

Translation

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Summary of Consolidated Financial Results for the Three Months Ended May 31, 2014 (Based on Japanese GAAP)

July 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 to file Quarterly Securities Report: July 15, 2014
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended May 31, 2014 (from March 1, 2014 to May 31, 2014)

(1) Consolidated financial results (cumulative)

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	%
Three months ended May 31, 2014	38,845	(15.1)	1,476	(22.2)	1,507	(21.2)	910	(25.8)
Three months ended May 31, 2013	45,729	18.0	1,896	171.9	1,913	156.1	1,227	252.7

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended May 31, 2014	8.99		8.98	
Three months ended May 31, 2013	12.11		12.11	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31, 2014	49,616	32,971	66.4	325.22
As of February 28, 2014	52,779	32,846	62.2	323.99

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 28, 2014	–	5.00	–	8.00	13.00
Year ending February 28, 2015	–	–	–	–	–
Year ending February 28, 2015 (Forecast)	–	7.50	–	7.50	15.00

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 three months ended May 31, 2014
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: Yes
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of May 31, 2014	106,888,000 shares	As of February 28, 2014	106,888,000 shares
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Number of treasury shares at the end of the period

As of May 31, 2014	5,520,090 shares	As of February 28, 2014	5,520,070 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended May 31, 2014	101,367,917 shares	Three months ended May 31, 2013	101,368,230 shares
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1. Qualitative information on settlement of accounts for the first three months

(1) Qualitative information on consolidated operating results

In the first quarter of the fiscal year under review (March 1 to May 31, 2014), purchases and sales volume at nationwide directly managed stores declined year on year due to the temporary impact of conservative consumer spending caused by the consumption tax rate hike. However, with the conservative mood among consumers towards purchasing used vehicles resulting from this negative sentiment hitting its lowest point, and with contributions from newly opened display sales stores including OUTLET, LIBERALA, SNAP HOUSE, and MINICLE, the percentage of retail sales volume actually grew.

The number of directly managed stores grew to 312 stores following a year-on-year net increase of 8 stores.

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.

Due to the above, consolidated business results for the first quarter were as follows: consolidated net sales were 38,845 million yen (down 15.1% from the same term last year), operating income was 1,476 million yen (down 22.2% from the same term last year), ordinary income was 1,507 million yen (down 21.2% from the same term last year) and net income was 910 million yen (down 25.8% from the same term last year).

(2) Qualitative information on consolidated financial position

Assets

Total assets at May 31, 2014 were 49,616 million yen, a decrease of 6.0% from February 28, 2014.

Current assets were 29,214 million yen, down 12.7% from the same date. The primary contributing factor was a 911 million yen increase in cash and deposits, a 2,267 million yen decrease in merchandise and a 2,649 million yen decrease in notes and accounts receivable-trade.

Total noncurrent assets at May 31, 2014 increased by 5.6% from February 28, 2014, to 20,402 million yen. This mainly reflected a 600 million yen increase in buildings and structures and a 409 million yen increase in construction in progress.

Of the total amount of accounts receivable-trade, the accounts receivable (financial credit) of consolidated subsidiary G-One Financial Services Co., Ltd. stood at 2,845 million yen.

Liabilities

Total liabilities at May 31, 2014 decreased by 16.5% from February 28, 2014 to 16,644 million yen.

Current liabilities at May 31, 2014 decreased by 24.8% from February 28, 2014 to 10,167 million yen. The primary contributing factor was a 1,695 million yen decrease in income taxes payable, and a 99 million yen increase in deposits received.

Total noncurrent liabilities at May 31, 2014 increased by 1.1% from February 28, 2014 to 6,477 million yen.

Net assets

Net assets at May 31, 2014 increased by 0.4% from February 28, 2014 to 32,971 million yen, mainly due to a 126 million yen increase in retained earnings accompanying the posting of net income.

(3) Outlook for the fiscal year ending February 28, 2015

There have been no changes to the full-year consolidated results forecasts for the fiscal year ending February 28, 2015, which were announced with Financial Results Fiscal 2014 (March 1, 2013 to February 28, 2014) (Japanese GAAP; Consolidated) issued on April 11, 2014.

2. Summary Information (Notes)

Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

In order to account for losses on repairs to vehicles with warranties, the warranty estimate value for the warranty term was recorded based on past results. However, having accumulating a sufficient amount of actual data related to repairs, we changed the method of calculating estimates due to our ability to generate more precise estimates.

As a result, compared to the previous method, costs of sales for first quarter of the fiscal year under review decreased by 622 million yen and operating income, ordinary income, and income before income taxes and minority interests all increased by the equivalent amount.

3. Quarterly consolidated financial statements

Consolidated balance sheets

(Millions of yen)

	As of February 28, 2014	As of May 31, 2014
Assets		
Current assets		
Cash and deposits	14,688	15,599
Notes and accounts receivable - trade	7,163	4,514
Merchandise	9,414	7,147
Deferred tax assets	1,210	963
Other	1,046	1,048
Allowance for doubtful accounts	(59)	(58)
Total current assets	33,463	29,214
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,586	16,295
Accumulated depreciation	(5,605)	(5,714)
Buildings and structures, net	9,981	10,581
Vehicles	215	198
Accumulated depreciation	(185)	(191)
Vehicles, net	30	6
Tools, furniture and fixtures	2,740	2,749
Accumulated depreciation	(2,165)	(2,144)
Tools, furniture and fixtures, net	575	604
Land	218	218
Construction in progress	184	593
Total property, plant and equipment	10,989	12,004
Intangible assets		
Software	993	1,048
Other	17	175
Total intangible assets	1,011	1,223
Investments and other assets		
Investment securities	3	3
Shares of subsidiaries and associates	435	36
Long-term loans receivable	251	251
Lease and guarantee deposits	3,319	3,389
Construction assistance fund receivables	2,812	2,987
Deferred tax assets	253	242
Other	302	326
Allowance for doubtful accounts	(62)	(62)
Total investments and other assets	7,315	7,173
Total non-current assets	19,316	20,402
Total assets	52,779	49,616

(Millions of yen)

	As of February 28, 2014	As of May 31, 2014
Liabilities		
Current liabilities		
Accounts payable - trade	2,852	1,920
Short-term loans payable	-	88
Accounts payable - other	1,721	1,794
Income taxes payable	2,116	420
Deposits received	98	197
Provision for bonuses	440	48
Provision for merchandise warranties	1,817	1,272
Other	4,478	4,424
Total current liabilities	13,525	10,167
Non-current liabilities		
Long-term loans payable	4,000	4,060
Long-term guarantee deposited	741	743
Provision for directors' retirement benefits	474	482
Asset retirement obligations	1,191	1,191
Total non-current liabilities	6,407	6,477
Total liabilities	19,933	16,644
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	28,548	28,674
Treasury shares	(3,975)	(3,975)
Total shareholders' equity	32,761	32,888
Accumulated other comprehensive income		
Foreign currency translation adjustment	80	79
Total accumulated other comprehensive income	80	79
Subscription rights to shares	4	4
Total net assets	32,846	32,971
Total liabilities and net assets	52,779	49,616

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

	(Millions of yen)	
	Three months ended May 31, 2013	Three months ended May 31, 2014
Net sales	45,729	38,845
Cost of sales	36,676	29,453
Gross profit	9,053	9,391
Selling, general and administrative expenses	7,157	7,915
Operating income	1,896	1,476
Non-operating income		
Interest income	28	3
Foreign exchange gains	4	0
Compensation income	-	8
Other	11	29
Total non-operating income	45	41
Non-operating expenses		
Interest expenses	22	10
Other	6	0
Total non-operating expenses	28	10
Ordinary income	1,913	1,507
Extraordinary income		
Reversal of provision for loss on business of subsidiaries and associates	49	-
Other	-	0
Total extraordinary income	49	0
Extraordinary losses		
Loss on retirement of non-current assets	26	20
Total extraordinary losses	26	20
Income before income taxes and minority interests	1,935	1,487
Income taxes - current	929	317
Income taxes - deferred	(222)	258
Total income taxes	707	576
Income before minority interests	1,227	910
Net income	1,227	910

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended May 31, 2013	Three months ended May 31, 2014
Income before minority interests	1,227	910
Other comprehensive income		
Foreign currency translation adjustment	7	(0)
Total other comprehensive income	7	(0)
Comprehensive income	1,235	910
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,235	910