Gulliver International Co., Ltd.

Consolidated Results

Second Quarter of the Fiscal Year Ending February 28, 2011

(Six-month period ended August 31, 2010)

SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

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

October 8, 2010

Gulliver International Co., Ltd.
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Scheduled date for the submission of the financial report: October 15, 2010
Scheduled date for distribution of dividends: November 15,2010

1. Consolidated financial results for the Six-month period ended August 31, 2010

1) Consolidated operating results

Millions of yen, rounded down

	Six months ended August 31, 2010		Six months ended August 31, 2009	
		(% change)		(% change)
Sales	72,869	(3.9)	75,804	--
Operating income	3,700	(29.7)	5,259	--
Ordinary income	3,591	(28.5)	5,023	--
Net income	3,738	64.6	2,270	--
Earnings per share (¥)	¥409.19	--	¥249.62	--
Fully diluted earnings per share (¥)	--	--	--	--

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

2) Financial position (Consolidated)

Millions of yen, rounded down

	As of August 31, 2010	As of February 28, 2010
Total assets	56,588	67,948
Net assets	19,735	16,393
Shareholders' equity ratio (%)	34.9%	24.1%
Shareholders' equity per share (¥)	¥2,159.66	¥1,794.18

Shareholders' equity: As of August 31, 2010: ¥19,732 million
As of February 28, 2010: ¥16,393 million

2. Dividends

Millions of yen, rounded down

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

Changes to the dividend forecast during the period: None

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

Millions of yen, rounded down

	FY ending February 28, 2011	
Sales	137,000	(8.0)
Operating income	6,000	13.6
Ordinary income	5,900	17.8
Net Income	4,700	--
Earnings per share (¥)	¥514.40	--

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: None

4. Other

1) Transfer of important subsidiaries during the period (Transfers of certain subsidiaries resulting in changes in the scope of consolidation): Exclusion: G-One Credit Services Co., Ltd.,

2) Utilization of simplified method of accounting: Yes

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

4) Number of shares outstanding (ordinary shares)

1. Number of shares outstanding (including treasury shares):
   As of August 31, 2010: 10,688,800
   As of February 28, 2010: 10,688,800
2. Number of treasury shares:
   As of August 31, 2010: 1,551,934
   As of February 28, 2010: 1,551,926
3. Average number of shares during the period:
   Six months ended August 31, 2010: 9,136,865
   Six months ended August 31, 2009: 9,097,068

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 interim period of the consolidated fiscal year ending February 28, 2011 decreased 3.9% compared to the interim period of the previous fiscal year. This was primarily the result of the transfer of all outstanding shares of G-One Credit Services Co., Ltd., a credit subsidiary of wholly owned financial subsidiary G-One Financial Services Co., Ltd., to SBI Holdings, Inc., and a decline in cars purchased at consolidated subsidiary G-Trading Co., Ltd.

Although the number of cars purchased by directly managed Gulliver stores were in line with the same period of the previous year, the gross profit margin declined as a result of a decrease in highly profitable retail sales to regular consumers, due to effects of the eco-car subsidy system.

Sales, general and administrative expenses decreased compared to the interim period of the previous fiscal year due to streamlining of advertising expenses and a reduction in depreciation expenses. An extraordinary gain of ¥1,157 million was recorded due to the profit generated from the transfer of G-One Credit Services Co., Ltd. shares.

Meanwhile, an extraordinary loss of ¥1,775 million was recorded. Primary factors included expenses of ¥492 million recorded as a provision for loses at affiliates arising from the scaling down of G-Rental Co., Ltd. business (construction machinery rentals), which is a subsidiary of consolidated subsidiary G-Trading Co., Ltd., and losses on business reorganization of ¥1,033, including an ¥880 million expense following the withdrawal from a construction machinery business in Russia, run by G-Trading Rus LLC, a subsidiary of G-Trading Co., Ltd.

Net income for the interim period increased 64.6%, as a result of a large reduction in corporate tax and other factors.

With respect to the reduction in corporate tax, the main reasons were as follows. Upon the transfer of all outstanding shares of G-One Credit Services Co., Ltd., to SBI Holdings, Inc., losses recorded in previous fiscal years were for tax purposes offset by the extraordinary gain that occurred in the current period while losses carried forward with respect to G-One Financial Services Co., Ltd., were included in taxable income for the current period. Furthermore, in August 2010, Gulliver International sold all outstanding shares of G-Trading Co., Ltd. to G-One Credit Services Co., Ltd. As a result of this transaction, the provisions recorded in previous fiscal years in respect of G-Trading Co., Ltd. were recognized as losses for tax purposes.

As a result of the factors noted above, and compared to the interim period of the previous fiscal year, consolidated net sales for the interim period decreased 3.9% to ¥72,869 million, operating income decreased by 29.7% to ¥3,700 million, ordinary income decreased 28.5% to ¥3,591 million, while net income for the period was ¥3,738 million, up 64.6%.

Performance by segment

i. Sales of used automobiles

Net sales of used automobiles declined due to a decrease in income at consolidated subsidiary G-Trading Co., Ltd. Although the number of cars purchased by directly managed Gulliver stores was in line with the interim period of the previous year, retail sales to regular consumers, which are highly profitable, declined due to effects of the eco-car subsidy system.

Among the stores involved in the sale and purchase of cars, as of August 31, 288 were directly managed Gulliver stores (1 more than at the end of the same period of the previous fiscal year and no change from the end of the previous fiscal year).

As a result of the above factors, consolidated net sales for the segment were ¥67,664 million, ¥2,406 million (3.4%) lower than in the interim period of the previous fiscal year, and operating income decreased ¥2,322 million (37.7%), to ¥3,837 million.

ii. Financing business

Since May 2010, the majority of auto loans for used cars initiated by Gulliver at the retail point of sale were handled by other credit companies. As a result, and also due to the transfer of all outstanding shares in G-One Credit Services Co., Ltd., net sales for this segment declined. .

The transfer of all outstanding shares in G-One Credit Services Co., Ltd. resulted in a reduction in selling expenses and general administrative expenses, while revenues from loans signed in previous fiscal years were recorded in the period under review, resulting in an increase in operating income.

Further, in line with the reduction in the number of loans, and the transfer of all outstanding shares in G-One Credit Services Co., Ltd., compared to the end of the previous fiscal year, accounts receivable for the financing business decreased 40.3%, or ¥9,784 million, to ¥14,482 million.

Due to the above factors, consolidated net sales for the segment decreased 28.9%, or ¥1,156 million compared to the interim period of the previous fiscal year to ¥2,839 million, but operating income increased 112.9%, or ¥419 million, to ¥791 million.

iii. Other businesses

As of August 31, 2010, the number of Gulliver franchised stores was 135 (5 more than at the end of the same period of the previous fiscal year and 5 more than at the end of the previous fiscal year) and as a result, consolidated net sales from Gulliver franchised stores decreased 0.4%, or ¥18 million to ¥4,689 million, and operating income decreased 6.0%, or ¥63 million, to ¥987 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 16.7% to ¥56,588 million.

Current assets decreased 35.4% to ¥32,426 million mainly due to a decrease in accounts receivable and inventories held for the purpose of sales. Fixed assets increased 36.0% to ¥24,162 million as a result of an increase of long-term loans receivable, due to the simultaneous execution of loans along with the transfer of all outstanding shares in G-One Credit Services Co., Ltd.

Liabilities

Total liabilities at the end of the period under review decreased 28.5% to ¥36,853 million.

Current liabilities decreased 50.0% to ¥20,796 million due to the repayment of short-term borrowings and other factors.

Long-term liabilities increased 61.1% to ¥16,057 million due primarily to an increase in long-term lending and other factors.

Net assets

Total net assets at the end of the period under review increased 20.4% to ¥19,735 million due to an increase in retained profit following the recording of net income for the period. The equity ratio increased 10.8% to 34.9%.

(3) Outlook for the fiscal year ending February 28, 2011

There have been no changes made to the full-year consolidated results forecasts issued on September 29, 2010.

2. Other

(1) Transfer of important subsidiaries

Consolidated subsidiary G-One Credit Services Co., Ltd., has been removed from the scope of consolidation due to the transfer of all outstanding shares. Further, because the date of sale of all shares was June 1, 2010, the company is included in the consolidated statements of income and the consolidated statements of cash flow for the period between March 1 and May 31, 2010.

(2) Simple accounting procedures and specific accounting 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 interim period 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. In cases where there have been significant change in the operating environment, etc., since the end of the previous consolidated fiscal year or other significant temporary changes, the results forecasts and tax planning used at the end of the previous consolidated fiscal year, including adjustments for the said significant changes, are used as the calculation method for evaluating the possibility of recovering deferred tax assets.

・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 to that of the parent company.

(2) Utilization of special accounting methods

No applicable items

(3) Accounting principles, procedures and presentation

Accounting methods for auto loan revenues

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. With regards to other parts of the contract, unobtainable income from full repayment before maturity or payment in subrogation were excluded and revenues from auto loan contracts were recorded as a lump sum. However, as of the current consolidated fiscal year, we have changed our accounting methods to record revenue based on the contract period and will no longer recognize such revenue as a lump-sum amount, and the respective expenses represented by commission payments are now also recorded based on the contract period.

In line with the above change, operating loans have been transferred to a trust subsidiary and trust beneficiary rights and shares issued and have been sold as collateralized assets. However, when these securitized assets are sold, the part of the assets that were sold at book value and the parts that we continue to hold are each valued at fair value and the accounting methods used have 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 and interim periods. If the method currently used had been used in the second quarter period of the previous fiscal year, net sales and gross profit would each have been recorded as ¥268 million higher, and operating income, ordinary income, and net income before taxes would each have been recorded as ¥256 million higher. While if the method currently used had been used in the interim period of the previous fiscal year net sales and gross profit would each have been ¥506 million higher, and operating income, ordinary income, and net income before taxes would have been ¥484 million higher.

(4) Important events relating to the premise of a going concern

No applicable items

Consolidated Balance Sheets

Millions of yen

	As of August 31, 2010	As of February 28, 2010
Assets		
Current assets		
Cash and deposits	4,651	3,613
Trade notes and accounts receivable	16,913	30,287
Products	5,403	10,351
Operating loans	1,669	2,045
Deferred tax assets	1,922	942
Other	3,097	4,340
Allowance for doubtful accounts	(1,231)	(1,400)
Total current assets	32,426	50,179
Fixed assets		
Tangible fixed assets		
Buildings and structures	10,366	10,343
Depreciation	(3,517)	(3,356)
Buildings and structures (net)	6,849	6,986
Vehicles and transportation	586	336
Depreciation	(175)	(58)
Vehicles and transportation (net)	410	278
Tools, fixtures and equipment	2,455	2,686
Depreciation	(1,820)	(1,722)
Tools, fixtures and equipment (net)	634	964
Land	218	218
Construction in progress	48	270
Total tangible fixed assets	8,161	8,717
Intangible fixed assets		
Goodwill	37	48
Software	947	1,532
Other	18	18
Total intangible fixed assets	1,003	1,599
Investments and other assets		
Investment securities	14	14
Shares in affiliate companies	816	859
Long-term loans receivable	8,251	328
Deposits and guarantee money	2,941	3,055
Construction cooperation fund	2,934	2,955
Deferred tax assets	207	367
Others	270	525
Allowance for doubtful accounts	(439)	(654)
Total investments and other assets	14,997	7,452
Total fixed assets	24,162	17,769
Total Assets	56,588	67,948

Consolidated Balance Sheets

Millions of yen

	As of August 31, 2010	As of February 28, 2009
Liabilities		
Current liabilities		
Accounts payable	2,369	4,230
Short-term borrowing	9,583	26,159
Accrued expenses	2,400	3,032
Accrued corporate taxes	105	1,528
Deposits received	262	249
Reserve for bonuses	568	570
Reserve for product warranty	1,089	797
Reserve for loss on business liquidation	207	--
Others	4,209	5,020
Total current liabilities	20,796	41,587
Long-term liabilities		
Long-term borrowing	14,250	8,516
Long-term guarantee deposits received	820	877
Reserve for directors' retirement benefit	426	405
Negative goodwill	--	101
Reserve for loss on restructuring of affiliated company	549	57
Other	9	9
Total long-term liabilities	16,057	9,967
Total liabilities	36,853	51,555
Net assets		
Shareholders' equity		
Paid-in capital	4,157	4,157
Capital surplus	4,032	4,032
Retained profit	22,129	18,798
Treasury stock	(11,178)	(11,178)
Total shareholders' equity	19,140	15,810
Valuation difference on other marketable securities		
Translation adjustments	592	583
Total appraisal and translation differences	592	583
Share warrant	2	--
Total net assets	19,735	16,393
Total liabilities and net assets	56,588	67,948

Consolidated Statements of Income

Millions of yen

	March 1, 2010 to August 31, 2010	March 1, 2009 to August 31, 2009
Sales	72,869	75,804
Cost of sales	54,654	53,431
Gross profit	18,214	22,373
Sales general and administrative expenses	14,514	17,113
Operating income	3,700	5,259
Non-operating income		
Interest received	41	4
Commissions received	8	6
Amortization of negative goodwill	9	18
Other	18	65
Total non-operating income	77	95
Non-operating expenses		
Interest paid	79	74
Exchange related loss	62	236
Other	44	20
Total non-operating expenses	186	331
Ordinary income	3,591	5,023
Extraordinary profit		
Gains from cancellation in the previous term	--	33
Gain on sales of investment securities	--	22
Reversal of allowance for doubtful accounts	--	14
Gain on sales of Stocks of affiliated companies	1,157	--
Others	26	26
Total extraordinary profit	1,183	97
Extraordinary losses		
Loss from cancellation in the previous term	--	334
Loss on disposal of fixed assets	167	471
Provision of allowance for bad debts	57	--
Provision for loss on business of subsidiaries and affiliates	492	--
Loss from restructuring of operations	1,033	66
Others	24	50
Total extraordinary loss	1,775	922
Net income before taxes, etc	3,000	4,198
Income tax, inhabitants tax and enterprise tax	82	2,119
Corporate tax adjustment	(820)	(194)
Total corporate taxes	(738)	1,924
Gain from minority interests	--	2
Net income	3,738	2,270

Gulliver

Consolidated Statements of Income

Millions of yen

	June 1, 2010 to August 31, 2010	June 1, 2009 to August 31, 2009
Sales	32,040	38,312
Cost of sales	23,145	26,910
Gross profit	8,895	11,401
Sales general and administrative expenses	6,855	8,873
Operating income	2,039	2,528
Non-operating income		
Interest received	38	3
Commissions received	2	1
Amortization of negative goodwill	--	9
Other	12	35
Total non-operating income	53	50
Non-operating expenses		
Interest paid	39	33
Exchange related loss	58	1
Other	17	6
Total non-operating expenses	115	40
Ordinary income	1,977	2,538
Extraordinary profit		
Gains from cancellation in the previous term	--	1
Gain on sales of investment securities	--	22
Reversal of allowance for doubtful accounts	--	(23)
Gain on sales of Stocks of affiliated companies	1,157	--
Others	26	8
Total extraordinary profit	1,174	8
Extraordinary losses		
Loss from cancellation in the previous term	--	211
Loss on disposal of fixed assets	59	42
Provision of allowance for bad debts	45	--
Provision for loss on business of subsidiaries and affiliates	492	--
Loss from restructuring of operations	1,033	--
Others	20	25
Total extraordinary loss	1,649	280
Net income before taxes, etc	1,501	2,266
Income tax, inhabitants tax and enterprise tax	(858)	812
Corporate tax adjustment	(803)	119
Total corporate taxes	(1,661)	931
Gain from minority interests	--	(1)
Net income	3,163	1,335

Consolidated Statements of Cash flows

Millions of yen

	March 1, 2010 to August 31, 2010	March 1, 2009 to August 31, 2009
I. Cash flow from operating activities		
Income before taxes, etc.	3,000	4,198
Depreciation	617	837
Amortization of goodwill	10	13
Amortization of negative goodwill	(9)	(18)
Increase (decrease) in allowance for doubtful accounts	(151)	52
Increase (decrease) in reserve for bonuses	33	44
Increase (decrease) in reserve for directors' retirement benefit	21	17
Increase (decrease) in reserve for product warranty	352	100
Interest and dividends received	(41)	(4)
Interest paid	79	74
Gain (loss) on foreign exchange	39	236
Loss on disposal of fixed assets	167	471
Loss (gain) on sales of stocks of subsidiaries and affiliates	(1,157)	--
Loss on liquidation of business	446	--
(Increase) decrease in accounts receivable	4,500	(4,969)
(Increase) decrease in inventory assets	4,973	(962)
(Increase) decrease in operating loans	376	39
Increase (decrease) in accrued consumption tax	197	76
Increase (decrease) in accounts payable	(1,618)	744
Other	(842)	620
Subtotal	10,994	1,574
Interest and dividends received	40	4
Interest paid	(79)	(74)
Corporate taxes paid	(1,210)	(523)
Cash flow from operating activities	9,744	981
II. Cash flow from investing activities		
Payments for acquisition of tangible fixed assets	(729)	(255)
Payments for acquisition of intangible fixed assets	(314)	(590)
Proceeds from sales of investment securities	--	43
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(109)	--
Payments of loans receivable	(128)	--
Collection of loans receivable	3,757	--
Payments for deposits and guarantee	(57)	(30)
Proceeds from repayment of deposits and guarantee	40	99
Payments for construction cooperation fund	(95)	(41)
Proceeds from repayment of construction cooperation fund	109	106
Other	13	20
Cash flow from investing activities	2,485	(648)
III. Cash flow from financing activities		
Net increase (decrease) in short term borrowings	(21,499)	(2,109)
Proceeds from long-term loans	11,000	5,000
Repayment of long-term loans	(341)	(3,791)
Cash dividends paid	(346)	--
Other	(0)	(0)
Cash flow from financing activities	(11,188)	(901)
IV. Cash and cash equivalents currency translation differences	(3)	(7)
V. (Decrease) increase in cash and cash equivalents	1,037	(575)
VI. Cash and cash equivalents at beginning of period	3,586	4,215
VII. Cash and cash equivalents at end of period	4,624	3,640

4. Assumptions related to going concern

No applicable items

5. Segment Information

Segment information by business type

Second quarter of the fiscal year ended February 28, 2010 (March 1, 2009 to August 31, 2009) *Millions of yen*

	Used car sale	Financial business	Other businesses	Total	Elimination/ All company	Consolidated
Sales						
(1) Sales to external customers	69,153	3,268	3,382	75,804	--	75,804
(2) Inter-segmental sales or transfers	917	728	1,325	2,970	(2,970)	--
Total	70,071	3,996	4,708	78,775	(2,970)	75,804
Operating income	6,160	371	1,051	7,583	(2,323)	5,259

Second quarter of the fiscal year ending February 28, 2011 (March 1, 2010 to August 31, 2010) *Millions of yen*

	Used car sale	Financial business	Other businesses	Total	Elimination/ All company	Consolidated
Sales						
(1) Sales to external customers	67,148	2,319	3,401	72,869	--	72,869
(2) Inter-segmental sales or transfers	515	520	1,287	2,324	(2,324)	--
Total	67,664	2,839	4,689	75,193	(2,324)	72,869
Operating income	3,837	791	987	5,617	(1,917)	3,700

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