

Translation

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Summary of Consolidated Financial Results for the Year Ended February 28, 2014 (Based on Japanese GAAP)

April 11, 2014

Company name: Gulliver International Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 7599 URL <http://221616.com>
 Representative: Chairman Kenichi Hatori
 Inquiries: Accounting and Finance Section Manager Masayuki Matsumoto TEL 03-5208-5503
 Scheduled date of ordinary general meeting of shareholders: May 29, 2014
 Scheduled date to file Securities Report: May 30, 2014
 Scheduled date to commence dividend payments: May 30, 2014
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended February 28, 2014 (from March 1, 2013 to February 28, 2014)

(1) Consolidated financial results

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended February 28, 2014	169,398	18.1	7,094	39.7	7,201	37.1	4,360	46.3
Year ended February 28, 2013	143,417	7.9	5,077	(18.8)	5,252	(16.9)	2,980	(21.3)

	Net income per share	Diluted net income per share	Net income/equity	Ordinary income/total assets	Operating income/Net sales
	Yen	Yen	%	%	%
Year ended February 28, 2014	43.01	43.00	14.0	13.6	4.2
Year ended February 28, 2013	29.41	29.41	10.5	9.7	3.5

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2014	52,779	32,846	62.2	323.99
As of February 28, 2013	53,253	29,451	55.3	290.50

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended February 28, 2014	10,061	3,734	(5,981)	14,661
Year ended February 28, 2013	3,064	(1,348)	(2,830)	6,836

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended February 28, 2013	–	41.00	–	47.00	88.00	892	29.9	3.1
Year ended February 28, 2014	–	5.00	–	8.00	13.00	1,317	30.2	4.2
Year ending February 28, 2015 (Forecast)	–	7.50	–	7.50	15.00		29.8	

3. Forecast of consolidated financial results for the year ending February 28, 2015 (from March 1, 2014 to February 28, 2015)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending August 31, 2014	80,200	(3.8)	3,200	(10.0)	3,200	(12.5)	1,900	(17.3)	18.74
Full year	173,000	2.1	8,500	19.8	8,500	18.0	5,100	17.0	50.31

4. Notes

(1) Changes in significant subsidiaries during the year ended February 28, 2014

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:

Yes

Changes in accounting policies due to other reasons:

No

Changes in accounting estimates:

Yes

Restatement of prior period financial statements after error corrections:

No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of February 28, 2014	106,888,000 shares	As of February 28, 2013	106,888,000 shares
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Number of treasury shares at the end of the period

As of February 28, 2014	5,520,070 shares	As of February 28, 2013	5,519,770 shares
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Average number of shares during the period

Year ended February 28, 2014	101,368,184 shares	Year ended February 28, 2013	101,368,310 shares
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1. Operating results

(1) Analysis of consolidated operating results

In the fiscal year under review, total retail sales volume of cars over the whole financial year amounted to approximately 50,000, a record since the founding of Gulliver. Contributory factors included development of personnel at existing Gulliver stores that have been strengthened in recent years, and the fact that Gulliver has been opening sales stores in new retail channels and that the large-scale showrooms WOW! TOWN were operating throughout the fiscal year under review. Furthermore, used vehicle purchases at all Gulliver-directly operated stores surpassed initial assumptions due to an increase in customers visiting stores in conjunction with the higher retail sales volume.

While we limited PR and advertising costs, selling, general and administrative (SG&A) expenses saw an increase in expenses related to store operations, accompanying an increased number of Gulliver-directly operated stores.

Outlook for the fiscal year ending February 28, 2015

Gulliver will continue to focus on the retail sales of used cars. Gulliver will continue to conduct thorough staff training and will accelerate the opening of sales stores in the actively expanding new retail channels. As a result of these actions, we expect the total retail sales volume of cars retailed via all Gulliver-directly operated stores to increase in the fiscal year ending February 28, 2015.

We expect variations in the performance of our consolidated subsidiaries to be negligible.

With the above in mind, as the outlook for the full fiscal year, we expect consolidated net sales of 173,000 million yen (up 2.1% from the fiscal year under review), operating income of 8,500 million yen (up 19.8% from the fiscal year under review), ordinary income of 8,500 million yen (up 18.0% from the fiscal year under review) and net income of 5,100 million yen (up 17.0% from the fiscal year under review).

(2) Analysis of financial position

[Assets, liabilities and net assets]

Assets

Total assets as of February 28, 2014 were 52,779 million yen, a decrease of 0.9% from February 28, 2013.

Current assets were 33,463 million yen, up 13.2% from the same date. The primary contributing factor was an increase in cash and deposits, partly offset by decreases in merchandise and notes and accounts receivable-trade.

Total noncurrent assets as of February 28, 2014 decreased by 18.5% from February 28, 2013, to 19,316 million yen. This mainly reflected a decrease in long-term loans receivable.

Of the total amount of accounts receivable-trade, the accounts receivable (financial credit) of consolidated subsidiary G-One Financial Services Co., Ltd. stood at 3,594 million yen.

Liabilities

Total liabilities as of February 28, 2014 decreased by 16.3% from February 28, 2013 to 19,933 million yen.

Current liabilities as of February 28, 2014 decreased by 22.1% from February 28, 2013 to 13,525 million yen mainly due to a decrease in accounts payable-trade and short-term loans payable.

Total noncurrent liabilities as of February 28, 2014 decreased by 0.6% from February 28, 2013 to 6,407 million yen.

Net assets

Net assets as of February 28, 2014 increased by 11.5% from February 28, 2013 to 32,846 million yen, mainly due to an increase in retained earnings accompanying the posting of net income.

[Cash flow position]

For the current consolidated account period, the cash flow from operating activities and investment activities was positive. Overall cash flow was a positive 7,824 million yen.

The balance of cash and cash equivalents at the end of the current consolidated account period was 14,661 million yen.

(Cash flow from operating activities)

Cash and cash equivalents generated from operating activities (hereinafter referred to as “cash”) was 10,061 million yen.

This primarily included net income before adjustment for taxes of 7,071 million yen, a 2,545 million yen decrease in accounts receivable and a 942 million yen decrease in inventory assets.

(Cash flow from investment activities)

The cash generated for investing activities was 3,734 million yen. This was mainly to cover the expenses for the purchase of tangible fixed assets and collect Long-term loans receivable.

(Cash flow from financing activities)

Net cash used in financing activities was 5,981 million yen, largely the result of outflows for the repayment of loans.

Trends in shareholders' equity and cash flow indicators are as follows:

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Equity ratio (%)	24.1	41.6	49.9	55.3	62.2
Shareholders' equity (market price base) ratio (%)	44.2	61.4	58.7	73.3	150.4
Debt redemption years	--	1.4	1.0	2.9	0.4
Interest coverage ratio	--	80.8	66.7	31.2	157.7

Notes:

1. Breakdown of each indicator

Equity ratio = shareholders' equity/total assets

Shareholders' equity (market price base) ratio = Market capitalization/Total assets

Debt redemption years = Interest bearing debt/Operating cash flow

Interest coverage ratio = Operating cash flow/Interest payments

2. Each index is calculated from consolidated figures

3. Market capitalization is calculated using the formula: closing share price at period end x number of shares issued (excluding treasury stock).

(3) Basic policy concerning distribution of profit and dividend for current and next term

We have identified the return of profit to investors as a key management issue and also emphasize our dividend payout ratio. We are focused on ensuring the performance-based return of profit. In specific terms, we are targeting a dividend payout ratio of about 30% of consolidated current net income.

Given the above basic policy and target, our expected dividends may be amended if the consolidated net income is not as expected.

We would like to set the cash dividend per share of the current term, based on the above, as 13 yen on a yearly basis (5 yen at the end of the second quarter, 8 yen at the end of the year).

In accordance with the above policies and targets, assuming consolidated net income of 5,100 million yen, we plan a cash dividend per share for the next term of 15 yen on a yearly basis (7.5 yen at the end of the second quarter, 7.5 yen at the end of the year).

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2013	As of February 28, 2014
Assets		
Current assets		
Cash and deposits	6,863	14,688
Notes and accounts receivable - trade	9,614	7,163
Merchandise	10,380	9,414
Deferred tax assets	965	1,210
Other	1,792	1,046
Allowance for doubtful accounts	(61)	(59)
Total current assets	29,555	33,463
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,757	15,586
Accumulated depreciation	(4,937)	(5,605)
Buildings and structures, net	8,820	9,981
Vehicles	232	215
Accumulated depreciation	(156)	(185)
Vehicles, net	76	30
Tools, furniture and fixtures	2,379	2,740
Accumulated depreciation	(1,925)	(2,165)
Tools, furniture and fixtures, net	454	575
Land	218	218
Construction in progress	40	184
Total property, plant and equipment	9,609	10,989
Intangible assets		
Software	926	993
Other	16	17
Total intangible assets	942	1,011
Investments and other assets		
Investment securities	14	3
Shares of subsidiaries and associates	361	435
Long-term loans receivable	6,558	251
Lease and guarantee deposits	3,065	3,319
Construction assistance fund receivables	2,758	2,812
Deferred tax assets	249	253
Other	250	302
Allowance for doubtful accounts	(111)	(62)
Total investments and other assets	13,146	7,315
Total non-current assets	23,698	19,316
Total assets	53,253	52,779

(Millions of yen)

As of February 28, 2013 As of February 28, 2014

	As of February 28, 2013	As of February 28, 2014
Liabilities		
Current liabilities		
Accounts payable - trade	3,439	2,852
Short-term loans payable	5,000	-
Accounts payable - other	1,829	1,721
Income taxes payable	579	2,116
Deposits received	264	98
Provision for bonuses	464	440
Provision for merchandise warranties	1,508	1,817
Other	4,270	4,478
Total current liabilities	17,357	13,525
Non-current liabilities		
Long-term loans payable	4,000	4,000
Long-term guarantee deposited	772	741
Provision for directors' retirement benefits	493	474
Asset retirement obligations	1,129	1,191
Provision for loss on business of subsidiaries and associates	50	-
Total non-current liabilities	6,445	6,407
Total liabilities	23,802	19,933
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	25,171	28,548
Treasury shares	(3,975)	(3,975)
Total shareholders' equity	29,385	32,761
Accumulated other comprehensive income		
Foreign currency translation adjustment	62	80
Total accumulated other comprehensive income	62	80
Subscription rights to shares	3	4
Total net assets	29,451	32,846
Total liabilities and net assets	53,253	52,779

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended February 28, 2013	Fiscal year ended February 28, 2014
Net sales	143,417	169,398
Cost of sales	109,527	132,843
Gross profit	33,889	36,554
Selling, general and administrative expenses	28,812	29,460
Operating income	5,077	7,094
Non-operating income		
Interest income	123	64
Reimbursement claims	2	19
Foreign exchange gains	12	11
Reversal of allowance for doubtful accounts	-	52
Share of profit of entities accounted for using equity method	10	-
www	66	11
Other	69	22
Total non-operating income	285	181
Non-operating expenses		
Interest expenses	98	63
Other	12	10
Total non-operating expenses	110	74
Ordinary income	5,252	7,201
Extraordinary income		
Compensation income	6	-
Reversal of provision for loss on business of subsidiaries and associates	-	50
Other	0	0
Total extraordinary income	6	50
Extraordinary losses		
Loss on retirement of non-current assets	67	99
Impairment loss	-	52
Provision for loss on business of subsidiaries and associates	13	-
Other	5	27
Total extraordinary losses	86	180
Income before income taxes and minority interests	5,172	7,071
Income taxes - current	1,855	2,961
Income taxes - deferred	336	(249)
Total income taxes	2,191	2,711
Income before minority interests	2,980	4,360
Net income	2,980	4,360

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Fiscal year ended February 28, 2013	Fiscal year ended February 28, 2014
Income before minority interests	2,980	4,360
Other comprehensive income		
Foreign currency translation adjustment	8	17
Total other comprehensive income	8	17
Comprehensive income	2,989	4,377
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,989	4,377

Consolidated statements of changes in net assets

Fiscal year ended February 28, 2013

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,157	4,032	23,021	(3,975)	27,235
Changes of items during period					
Dividends of surplus			(831)		(831)
Net income			2,980		2,980
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	2,149	(0)	2,149
Balance at end of current period	4,157	4,032	25,171	(3,975)	29,385

	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	54	54	2	27,292
Changes of items during period				
Dividends of surplus				(831)
Net income				2,980
Purchase of treasury shares				(0)
Net changes of items other than shareholders' equity	8	8	1	9
Total changes of items during period	8	8	1	2,159
Balance at end of current period	62	62	3	29,451

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,157	4,032	25,171	(3,975)	29,385
Changes of items during period					
Dividends of surplus			(983)		(983)
Net income			4,360		4,360
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	3,376	(0)	3,376
Balance at end of current period	4,157	4,032	28,548	(3,975)	32,761

	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	62	62	3	29,451
Changes of items during period				
Dividends of surplus				(983)
Net income				4,360
Purchase of treasury shares				(0)
Net changes of items other than shareholders' equity	17	17	1	18
Total changes of items during period	17	17	1	3,395
Balance at end of current period	80	80	4	32,846

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 28, 2013	Fiscal year ended February 28, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	5,172	7,071
Depreciation	1,185	1,354
Amortization of goodwill	5	0
Increase (decrease) in provision for bonuses	(25)	(24)
Increase (decrease) in allowance for doubtful accounts	(546)	(52)
Increase (decrease) in provision for merchandise warranties	(301)	308
Increase (decrease) in provision for directors' retirement benefits	31	(18)
Interest and dividend income	(124)	(64)
Interest expenses	98	63
Foreign exchange losses (gains)	(12)	(11)
Loss on retirement of non-current assets	67	99
Impairment loss	-	52
Decrease (increase) in notes and accounts receivable - trade	1,722	2,545
Decrease (increase) in inventories	(1,753)	942
Increase (decrease) in notes and accounts payable - trade	523	(592)
Increase (decrease) in accrued consumption taxes	(8)	352
Other, net	288	(544)
Subtotal	6,324	11,483
Interest and dividend income received	558	64
Interest expenses paid	(98)	(63)
Income taxes paid	(3,720)	(1,422)
Net cash provided by (used in) operating activities	3,064	10,061
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,060)	(2,481)
Purchase of intangible assets	(413)	(426)
Payments for asset retirement obligations	(22)	(15)
Payments of loans receivable	(166)	(120)
Collection of loans receivable	906	7,204
Payments for lease and guarantee deposits	(233)	(352)
Proceeds from collection of lease and guarantee deposits	91	100
Payments of construction assistance fund receivables	(178)	(334)
Collection of construction assistance fund receivables	238	237
Proceeds from withdrawal of time deposits	500	-
Purchase of shares of subsidiaries and associates	-	(325)
Proceeds from liquidation of subsidiaries	-	246
Other, net	(10)	1
Net cash provided by (used in) investing activities	(1,348)	3,734

(Millions of yen)

	Fiscal year ended February 28, 2013	Fiscal year ended February 28, 2014
Cash flows from financing activities		
Repayments of long-term loans payable	(2,000)	(5,000)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(830)	(981)
Net cash provided by (used in) financing activities	(2,830)	(5,981)
Effect of exchange rate change on cash and cash equivalents	5	10
Net increase (decrease) in cash and cash equivalents	(1,109)	7,824
Cash and cash equivalents at beginning of period	7,945	6,836
Cash and cash equivalents at end of period	6,836	14,661

(Changes in Accounting Policies)

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimate)

Following the revision of the Corporation Tax Act, from the year ended February 28, 2014, Gulliver changed to applying a depreciation method based on the revised Corporation Tax Act to property, plant and equipment acquired since March 1, 2013.

The impact on the consolidated financial statements for the fiscal year under review as a result of this change is minimal.

(Changes in Method of Presentation)

(Consolidated Statements of Income)

From the fiscal year under review, "Compensation income," which had been included in "Other" under "Non-operating income" in the previous fiscal year, has been stated as a separate item in the consolidated financial statements because its monetary amount exceeded ten percent of the total amount of "Non-operating income." In order to reflect this change in the method of presentation, "Compensation income" has been reclassified in the consolidated financial statements for the previous fiscal year.

As a result of the change, the 72 million yen of "Other" under "Non-operating income" in the consolidated statements of income for the previous fiscal year was reclassified as 2 million yen of "Compensation income" and 69 million yen of "Other."

(Change in the method of presentation in the Consolidated Statements of Income)

In the fiscal year under review, the Gulliver Group reported an impairment loss for the following asset groups. Note that this does not apply to the previous fiscal year.

Fiscal year ended February 28, 2014

Purpose	Type	Location
Sales store	Building, etc.	Kansai region and elsewhere

In principle, the Gulliver Group groups its operating assets by sales store. In the fiscal year under review, the book value of sales store business assets whose profitability had declined was written down to the recoverable value of these assets, and the difference was reported as a special loss as an impairment loss of 52 million yen. This figure breaks down as 50 million yen for "Buildings and structures" and 2 million yen for "Tools, furniture and fixtures." The recoverable value of this asset group is estimated from the value in use based on future cash flows. A value in use that is negative indicates that the recoverable value has been evaluated as 0 yen.

Non-consolidated financial statements
Non-consolidated balance sheets

(Millions of yen)

	As of February 28, 2013	As of February 28, 2014
Assets		
Current assets		
Cash and deposits	6,493	13,970
Accounts receivable - trade	2,863	3,554
Merchandise	10,341	9,348
Supplies	88	122
Prepaid expenses	538	561
Deferred tax assets	986	1,233
Short-term loans receivable	777	17
Other	450	475
Allowance for doubtful accounts	(162)	(139)
Total current assets	22,376	29,144
Non-current assets		
Property, plant and equipment		
Buildings	11,350	12,952
Accumulated depreciation	(3,644)	(4,159)
Buildings, net	7,705	8,792
Structures	2,400	2,626
Accumulated depreciation	(1,291)	(1,441)
Structures, net	1,109	1,185
Vehicles	228	211
Accumulated depreciation	(154)	(182)
Vehicles, net	74	29
Tools, furniture and fixtures	2,375	2,734
Accumulated depreciation	(1,924)	(2,163)
Tools, furniture and fixtures, net	450	571
Land	218	218
Construction in progress	37	184
Total property, plant and equipment	9,597	10,980
Intangible assets		
Goodwill	-	1
Trademark right	1	1
Software	925	990
Other	14	14
Total intangible assets	940	1,007

(Millions of yen)

	As of February 28, 2013	As of February 28, 2014
Investments and other assets		
Investment securities	14	3
Shares of subsidiaries and associates	2,028	2,301
Long-term loans receivable	6,411	1
Long-term loans receivable from subsidiaries and associates	3,329	979
Claims provable in bankruptcy, claims provable in rehabilitation and other	61	61
Long-term prepaid expenses	75	121
Lease and guarantee deposits	3,058	3,311
Construction assistance fund receivables	2,758	2,812
Deferred tax assets	246	253
Other	111	119
Allowance for doubtful accounts	(94)	(63)
Total investments and other assets	17,999	9,903
Total non-current assets	28,537	21,891
Total assets	50,914	51,035
Liabilities		
Current liabilities		
Accounts payable - trade	3,405	2,836
Short-term loans payable	5,000	-
Accounts payable - other	1,194	1,593
Income taxes payable	527	2,061
Accrued consumption taxes	87	425
Accrued expenses	812	847
Advances received	2,549	2,632
Deposits received	263	98
Provision for bonuses	464	440
Provision for merchandise warranties	1,508	1,817
Accounts payable - facilities	76	149
Unearned revenue	398	281
Other	19	13
Total current liabilities	16,307	13,197
Non-current liabilities		
Long-term loans payable	4,000	4,000
Long-term guarantee deposited	772	741
Provision for directors' retirement benefits	493	474
Asset retirement obligations	1,129	1,191
Total non-current liabilities	6,395	6,407
Total liabilities	22,702	19,605

(Millions of yen)

	As of February 28, 2013	As of February 28, 2014
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus		
Legal capital surplus	4,032	4,032
Total capital surpluses	4,032	4,032
Retained earnings		
Legal retained earnings	39	39
Other retained earnings		
Retained earnings brought forward	23,954	27,172
Total retained earnings	23,994	27,212
Treasury shares	(3,975)	(3,975)
Total shareholders' equity	28,208	31,425
Subscription rights to shares	3	4
Total net assets	28,211	31,430
Total liabilities and net assets	50,914	51,035

Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended February 28, 2013	Fiscal year ended February 28, 2014
Net sales		
Net sales of goods	136,097	161,846
Other operating revenue	5,962	6,189
Total net sales	142,060	168,036
Cost of sales		
Cost of goods sold		
Beginning goods	8,615	10,341
Cost of purchased goods	109,823	130,201
Total	118,438	140,543
Ending goods	10,341	9,348
Transfer to other account	62	58
Cost of goods sold	108,034	131,136
sss	736	863
Total cost of sales	108,770	132,000
Gross profit	33,290	36,036
Selling, general and administrative expenses		
Advertising expenses	5,113	4,924
Directors' compensations	165	183
Salaries and allowances	7,758	7,921
Bonuses	1,391	1,345
Provision for bonuses	442	422
Legal welfare expenses	1,333	1,427
ddd	1,212	1,148
Traveling and transportation expenses	1,059	1,156
Communication expenses	606	580
Supplies expenses	432	499
Depreciation	1,187	1,349
Rent expenses	167	190
Rents	4,695	4,938
Provision for directors' retirement benefits	31	32
Provision of allowance for doubtful accounts	13	-
Other	2,877	3,039
Total selling, general and administrative expenses	28,491	29,161
Operating income	4,798	6,874
Non-operating income		
Interest income	151	80
Reimbursement claims	2	19
www	66	11
Reversal of allowance for doubtful accounts	-	53
Other	52	20
Total non-operating income	273	185

(Millions of yen)

	Fiscal year ended February 28, 2013	Fiscal year ended February 28, 2014
Non-operating expenses		
Interest expenses	98	63
Other	7	8
Total non-operating expenses	106	71
Ordinary income	4,966	6,987
Extraordinary income		
Compensation income	6	-
Other	0	0
Total extraordinary income	6	0
Extraordinary losses		
Loss on retirement of non-current assets	67	99
Impairment loss	-	52
Other	1	24
Total extraordinary losses	68	177
Income before income taxes	4,904	6,810
Income taxes - current	1,766	2,864
Income taxes - deferred	303	(254)
Total income taxes	2,069	2,609
Net income	2,834	4,200

Non-consolidated statements of changes in net assets

Fiscal year ended February 28, 2013

(Millions of yen)

	Shareholders' equity								Subscription rights to shares	Total net assets
	Capital stock	Capital surplus		Retained earnings			Treasury shares	Total shareholders' equity		
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings				
Balance at beginning of current period	4,157	4,032	4,032	39	21,951	21,990	(3,975)	26,204	2	26,206
Changes of items during period										
Dividends of surplus					(831)	(831)		(831)		(831)
Net income					2,834	2,834		2,834		2,834
Purchase of treasury shares							(0)	(0)		(0)
Net changes of items other than shareholders' equity									1	1
Total changes of items during period	-	-	-	-	2,003	2,003	(0)	2,003	1	2,004
Balance at end of current period	4,157	4,032	4,032	39	23,954	23,994	(3,975)	28,208	3	28,211

Fiscal year ended February 28, 2014

(Millions of yen)

	Shareholders' equity								Subscription rights to shares	Total net assets
	Capital stock	Capital surplus		Retained earnings			Treasury shares	Total shareholders' equity		
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings				
Balance at beginning of current period	4,157	4,032	4,032	39	23,954	23,994	(3,975)	28,208	3	28,211
Changes of items during period										
Dividends of surplus					(983)	(983)		(983)		(983)
Net income					4,200	4,200		4,200		4,200
Purchase of treasury shares							(0)	(0)		(0)
Net changes of items other than shareholders' equity									1	1
Total changes of items during period	-	-	-	-	3,217	3,217	(0)	3,217	1	3,218
Balance at end of current period	4,157	4,032	4,032	39	27,172	27,212	(3,975)	31,425	4	31,430

(Changes in Accounting Policies)

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimate)

Following the revision of the Corporation Tax Act, from the year ended February 28, 2014, Gulliver changed to applying a depreciation method based on the revised Corporation Tax Act to property, plant and equipment acquired since March 1, 2013.

The impact on the consolidated financial statements for the fiscal year under review as a result of this change is minimal.

(Changes in Method of Presentation)

(Consolidated Statements of Income)

From the fiscal year under review, "Compensation income," which had been included in "Other" under "Non-operating income" in the previous fiscal year, has been stated as a separate item in the consolidated financial statements because its monetary amount exceeded ten percent of the total amount of "Non-operating income." In order to reflect this change in the method of presentation, "Compensation income" has been reclassified in the consolidated financial statements for the previous fiscal year.

As a result of the change, the 55 million yen of "Other" under "Non-operating income" in the consolidated statements of income for the previous fiscal year was reclassified as 2 million yen of "Compensation income" and 52 million yen of "Other."

(Change in the method of presentation in the Consolidated Statements of Income)

In the fiscal year under review, the Gulliver Group reported an impairment loss for the following asset groups. Note that this does not apply to the previous fiscal year.

Fiscal year ended February 28, 2014

Purpose	Type	Location
Sales store	Building, etc.	Kansai region and elsewhere

In principle, the Gulliver Group groups its operating assets by sales store. In the fiscal year under review, the book value of sales store business assets whose profitability had declined was written down to the recoverable value of these assets, and the difference was reported as a special loss as an impairment loss of 52 million yen. This figure breaks down as 50 million yen for "Buildings and structures" and 2 million yen for "Tools, furniture and fixtures." The recoverable value of this asset group is estimated from the value in use based on future cash flows. A value in use that is negative indicates that the recoverable value has been evaluated as 0 yen.