



# Gulliver International Co., Ltd.

## Consolidated Results

First Quarter of the Fiscal Year Ending February 28, 2011

(Three-month period ended May 31, 2010)

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 made and beliefs held 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 (Consolidated)

First quarter results for the fiscal year ending February 28, 2011

July 9, 2010

### Gulliver International Co., Ltd.

Stock Code: 7599

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

Chairman: Kenichi Hatori

Scheduled date for the submission of the financial report: July 15, 2010

Scheduled date for distribution of dividends: -

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

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### 1. Consolidated financial results for the Nine-month period ended May 31, 2010

#### 1) Consolidated operating results

	Three months ended May 31, 2010		Three months ended May 31, 2009	
		(% change)		(% change)
Sales.....	40,828	8.9	37,492	--
Operating income .....	1,660	(39.2)	2,731	--
Ordinary income .....	1,613	(35.1)	2,485	--
Net income.....	575	(38.5)	935	--
Earnings per share (¥) .....	¥62.98	--	¥102.81	--
Fully diluted earnings per share (¥) .....	--	--	--	--

Millions of yen, rounded down

#### 2) Financial position (Consolidated)

	As of May 31, 2010	As of May 31, 2009
Total assets .....	62,278	67,948
Net assets.....	16,657	16,393
Shareholders' equity ratio (%).....	26.7	24.1%
Shareholders' equity per share (¥).....	¥1,823.07	¥1,794.18

Millions of yen, rounded down

Shareholders' equity: As of May 31, 2010: ¥16,657 million

As of May 31, 2009: ¥16,393 million

### 2. Dividends

	Fiscal year ended February 28, 2010	Fiscal year ending February 28, 2011	Fiscal year ending February 28, 2011(Forecast)
First Quarter dividend per share (¥).....	--	--	--
Interim dividend per share (¥).....	38.00	--	31.00
Third Quarter dividend per share (¥).....	--	--	--
Year-end dividend per share (¥).....	38.00	--	31.00
Annual dividend per share (¥).....	76.00	--	62.00

Millions of yen, rounded down

Changes to the dividend forecast during the period: None

### 3. Consolidated financial forecasts for the fiscal year ending February 28, 2011(March 1, 2010 February 28, 2011)

	Interim period ending August 31, 2010		FY ending February 28, 2011	
Sales.....	74,000	(2.4)	137,000	(8.0)
Operating income .....	2,100	(60.1)	4,000	(24.3)
Ordinary income .....	2,000	(60.2)	3,900	(22.1)
Net Income .....	800	(64.8)	1,900	446.0
Earnings per share (¥) .....	¥87.56		¥208.63	

Millions of yen, rounded down

Notes: Percentage figures for sales, operating income, etc. represent changes compared to the comparable period of the previous fiscal year.

Changes to the consolidated financial forecast during the period: Yes

#### **4. Other**

**1) Transfer of important subsidiaries during the period** (Transfers of certain subsidiaries resulting in changes in the scope of consolidation): None

**2) Utilization of simplified method of accounting:** Yes

See *Operating Results*, Section 4. *Other* on page 4-5 for more detail.

**3) Changes in accounting methods, procedures and presentation in the making of these financial statements (key items mentioned in Significant Items for the Preparation of Consolidated Financial Statements):**

1. Changes following revisions to accounting standards: No

2. Other changes: Yes

Note: See *Operating Results*, Section 4. *Other* on page 5 for more detail.

**4) Number of shares outstanding (ordinary shares)**

1. Number of shares outstanding (including treasury shares):

As of May 31, 2010: 10,688,800

As of February 28, 2010: 10,688,800

2. Number of treasury shares:

As of May 31, 2010: 1,551,938

As of February 28, 2010: 1,551,926

3. Average number of shares during the period:

Three months ended May 31, 2010: 9,136,868

Three months ended May 31, 2009: 9,097,069

#### **Notice regarding the appropriate use of the financial forecasts and other items**

Forecasts and forward-looking statements in this document are based on a number of assumptions made and beliefs held 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.

## 1. Operating results

### (1) Outline of consolidated operating results

Net sales for the first quarter of the consolidated fiscal year ending February 28, 2011 increased 8.9% compared to the first quarter of the previous fiscal year. The primary cause was an increase in the number of cars sold following an increase in the number of cars purchased by directly managed Gulliver stores.

Despite an increase in net sales, operating income decreased 39.2% over the first quarter of the previous fiscal year. This was largely due to a drop in profitability resulting from the effects of support programs such as the eco-car subsidy system that began in the previous fiscal year and is scheduled to end in September 2010.

However, profitability is improving at a slow and steady rate primarily due to the establishment of a special department aiming to further enhance and improve profitability. While we continue to aim to increase the number of cars sold during the fiscal year, improving profitability is our highest priority.

Sales, general and administrative expenses decreased compared to the first quarter of the previous fiscal year due to a reduction in advertising expenses. Further, an extraordinary loss of ¥156 million was recorded due to factors such as a ¥107 million loss on disposal of fixed assets following the closure of certain stores.

As a result of the factors noted above, and compared to the first quarter of the previous fiscal year, consolidated net sales for the first quarter increased 8.9% to ¥40,828 million, operating income decreased by 39.2% to ¥1,660 million, ordinary income decreased 35.1% to ¥1,613 million, and net income for the period was ¥575 million, down 38.5%.

### Performance by segment

#### i. Sales of used automobiles

Among the stores involved in the sale and purchase of cars, as of May 31, 2010, 288 were directly managed Gulliver stores (2 less than at the end of the same period of the previous fiscal year and no change from the end of the previous fiscal year). The number of cars sold increased due primarily to an increase in the number of cars purchased by directly managed Gulliver stores and despite a reduction in the number of stores, and as a result, net sales for the period increased 9.4%.

Net sales increased but operating income decreased 48.2%. This was largely due to a drop in profitability from the effects of support programs such as the eco-car subsidy system that began in the previous fiscal year and is scheduled to end in September 2010.

As a result of the above factors, consolidated net sales for the segment increased ¥3,251 million (9.4%) compared to the first quarter of the previous fiscal year, to ¥37,912 million, and operating income decreased ¥1,567 million (48.2%), to ¥1,683 million.

#### ii. Financing business

Revenues of G-One Financial Services Co., Ltd., a financial services company, and its former subsidiary G-One Credit Services Co., Ltd. decreased due to a change in accounting treatment regarding recognition of revenue from auto loans that was implemented at the end of the previous period. All outstanding shares in G-One Credit Services Co., Ltd. were transferred to SBI Holdings, Inc. on July 1, 2010.

The number of auto loans of G-One Financial Services Co., Ltd. increased in line with steady growth in the number of retail auto sales at directly managed Gulliver stores. The increase in the number of auto loans also led to an increase in operating income.

Compared to the end of the previous fiscal year, accounts receivable for the financing business decreased 0.4%, or ¥116 million,

to ¥27,024 million.

Due to the above factors, consolidated net sales for the segment decreased 6.4%, or ¥126 million compared to the same quarter of the previous fiscal year to ¥1,864 million, but operating income increased 746.9%, or ¥409 million, to ¥464 million.

### iii. Other businesses

As of May 31, 2010, the number of Gulliver franchised stores was 130 (2 less than at the end of the same period of the previous fiscal year and same as at the end of the previous fiscal year) and as a result, revenues from Gulliver franchised stores decreased. Further, revenues from fees related to used car auctions recorded in the same period of the previous fiscal year, were not recorded in the period under review due to the closure of the used car auction business in November 2009.

Revenues from consolidated subsidiary Hucobo Co., Ltd., a transport company, increased as a result of an increase in the number of land transport vehicles.

As a result, consolidated net sales for the segment decreased 3.6%, or ¥91 million, to ¥2,464 million and operating income increased 10.0%, or ¥53 million, to ¥594 million.

## (2) Financial position

### Consolidated financial position and related analysis

#### Assets, liabilities and shareholders' equity

*Note: Comparisons represent changes compared to the end of the previous fiscal year.*

#### Assets

Total assets at the end of the period under review decreased 8.3% to ¥62,278 million.

Current assets decreased 11.2% to ¥44,549 million mainly due to a decrease in product inventories. Fixed assets decreased 0.2% to ¥17,728 million as a result a reduction in investment in facilities due to our restraints on opening directly managed Gulliver stores and other factors.

#### Liabilities

Total liabilities at the end of the period under review decreased 11.5% to ¥45,621 million.

Current liabilities decreased 14.2% to ¥35,682 million due to the repayment of short-term borrowings and other factors.

Long-term liabilities decreased 0.3% to ¥9,938 million due primarily to a decrease in provisions for losses from affiliated companies.

#### Net assets

Total net assets at the end of the period under review increased 1.6% to ¥16,657 million due to an increase in retained profit following the recording of net income for the period.

### Outlook for the fiscal year ending February 28, 2011

The interim results forecasts issued along with our financial report on April 8, 2010 have been revised. Please see the statement "Gulliver announces upward revisions to interim results forecasts" issued July 9, 2010. There have been no changes made to the full-year consolidated results forecasts included in the financial report issued April 8, 2010.

## 4. Other

- 1) Transfer of important subsidiaries during the period (Transfers of subsidiaries resulting in changes in the scope of consolidation): None.
- 2) Changes in accounting principles and procedures:

(1) Simple accounting methods

- Calculation methods for estimating loss on ordinary loans

Since there have been no significant change to the loan loss ratio and others calculated at the end of the previous consolidated fiscal year, these figures were used for the basis of calculations for the estimated loan loss and others at the end of the period under review.

- Calculation methods for depreciation allowance of fixed assets

For assets to which the declining balance method is applied, depreciation allowance is calculated by the amount distributed proportionally for that consolidated fiscal year.

- Evaluation of inventory assets

Calculations for inventory assets at the end of the third quarter are based on a combination of a reduction of actual inventories and the actual inventory at the end of the previous consolidated fiscal year. Regarding the reduction in the book value of inventory assets, in respect of only those items where the decline in profitability is clear, we have estimated the net sale price and reduced the book value accordingly.

- Calculation methods for corporate and other taxes and deferred tax assets and liabilities

The calculation for corporate and other tax payments is limited to important increases or decreases and tax credit items. The calculation method for evaluating the possibility of recovering deferred tax assets uses the results forecasts and tax planning used at the end of the previous consolidated fiscal year because there have been no significant change in the management environment, etc., since the end of the previous consolidated fiscal year nor any other a temporary changes.

- Mutual debt and loans and elimination transactions among consolidated subsidiaries

In cases where the differences in amounts of the aforementioned credit and liabilities are clear, when the differences are within a reasonable scope, the amounts are not adjusted and the credit and liabilities are eliminated. When there are immaterial differences in transaction amounts, eliminations are made using methods such as matching the amount of the new company.

(2) Utilization of unordinary accounting methods

No applicable items

3) Changes in accounting methods, procedures and presentation in the making of these financial statements.

Application of accounting standards for the quarterly financial report

Previously, accounting methods used by consolidated subsidiary G-One Financial Services Co., Ltd., a financial services company, and consolidated subsidiary G-One Credit Services Co., Ltd., recorded revenues such as interest from unexpired periods during the contractual period. As regards other parts of the contract, unobtainable income from full repayment before maturity payment in subrogation were excluded and revenues from auto loan contracts were recorded as a lump sum.

However, as of the periods consolidated fiscal year, we have changed our accounting methods to record revenue based on periods and will no longer recognize such revenue as a lump-sum.

In line with the above change, operating loans have been transferred to a trust subsidiary and trust beneficiary rights and shares issued and sold as collateral assets. However, of these securitized assets through, the part of the assets that were sold at book value and the parts that we continue to hold were each valued at fair value. The accounting methods used has been changed to recognize the difference between the gains/losses on securitization and the book value allotted to assets sold.

As a result, accounting methods differ for the previous and current consolidated first quarter periods. In the previous first quarter, as compared to the use of the current accounting method, net sales and gross profit are each recorded ¥238 million higher, and operating income, ordinary income, and net income before taxes are each recorded ¥228 million higher.

## Consolidated Balance Sheets

	<i>Millions of yen</i>	
	As of May 31, 2010	As of February 28, 2010
<b>Assets</b>		
Current assets		
Cash and deposits.....	3,183	3,613
Trade notes and accounts receivable .....	30,496	30,287
Products .....	5,371	10,351
Short-term loans receivable .....	1,926	2,045
Deferred tax assets.....	1,186	942
Other.....	3,863	4,340
Allowance for doubtful accounts .....	(1,478)	(1,400)
Total current assets.....	44,549	50,179
Fixed assets		
Tangible fixed assets		
Buildings and structures .....	10,456	10,343
Depreciation .....	(3,447)	(3,356)
Buildings and structures (net) .....	7,009	6,986
Vehicles and transportation .....	545	336
Depreciation.....	(117)	(58)
Vehicles and transportation (net).....	427	278
Tools, fixtures and equipment.....	2,912	2,686
Depreciation .....	(1,888)	(1,722)
Tools, fixtures and equipment (net) .....	1,024	964
Land.....	218	218
Construction in progress .....	72	270
Total tangible fixed assets .....	8,752	8,717
Intangible fixed assets		
Goodwill .....	42	48
Software .....	1,702	1,532
Other.....	18	18
Total intangible fixed assets .....	1,764	1,599
Investments and other assets		
Investment securities .....	14	14
Shares in affiliate companies .....	834	859
Long-term loans receivable .....	329	328
Deposits and guarantee money .....	3,064	3,055
Construction cooperation fund .....	2,944	2,955
Deferred tax assets.....	140	367
Others.....	467	525
Allowance for doubtful accounts .....	(584)	(654)
Total investments and other assets.....	7,211	7,452
Total fixed assets .....	17,728	17,769
<b>Total Assets .....</b>	<b>62,278</b>	<b>67,948</b>



## Consolidated Balance Sheets

	<i>Millions of yen</i>	
	As of May 31, 2010	As of February 28, 2010
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable .....	3,069	4,230
Short-term borrowing .....	19,721	26,159
Accrued expenses .....	2,861	3,032
Accrued corporate taxes .....	965	1,528
Deposits received .....	429	249
Reserve for bonuses .....	62	570
Reserve for product warranty .....	1,015	797
Others .....	7,556	5,020
<b>Total current liabilities</b> .....	<b>35,682</b>	<b>41,587</b>
<b>Long-term liabilities</b>		
Long-term borrowing .....	8,516	8,516
Long-term guarantee deposits received .....	874	877
Reserve for directors' retirement benefit .....	421	405
Reserve for loss on restructuring of affiliated company .....	25	57
Negative goodwill .....	91	101
Other .....	8	9
<b>Total long-term liabilities</b> .....	<b>9,938</b>	<b>9,967</b>
<b>Total liabilities</b> .....	<b>45,621</b>	<b>51,555</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Paid-in capital .....	4,157	4,157
Capital surplus .....	4,032	4,032
Retained profit .....	19,027	18,798
Treasury stock .....	(11,178)	(11,178)
<b>Total shareholders' equity</b> .....	<b>16,038</b>	<b>15,810</b>
<b>Valuation difference on other marketable securities</b>		
Translation adjustments .....	618	583
<b>Total appraisal and translation differences</b> .....	<b>618</b>	<b>583</b>
<b>Total net assets</b> .....	<b>16,657</b>	<b>16,393</b>
<b>Total liabilities and net assets</b> .....	<b>62,278</b>	<b>67,948</b>

## Consolidated Statements of Income

	March 1, 2009 to May 31, 2009	March 1, 2010 to May 31, 2010
	<i>Millions of yen</i>	
Sales .....	37,492	40,828
Cost of sales .....	26,520	31,509
Gross profit.....	10,971	9,319
Sales general and administrative expenses .....	8,240	7,658
Operating income .....	2,731	1,660
Non-operating income		
Interest received.....	0	3
Commissions received .....	5	6
Amortization of negative goodwill .....	9	9
Other .....	29	5
Total non-operating income.....	44	24
Non-operating expenses		
Interest paid.....	40	40
Exchange related loss .....	235	3
Other .....	13	27
Total non-operating expenses.....	290	70
Ordinary income.....	2,485	1,613
Extraordinary profit		
Gains from cancellation in the previous term.....	32	--
Reversal of allowance for doubtful accounts .....	38	--
Others .....	17	9
Total extraordinary profit.....	89	9
Extraordinary losses		
Loss from cancellation in the previous term. ....	122	--
Loss on disposal of fixed assets .....	428	107
provision of allowance for bad debts .....	--	12
Loss from restructuring of operations .....	66	--
Others.....	24	4
Total extraordinary loss .....	642	125
Net income before taxes, etc .....	1,942	1,498
Income tax, inhabitants tax and enterprise tax .....	1,307	940
Corporate tax adjustment .....	(314)	(17)
Total corporate taxes.....	992	922
Gain from minority interests.....	4	--
<b>Net income .....</b>	<b>935</b>	<b>575</b>

## Consolidated Statements of Cash flows

	<i>Millions of yen</i>	
	March 1, 2009 to May 31, 2009	March 1, 2010 to May 31, 2010
<b>I. Cash flow from operating activities</b>		
Income before taxes, etc. ....	1,932	1,498
Depreciation .....	422	317
Amortization of goodwill .....	6	5
Amortization of negative goodwill.....	(9)	(9)
Increase (decrease) in allowance for doubtful accounts .....	86	10
Increase (decrease) in reserve for bonuses.....	439	(531)
Increase (decrease) in reserve for directors' retirement benefit.....	6	15
Increase (decrease) in reserve for product warranty.....	33	217
Interest and dividends received.....	(0)	(3)
Interest paid.....	40	40
Gain (loss) on foreign exchange .....	226	(2)
Loss on disposal of fixed assets.....	428	107
(Increase) decrease in accounts receivable.....	(2,379)	(250)
(Increase) decrease in inventory assets.....	291	4,966
(Increase) decrease in operating loans .....	9	119
Increase (decrease) in accrued consumption tax.....	125	260
Increase (decrease) in accounts payable.....	199	(1,140)
Increase (decrease) in accrued expenses .....	--	993
Other .....	987	1,899
Subtotal .....	2,848	8,515
Interest and dividends received.....	0	2
Interest paid.....	(40)	(35)
Corporate taxes paid .....	(501)	(1,454)
Cash flow from operating activities .....	2,306	7,028
<b>II. Cash flow from investing activities</b>		
Payments for acquisition of tangible fixed assets.....	(209)	(421)
Proceeds from sales of tangible fixed assets .....	0	--
Payments for acquisition of intangible fixed assets.....	(371)	(218)
Payments for purchases of shares of subsidiaries.....	(1)	--
Amounts lent .....	--	(80)
Proceeds from repayment of loans .....	0	18
Payments for deposits and guarantee.....	(23)	(35)
Proceeds from repayment of deposits and guarantee .....	48	27
Payments for construction cooperation fund .....	(25)	(51)
Other .....	(0)	54
Cash flow from investing activities.....	(582)	(708)
<b>III. Cash flow from financing activities</b>		
Net increase (decrease) in short term borrowings .....	(2,610)	(6,392)
Repayment of long-term loans .....	(62)	(37)
Payments for purchases of treasury stock .....	(0)	(0)
Payment of dividends .....	--	(317)
Cash flow from financing activities.....	(2,672)	(6,748)
<b>IV. Cash and cash equivalents currency translation differences</b> .....	5	(2)
<b>V. (Decrease) increase in cash and cash equivalents</b> .....	(942)	(430)
<b>VI. Cash and cash equivalents at beginning of period</b> .....	4,215	3,586
<b>VII. Cash and cash equivalents at end of period</b> .....	3,273	3,156

#### 4. Assumptions related to going concern

No applicable items

#### 5. Segment Information

##### Segment information by business type

First quarter of the Fiscal Year Ended February 28, 2010 (March 1, 2009 to May 31, 2009)

Millions of yen

	Trading of used cars	Financial business	Other businesses	Total	Elimination/All company	Consolidated
Sales						
Sales to external customers	34,206	1,573	1,712	37,492	--	37,492
(2) Inter-segmental sales or transfers	454	417	844	1,716	(1,716)	--
Total	34,661	1,991	2,556	39,208	(1,716)	37,492
Operating income	3,251	54	541	3,847	(1,116)	2,731

First quarter of the Fiscal Year Ending February 28, 2011 (March 1, 2010 to May 31, 2010)

Millions of yen

	Trading of used cars	Financial business	Other businesses	Total	Elimination/All company	Consolidated
Sales						
Sales to external customers	37,560	1,525	1,743	40,828	--	40,828
(2) Inter-segmental sales or transfers	352	339	721	1,412	(1,412)	--
Total	37,912	1,864	2,464	42,241	(1,412)	40,828
Operating income	1,683	464	594	2,743	(1,083)	1,660

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 such as through directly operated stores
Financing business	Consolidated subsidiary G-One Financial Services Co., Ltd. provides auto loans and other financing services.
Other businesses	Provision of services for franchises involved in the management of Gulliver, for the sale and purchase of cars, and stores established with graphic sales systems.

##### Segment information by geographical location

For the first quarter of the current consolidated fiscal year over 90% of sales were from Japan and therefore segment information by geographical location has been omitted.

##### Overseas sales

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