

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2014 (Based on Japanese GAAP)

January 13, 2015

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: January 14, 2015
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended November 30, 2014 (from March 1, 2014 to November 30, 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	%
Nine months ended November 30, 2014	117,623	(8.6)	4,626	(21.7)	4,665	(22.4)	2,765	(25.4)
Nine months ended November 30, 2013	128,673	17.8	5,912	78.1	6,012	72.9	3,707	89.9

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended November 30, 2014	27.28		27.27	
Nine months ended November 30, 2013	36.58		36.57	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of November 30, 2014	50,945	34,089	66.9	336.16
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	–	7.50	–		
Year ending February 28, 2015 (Forecast)				12.50	20.00

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
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 nine months ended November 30, 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 November 30, 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 November 30, 2014	5,480,170 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)

Nine months ended November 30, 2014	101,385,882 shares	Nine months ended November 30, 2013	101,368,200 shares
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1. Qualitative information on settlement of accounts for the first three quarters

(1) Qualitative information on consolidated operating results

In the first nine months of the fiscal year under review (March 1 to November 30, 2014), the number of cars purchased at directly managed stores declined year on year. Although the number of store visitors increased due to successful measures to attract customers, mainly through the Internet, the increase failed to make up for the prolonged impact of conservative consumer spending caused by the consumption tax rate hike on April 1.

On the other hand, the number of retail car sales at directly managed stores increased year on year as display sales stores continued to record strong sales.

The number of directly managed stores at the end of the nine-month period increased by 33 stores from the end of the previous fiscal year to 337 stores, mainly due to continuing a strategy of aggressively opening display sales stores such as WOW!TOWN, OUTLET, LIBERALA, and SNAP HOUSE.

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 and Advertising expenses.

Due to the above, consolidated business results for the third quarter were as follows: consolidated net sales were 117,623 million yen (down 8.6% from the same term last year), operating income was 4,626 million yen (down 21.7% from the same term last year), ordinary income was 4,665 million yen (down 22.4% from the same term last year) and net income was 2,765 million yen (down 25.4% from the same term last year).

(2) Qualitative information on consolidated financial position

Assets

Total assets as of November 30, 2014 were 50,945 million yen, an decrease of 3.5% from February 28, 2014.

Current assets were 27,740 million yen, down 17.1% from the same date. The primary contributing factor was a 3,800 million yen decrease in cash and deposits, a 1,512 million yen increase in merchandise and a 3,324 million yen decrease in notes and accounts receivable-trade.

Total noncurrent assets at November 30, 2014 increased by 20.1% from February 28, 2014, to 23,205 million yen. This mainly reflected a 2,311 million yen increase in buildings and structures and a 622 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 1,629 million yen

Liabilities

Total liabilities at November 30, 2014 decreased by 15.4% from February 28, 2014 to 16,855 million yen.

Current liabilities at November 30, 2014 increased by 5.6% from February 28, 2014 to 14,277 million yen. The primary contributing factor was a 4,002 million yen increase in Short-term loans payable, and a 1,809 million yen decrease in income taxes payable.

Total noncurrent liabilities at November 30, 2014 decreased by 59.8% from February 28, 2014 to 2,578 million yen. The primary contributing factor was a 3,952 million yen decrease in Long-term loans payable

Net assets

Net assets at November 30, 2014 increased by 3.8% from February 28, 2014 to 34,089 million yen, mainly due to a 1,208 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 the Consolidated Results, Second Quarter of the Fiscal Year Ending February 28, 2015 (Japanese GAAP; Consolidated) issued on Oct 10, 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 third quarter of the fiscal year under review decreased by 655 million yen and operating income, ordinary income, and income before income taxes and minority interests all increased by the equivalent amount.

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2014	As of November 30, 2014
Assets		
Current assets		
Cash and deposits	14,688	10,887
Notes and accounts receivable - trade	7,163	3,838
Merchandise	9,414	10,926
Deferred tax assets	1,210	978
Other	1,046	1,171
Allowance for doubtful accounts	(59)	(62)
Total current assets	33,463	27,740
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,586	18,422
Accumulated depreciation	(5,605)	(6,129)
Buildings and structures, net	9,981	12,292
Vehicles	215	60
Accumulated depreciation	(185)	(57)
Vehicles, net	30	3
Tools, furniture and fixtures	2,740	2,972
Accumulated depreciation	(2,165)	(2,295)
Tools, furniture and fixtures, net	575	677
Land	218	218
Construction in progress	184	807
Total property, plant and equipment	10,989	13,999
Intangible assets		
Software	993	1,211
Other	17	170
Total intangible assets	1,011	1,381
Investments and other assets		
Investment securities	3	3
Shares of subsidiaries and associates	435	76
Long-term loans receivable	251	375
Lease and guarantee deposits	3,319	3,569
Construction assistance fund receivables	2,812	3,227
Deferred tax assets	253	263
Other	302	370
Allowance for doubtful accounts	(62)	(63)
Total investments and other assets	7,315	7,823
Total non-current assets	19,316	23,205
Total assets	52,779	50,945

(Millions of yen)

As of February 28, 2014 As of November 30, 2014

	As of February 28, 2014	As of November 30, 2014
Liabilities		
Current liabilities		
Accounts payable - trade	2,852	2,808
Short-term loans payable	—	4,002
Accounts payable - other	1,721	1,467
Income taxes payable	2,116	307
Deposits received	98	184
Provision for bonuses	440	79
Provision for merchandise warranties	1,817	1,282
Other	4,478	4,145
Total current liabilities	13,525	14,277
Non-current liabilities		
Long-term loans payable	4,000	47
Long-term guarantee deposited	741	700
Provision for directors' retirement benefits	474	498
Asset retirement obligations	1,191	1,332
Total non-current liabilities	6,407	2,578
Total liabilities	19,933	16,855
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	28,548	29,756
Treasury shares	(3,975)	(3,947)
Total shareholders' equity	32,761	33,998
Accumulated other comprehensive income		
Foreign currency translation adjustment	80	90
Total accumulated other comprehensive income	80	90
Subscription rights to shares	4	—
Total net assets	32,846	34,089
Total liabilities and net assets	52,779	50,945

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

Consolidated statements of income (cumulative)

	(Millions of yen)	
	Nine months ended November 30, 2013	Nine months ended November 30, 2014
Net sales	128,637	117,623
Cost of sales	101,379	88,374
Gross profit	27,257	29,248
Selling, general and administrative expenses	21,345	24,621
Operating income	5,912	4,626
Non-operating income		
Interest income	61	12
Compensation income	–	12
Foreign exchange gains	9	3
Reversal of allowance for doubtful accounts	52	–
Insurance income	8	12
Other	33	30
Total non-operating income	166	72
Non-operating expenses		
Interest expenses	53	30
Provision of allowance for doubtful accounts	–	0
Other	12	2
Total non-operating expenses	66	34
Ordinary income	6,012	4,665
Extraordinary income		
Reversal of provision for loss on business of subsidiaries and associates	50	–
Other	–	0
Total extraordinary income	50	0
Extraordinary losses		
Loss on retirement of non-current assets	59	112
Lease contract cancelation penalty	–	24
Other	18	7
Total extraordinary losses	77	144
Income before income taxes and minority interests	5,984	4,522
Income taxes - current	2,625	1,534
Income taxes - deferred	(347)	222
Total income taxes	2,277	1,756
Income before minority interests	3,707	2,765
Net income	3,707	2,765

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended November 30, 2013	Nine months ended November 30, 2014
Income before minority interests	3,707	2,765
Other comprehensive income		
Foreign currency translation adjustment	8	10
Total other comprehensive income	8	10
Comprehensive income	3,716	2,775
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,716	2,775