>	<b>2,534</b>	<b>7.2</b>	<b>2,757</b>	<b>9.1</b>	<b>2,789</b>	<b>7.8</b>
<b>Investments and other assets</b>						
Investment securities.....	89		270		199	
Shares of affiliates.....	2,321		--		494	
Deposits and guarantee money.....	3,278		2,323		3,011	
Construction cooperation money.....	3,206		1,432		1,890	
Deferred tax assets .....	142		102		105	
Others .....	564		1,499		1,088	
Allowance for doubtful accounts.....	(334)		(313)		(352)	
<b>Total investment and other assets ..</b>	<b>8,777</b>	<b>23.4</b>	<b>5,315</b>	<b>17.5</b>	<b>6,436</b>	<b>18.1</b>
<b>Total fixed assets.....</b>	<b>20,287</b>	<b>57.4</b>	<b>15,568</b>	<b>51.3</b>	<b>18,447</b>	<b>51.7</b>
<b>Total Assets .....</b>	<b>35,342</b>	<b>100.0</b>	<b>30,341</b>	<b>100.0</b>	<b>35,697</b>	<b>100.0</b>

*Forecasts and forward-looking statements in this document are 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 economic conditions, legislative and regulatory developments, delay in new product or service launches, and pricing and product initiatives of competitors.*

**Non-consolidated Balance Sheet**
*Millions of yen, rounded down*

	As of August 31, 2006		As of August 31, 2005		As of February 28, 2006	
		% of total		% of total		% of total
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable .....	2,264		2,753		3,386	
Short-term borrowing .....	10,600		6,050		8,000	
Accrued expenses .....	1,710		1,744		3,241	
Accrued corporate taxes .....	1,943		1,446		1,815	
Advances received .....	276		382		335	
Deposits received .....	512		686		451	
Reserve for bonuses .....	853		556		513	
Others .....	968		1,131		1,263	
Total current liabilities .....	19,129	54.1	14,751	48.6	19,007	53.3
Long-term liabilities						
Guarantee deposits received .....	793		643		594	
Total long-term liabilities .....	793	2.3	643	2.1	594	1.7
Total liabilities .....	19,923	56.4	15,395	50.7	19,602	55.0
<b>CAPITAL</b>						
Paid-in capital .....	--	--	4,157	13.7	4,157	11.6
Capital surplus .....	--	--	4,032		4,032	
Total capital surplus .....	--	--	4,032	13.3	4,032	11.3
Retained earnings						
Profit reserve .....	--	--	39		39	
Interim unappropriated profit .....	--	--	13,636		15,866	
Total retained earnings .....	--	--	13,675	45.1	15,905	44.5
Unrealized gains and losses in other securities .....	--	--	50	0.2	67	0.2
Treasury stock .....	--	--	(6,969)	(23.0)	(8,067)	(22.6)
Total shareholders' equity .....	--	--	14,946	49.3	16,094	45.0
<b>Total Liabilities and Shareholders' Equity .....</b>	--	--	30,341	100.0	35,697	100.0
<b>NET ASSETS</b>						
Shareholders' equity						
Common stock .....	4,157	11.8	--	--	--	--
Capital surplus						
Capital reserves .....	4,032		--		--	
Total capital surplus .....	4,032	11.4	--	--	--	--
Accumulated earnings						
Profit reserve .....	39		--		--	
Other accumulated earnings .....	17,055		--		--	
Deferred accumulated earnings .....	17,055		--		--	
Total accumulated earnings .....	17,095	48.3	--	--	--	--
Treasury stock .....	(9,873)	(27.9)	--	--	--	--
Total shareholders' equity .....	15,411	43.6	--	--	--	--
Valuation and differences due to foreign exchange						
Valuation difference on other marketable securities .....	7	0.0	--	--	--	--
Total valuation and differences due to foreign exchange .....	7	0.0	--	--	--	--
Total net assets .....	15,419	43.6	--	--	--	--
Total liabilities and other net assets .....	35,342	100.0	--	--	--	--

	<b>Non-consolidated Statements of Income</b>				<i>Millions of yen</i>	
	March 1, 2006 to August 31, 2006		March 1, 2005 to August 31, 2005		March 1, 2005 to February 28, 2006	
		% of total		% of total		% of total
<b>Sales</b> .....	80,061	100.0	80,486	100.0	169,735	100.0
Cost of goods sold.....	60,677	75.8	60,356	75.0	126,850	74.7
<b>Gross profit on sales</b> .....	19,383	24.2	20,129	25.0	42,884	25.3
<b>Sales, general and administrative expenses</b> .....	15,108	18.9	16,332	20.3	32,740	19.2
Operating income .....	4,274	5.3	3,797	4.7	10,143	6.0
<b>Non-operating income</b> .....	54	0.1	43	0.0	68	0.0
<b>Non-operating expenses</b> .....	56	0.1	20	0.0	77	0.0
Ordinary income .....	4,273	5.3	3,819	4.7	10,135	6.0
<b>Extraordinary income</b> .....	34	0.0	58	0.0	54	0.0
<b>Extraordinary expenses</b> .....	291	0.3	281	0.3	1,000	0.6
Net income before taxes.....	4,016	5.0	3,597	4.4	9,189	5.4
Corporate income tax, inhabitants tax and enterprise tax .....	1,909		1,419		3,820	
Corporate tax adjustments .....	(166)	2.2	92	1.8	47	2.3
Net income .....	2,272	2.8	2,085	2.6	5,320	3.1
Profits carried forward from the previous year .....	--	--	11,718		11,718	
Interim dividends .....	--	--	--	--	785	
Loss on disposal of treasury shares .....	--	--	167		387	
Unappropriated profits at end of period ..	--	--	13,636		15,866	

**(3) Changes to interim shareholders' equity**

Interim period March 1, 2006 to August 31, 2006

*Millions of yen*

	Shareholders' equity								
	Capital	Capital surplus			Profit reserve	Accumulated earnings		Treasury stock	Total shareholders' equity
		Capital reserves	Other capital surplus	Total capital surplus		Other accumulated earnings	Total accumulated earnings		
Balance as of February 28, 2006	4,157	4,032	--	4,032	39	15,866	15,905	(8,067)	16,027
Change during interim accounting period									
Surplus dividend						(818)	(818)		(818)
Bonuses to directors through profit appropriation						(73)	(73)		(73)
Interim net income						2,272	2,272		2,272
Acquisition of treasury stock								(2,079)	(2,079)
Disposal of treasury stock						(190)	(190)	273	83
Changes to items other than shareholders' equity during the interim accounting period	--	--	--	--	--	--	--	--	--
Total change during interim accounting period	--	--	--	--	--	1,189	1,189	(1,805)	(616)
Balance as of August 31, 2006	4,157	4,032	--	4,032	39	17,055	17,095	(9,873)	15,411

*Millions of yen*

	Valuation and differences due to foreign exchange		Total net assets
	Valuation differences on other marketable securities	Total valuation and differences due to foreign exchange	
Balance as of February 28, 2006	67	67	16,094
Change during interim accounting period			
Surplus dividend			(818)
Bonuses to directors through profit appropriation			(73)
Interim net income			2,272
Acquisition of treasury stock			(2,079)
Disposal of treasury stock			83
Changes to items other than shareholders' equity during the interim accounting period	(59)	(59)	(59)
Total change during interim accounting period	(59)	(59)	(675)
Balance as of August 31, 2006	7	7	15,419

### Material Items Forming the Basis for the Preparation of the Non-consolidated Financial Statements

Item	March 1, 2006 – August 31, 2006	March 1, 2005 – August 31, 2005	March 1, 2005 – February 28, 2006
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>Shares of subsidiaries As at right</p> <p>Other securities Those with market value: Market value method based on market value as of the interim financial closing date (valuation gains or losses are taken directly into capital and the cost of sales calculated using the moving average method)</p> <p>Those without market value: As at right</p> <p>2) Inventory Merchandise Vehicles: As at right</p> <p>Other: As at right</p> <p>Stored goods: As at right</p>	<p>1) Marketable securities Bonds intended to be held to maturity. Amortizing cost method (straight-line method) Shares of subsidiaries The cost method using the moving average method</p> <p>Other securities Those with market value: Market value method based on market value as of the interim financial closing date (valuation gains or losses are taken directly into capital and the cost of sales calculated using the moving average method)</p> <p>Those without market value: Cost method using the moving average method</p> <p>2) Inventory Merchandise Vehicles: Cost method using actual cost method</p> <p>Other: Cost method under first-in, first-out method</p> <p>Stored goods: Final purchase cost method</p>	<p>1) Marketable securities Bonds intended to be held to maturity. As at left</p> <p>Shares of subsidiaries As at left</p> <p>Other securities Those with market value: Market value method based on market value as of the financial closing date (valuation gains or losses are taken directly into capital and the cost of sales calculated using the moving average method)</p> <p>Those without market value: As at left</p> <p>2) Inventory Merchandise Vehicles: As at left</p> <p>Other: As at left</p> <p>Stored goods: As at left</p>
2. Fixed asset depreciation method	<p>1) Tangible fixed assets As at right</p> <p>2) Intangible Fixed Assets As at right</p> <p>3) Long-term prepaid expenses As at right</p>	<p>1) Tangible Fixed Assets The 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 yrs.</p> <p>2) 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 (five years) has been applied.</p> <p>3) Long-term prepaid expenses Straight line method is applied</p>	<p>1) Tangible Fixed Assets The 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 yrs. Vehicle and transportation equipment: 2-6 yrs</p> <p>2) Intangible Fixed Assets As at left</p> <p>3) Long-term prepaid expenses As at left</p>
3. Treatment of Deferred assets	Share reissuing expense: Expensed in their entirety at time of expenditure	New share issue expenses: Expensed in their entirety at time of expenditure	New share issue expenses: As at left

Item	March 1, 2006 – August 31, 2006	March 1, 2005 – August 31, 2005	March 1, 2005 – February 28, 2006
4. Criteria for Recording Material Reserves	1) Reserve for Doubtful Accounts As at right  2) Reserve for Bonuses As at right	1) Reserve for Doubtful Accounts To prepare for losses occurring from bad loans, the actual bad loan rate is applied. Specific claims, such as those where there are concerns on the probability for recovery, are assessed on an individual basis and estimated unrecoverable amounts are recorded.  2) Reserve for Bonuses To prepare for the payment of bonuses to employees, amounts are recorded based on the estimated payment amount.	1) Reserve for Doubtful Accounts As at left  2) Reserve for Bonuses As at left
5. Treatment of material Lease Transactions	As at right	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	As at left
6. Other Material Items Forming the Basis for the Preparation of the interim Non-consolidated Financial Accounts	Accounting Treatment of Consumption Tax: As at right	Accounting Treatment of Consumption Tax: Tax Exclusion Method is applied in the accounting treatment of consumption tax. Further, provisional receipts of consumption tax are offset against provisional payments and shown under 'Others' in Current Liabilities	Accounting Treatment of Consumption Tax: Tax Exclusion Method is applied in the accounting treatment of consumption tax.



### Changes to Material Items Forming the Basis for the Preparation of the Non-consolidated Financial Statements

March 1, 2006 – August 31, 2006	March 1, 2005 – August 31, 2005	March 1, 2005 – February 28, 2006
<p><b>Accounting standards relating to impairment losses on fixed assets</b></p> <p>From the interim period of the fiscal year ending February 28, 2007 the 'Statement Regarding the Establishment of Accounting Policies for Impairment Loss on Fixed Assets' (Business Accounting Council, August 9, 2002) and 'Guidelines for the Application of Accounting Policies for Impairment Loss on Fixed Assets (Guideline for Application of Business Accounting Policies, Article 6; Business Accounting Council, October 31, 2003) have been applied as accounting standards relating to impairment loss. This change has not affected profits and losses.</p>		
<p><b>Accounting standards relating to presentation of net assets on balance sheets</b></p> <p>From the interim period of the fiscal year ending February 28, 2007, the 'Statement Regarding the Presentation of Net Assets on the Balance Sheet' (Business Accounting Council, December 9, 2005) and 'Guidelines for the Application of Accounting Policies for the Presentation of Net Assets on the Balance Sheet' (Guidelines for the Application of Business Accounting Policies, Article 8; Business Accounting Council, December 9, 2005) have been applied.</p> <p>The equivalent amount previously recorded as 'Capital' is ¥15,419 million.</p> <p>Following changes to the regulations on financial statements, net assets on the interim balance sheet have been recorded in accordance with the revised regulations.</p>		
<p><b>Partial revision of accounting standards relating to the reduction of treasury stock and reserves</b></p> <p>From the interim period of the fiscal year ending February 28, 2007, the 'Statement Regarding Accounting Policies for the Reduction of Treasury Stock and Reserves' (Business Accounting Council, December 27, 2005) and 'Guidelines for the Application of Accounting Policies for the Reduction of Treasury Stock and Reserves' (Guidelines for the Application of Business Accounting Policies, Article 2; Business Accounting Council, December 27, 2005).</p> <p>This change has not affected profits and losses.</p> <p>Following changes to the regulations on financial statements, net assets on the interim balance sheet have been recorded in accordance with the revised regulations</p>		

### Changes to Presentation Method

March 1, 2006 – August 31, 2006	March 1, 2005 – August 31, 2005
<p>Presentation of interim balance sheets</p> <p>In the previous interim period 'Temporary loans to related companies', was recorded under 'Others' in 'Current assets', and 'Shares of affiliates', was recorded under 'Others' in 'Investments and Other Assets'. In this interim period as each was greater than 5% of total assets they have been recorded separately.</p> <p>At the end of the previous interim period, 'Temporary loans to related companies' was ¥100 million and 'Shares in affiliates' was ¥485 million.</p>	

### Additional Information

March 1, 2006 – August 31, 2006	March 1, 2005 – August 31, 2005	March 1, 2005 – February 28, 2006
	<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 interim 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 ¥56 million and operating income, ordinary income and income before taxes, etc. each decreased by ¥56 million.</p>	<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>

**Notes to Interim Balance Sheet**

As of August 31, 2006	As of August 31, 2005	As of February 28, 2006
*1 Total accumulated depreciation of tangible fixed assets: ¥3,387million	*1 Total accumulated depreciation of tangible fixed assets: ¥2,958 million	*1 Total accumulated depreciation of tangible fixed assets: ¥3,031 million

**Notes to Interim Statements of Income**

March 1, 2006 – August 31, 2006	March 1, 2005 – August 31, 2005	March 1, 2005 – February 28, 2006
*1 Main non-operating income Interest received ¥5 million	*1 Main non-operating income Interest received ¥8 million	*1 Main non-operating income Interest received ¥13 million
*2 Depreciation Tangible fixed assets ¥672 million Intangible fixed assets ¥391 million	*2 Depreciation Tangible fixed assets ¥522 million Intangible fixed assets ¥342 million	*2 Depreciation Tangible fixed assets ¥1,232 million Intangible fixed assets ¥770 million

**Change in shareholders' equity for the interim period**

March 1, 2006 – August 31, 2006

Category and number of shares in issuance

	<i>Thousands of shares</i>			
	No. of shares at the end of the previous fiscal year	Increase in number of shares during the interim period	Decrease in number of shares during the interim period	Number of shares at the end of the interim period
Ordinary shares	823	143	26	941
Total	823	143	26	941