

Translation

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## Summary of Consolidated Financial Results for the Year Ended February 28, 2015 (Based on Japanese GAAP)

April 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 of ordinary general meeting of shareholders: May 28, 2015  
 Scheduled date to file Securities Report: May 29, 2015  
 Scheduled date to commence dividend payments: May 29, 2015  
 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, 2015 (from March 1, 2014 to February 28, 2015)

#### (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, 2015	155,681	(8.1)	5,325	(24.9)	5,345	(25.8)	3,286	(24.6)
Year ended February 28, 2014	169,398	18.1	7,094	39.7	7,201	37.1	4,360	46.3

	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, 2015	32.42	32.41	9.7	9.7	3.4
Year ended February 28, 2014	43.01	43.00	14.0	13.6	4.2

#### (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, 2015	57,153	34,629	60.6	341.49
As of February 28, 2014	52,779	32,846	62.2	323.99

#### (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, 2015	56	(8,540)	(1,721)	4,863
Year ended February 28, 2014	10,061	3,734	(5,981)	14,661

### 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, 2014	–	5.00	–	8.00	13.00	1,317	30.2	4.2
Year ended February 28, 2015	–	7.50	–	7.50	15.00	1,521	46.3	4.5
Year ending February 29, 2016 (Forecast)	–	7.50	–	7.50	15.00		31.0	

3. Forecast of consolidated financial results for the year ending February 29, 2016 (from March 1, 2015 to February 29, 2016)

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, 2015	85,000	13.9	3,000	10.0	3,000	8.8	1,800	9.4	17.75
Full year	180,000	15.6	8,200	54.0	8,200	53.4	4,900	49.1	48.32

4. Notes

(1) Changes in significant subsidiaries during the year ended February 28, 2015

(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: No

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, 2015	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 February 28, 2015	5,480,170 shares	As of February 28, 2014	5,520,070 shares
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Average number of shares during the period

Year ended February 28, 2015	101,391,294 shares	Year ended February 28, 2014	101,368,184 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 year amounted to approximately 52,000, a record since the founding of Gulliver, despite sluggish market conditions following the consumption tax hike in April last year. Contributing factors included a boost to car sales from opening new display sales stores such as WOW!TOWN, OUTLET, LIBERALA, and SNAP HOUSE, and a strong sales performance by existing display sales stores.

On the other hand, existing Gulliver stores saw fewer store visitors due to the impact of conservative consumer spending caused by the consumption tax hike in April last year. To counteract this, Gulliver made advertising expenditure centered on the Internet. Selling, general and administrative (SG&A) expenses showed increases in these sorts of advertising expenditures, along with expenses related to store operations, accompanying an increased number of display sales stores.

Due to the above, consolidated business results for the fiscal year under review were as follows: consolidated net sales were 155,681 million yen (down 8.1% from the previous fiscal year), operating income was 5,325 million yen (down 24.9% from the previous fiscal year), ordinary income was 5,345 million yen (down 25.8% from the previous fiscal year) and net income was 3,286 million yen (down 24.6% from the previous fiscal year).

In the fiscal year under review, K.K. Motoren Global, Nakamitsu Motors Co., LTD. and Nakamitsu International Inc. became newly consolidated subsidiaries of the Gulliver Group. However, Gulliver has consolidated only the balance sheets of these three companies for the fiscal year under review. This is to reflect the increased materiality of K.K. Motoren Global at the fiscal year-end, and the decision to set the effective acquisition dates of Nakamitsu Motors Co., LTD. and Nakamitsu International as the fiscal year-end.

### Outlook for the fiscal year ending February 29, 2016

Considering the strong retail sales volume of cars at display sales stores, Gulliver will continue to accelerate the opening of new display sales stores. For this reason, Gulliver expects total retail sales volume of cars at all directly managed stores to increase in the fiscal year ending February 29, 2016.

With the above in mind, as the outlook for the full fiscal year, we expect consolidated net sales of 180,000 million yen (up 15.6% from the fiscal year under review), operating income of 8,200 million yen (up 54.0% from the fiscal year under review), ordinary income of 8,200 million yen (up 53.4% from the fiscal year under review) and net income of 4,900 million yen (up 49.1% from the fiscal year under review).

### (2) Analysis of financial position

#### [Assets, liabilities and net assets]

#### Assets

Total assets as of February 28, 2015 were 57,153 million yen, up 8.3% from February 28, 2014.

Current assets were 29,402 million yen, a decrease of 12.1% from the same date. The primary contributing factors were a 9,791 decrease in cash and deposits and a 2,544 decrease in notes and accounts receivable-trade, despite a 7,605 million yen increase in merchandise.

Total non-current assets increased by 43.7% from February 28, 2014, to 27,750 million yen. This mainly reflected a 4,069 million yen increase in buildings and structures, mainly due to the opening of new directly managed stores, and a 464 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 1,158 million yen.

Among the factors increasing total assets, there was an increase of 3,614 million yen due to the consolidation of K.K. Motoren Global, Nakamitsu Motors Co., LTD., and Nakamitsu International Inc.

#### Liabilities

Total liabilities as of February 28, 2015 increased by 13.0% from February 28, 2014 to 22,523 million yen.

Current liabilities as of February 28, 2015 increased by 46.7% from February 28, 2014 to 19,847 million yen. The primary contributing factors were a 4,797 million yen increase in short-term loans payable and current portion of long-term loans payable as well as a 380 million yen increase in deposits received, despite a 1,873 million yen decrease in income taxes payable.

Total non-current liabilities at February 28, 2015 decreased by 58.2% from February 28, 2014 to 2,676 million yen. The primary contributing factor was a 3,956 million yen decrease in long-term loans payable due to a transfer to current portion of long-term loans payable.

Among the factors increasing total liabilities, there was an increase of 3,613 million yen due to the consolidation of K.K. Motoren Global, Nakamitsu Motors Co., LTD., and Nakamitsu International Inc.

#### Net assets

Net assets as of February 28, 2015 increased by 5.4% from February 28, 2014 to 34,629 million yen, mainly due to a 1,730 million yen 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 negative. Overall cash flow was a negative 10,200 million yen.

The balance of cash and cash equivalents at the end of the current consolidated account period was 4,863 million yen.

#### (Cash flow from operating activities)

Cash and cash equivalents generated from operating activities (hereinafter referred to as “cash”) was 56 million yen.

This primarily included net income before adjustment for taxes of 5,157 million yen, a 3,022 million yen decrease in accounts receivable, a 6,071 million yen decrease in inventory assets, payment for income tax of 3,324 million yen and others.

#### (Cash flow from investment activities)

Net cash used in investing activities was 8,540 million yen. This was mainly the result of the purchase of property, plant and equipment due to the opening of new directly managed stores, the purchase of investments in subsidiaries resulting in change in scope of consolidation, and payments of construction assistance fund receivables.

#### (Cash flow from financing activities)

Net cash used in financing activities was 1,721 million yen, largely the result of outflows for the payment of dividends.

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

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Equity ratio (%)	41.6	49.9	55.3	62.2	60.6
Shareholders' equity (market price base) ratio (%)	61.4	58.7	73.3	150.4	166.1
Debt redemption years	1.4	1.0	2.9	0.4	95.0
Interest coverage ratio	80.8	66.7	31.2	157.7	1.3

#### 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

#### Basic policy concerning dividend and target

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.

#### Dividend for current

In October 2014, Gulliver marked the 20th anniversary of its founding. In this landmark year, the Company plans to pay a commemorative year-end dividend of 5 yen per share for the fiscal year under review, to express its appreciation for the support of its shareholders over many years. As stated above, Gulliver's policy on dividends has been to pay a dividend linked to earnings performance, applying a payout ratio of 30% on consolidated net income as a yardstick in deciding the dividend amount. However, the planned commemorative dividend is to be paid separately from this performance-linked dividend.

In consideration of Gulliver's basic policy, targets, and the payment of a commemorative dividend, Gulliver plans to pay an annual dividend of 15 yen per share for the fiscal year under review, comprising interim and year-end dividends of 7.50 yen each.

#### Dividend for next term

In accordance with the above policies and targets, assuming consolidated net income of 4,900 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).

## **2. Business policy**

### **(1) The Company's basic business policy**

Gulliver has embraced “Growing Together” as its corporate philosophy. Guided by the principle of building win-win relationships, Gulliver seeks to grow together with customers, employees, partners, shareholders and all other people involved with the Gulliver Group, as well as society as a whole. To make this corporate philosophy a reality, management is determined to establish Gulliver as a highly admired enterprise that has the support of its customers at all times. In addition to the used car purchasing business, its founding business for which it has established a proven business model, Gulliver aims to bring about a Car Distribution Revolution through its retail business, which it has been focusing on in recent years. Gulliver will constantly scale new heights in order to create automotive lifestyles that its customers enjoy.

### **(2) Key performance indicators**

Since its founding in 1994, Gulliver has expanded its business primarily around the purchasing of used cars as a specialist car purchaser and the wholesaling of cars via used car auctions. In addition to these activities, in recent years Gulliver has been strengthening its retail business, in which it sells used cars directly to general consumers. Over the medium term, the Company is targeting a retail car sales volume of 150,000 at its directly managed stores. Eyeing this target, Gulliver is working to further enhance its corporate value.

### **(3) The Company's medium- and long-term business strategy**

Gulliver is targeting a retail car sales volume of 150,000 at its directly managed stores. To reach this target, the Company is concentrating its business resources and implementing the following measures:

- Establish a network of 800 stores by accelerating the opening of display sales stores
- Enhance sales and service capabilities by bolstering staff training
- Win repeat customers and referrals by enhancing customer satisfaction
- Enhance brand power and name recognition
- Develop new services to expand the retail business

### **(4) The Company's priorities ahead**

Gulliver will address diversifying customer needs and the shift away from cars in Japan due to its aging society with fewer children. To do so, the Company will implement measures such as providing a more diverse range of services, bolstering staff training, and conducting more finely tuned marketing activities. Through these measures, Gulliver will strive to differentiate itself from competitors and become the company of choice for all manner of customers.

### 3. Consolidated financial statements

#### Consolidated balance sheets

(Millions of yen)

	As of February 28, 2014	As of February 28, 2015
Assets		
Current assets		
Cash and deposits	14,688	4,897
Notes and accounts receivable - trade	7,163	4,619
Merchandise	9,414	17,020
Deferred tax assets	1,210	801
Other	1,046	2,114
Allowance for doubtful accounts	(59)	(49)
Total current assets	33,463	29,402
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,586	20,622
Accumulated depreciation	(5,605)	(6,571)
Buildings and structures, net	9,981	14,051
Vehicles	215	571
Accumulated depreciation	(185)	(104)
Vehicles, net	30	466
Tools, furniture and fixtures	2,740	3,155
Accumulated depreciation	(2,165)	(2,414)
Tools, furniture and fixtures, net	575	741
Land	218	218
Construction in progress	184	649
Total property, plant and equipment	10,989	16,126
Intangible assets		
Software	993	1,332
Goodwill	1	1,997
Other	15	19
Total intangible assets	1,011	3,349
Investments and other assets		
Investment securities	3	0
Shares of subsidiaries and associates	435	71
Long-term loans receivable	251	124
Lease and guarantee deposits	3,319	4,034
Construction assistance fund receivables	2,812	3,472
Deferred tax assets	253	268
Other	302	381
Allowance for doubtful accounts	(62)	(78)
Total investments and other assets	7,315	8,274
Total non-current assets	19,316	27,750
Total assets	52,779	57,153

(Millions of yen)

	As of February 28, 2014	As of February 28, 2015
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	2,852	5,100
Short-term loans payable	–	150
Current portion of long-term loans payable	–	4,647
Current portion of bonds	–	495
Accounts payable - other	1,721	2,203
Income taxes payable	2,116	242
Advances received	2,632	2,951
Deposits received	98	479
Provision for bonuses	440	436
Provision for merchandise warranties	1,817	1,276
Other	1,846	1,864
<b>Total current liabilities</b>	<b>13,525</b>	<b>19,847</b>
<b>Non-current liabilities</b>		
Long-term loans payable	4,000	43
Long-term guarantee deposited	741	690
Provision for directors' retirement benefits	474	507
Asset retirement obligations	1,191	1,435
<b>Total non-current liabilities</b>	<b>6,407</b>	<b>2,676</b>
<b>Total liabilities</b>	<b>19,933</b>	<b>22,523</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	28,548	30,278
Treasury shares	(3,975)	(3,947)
<b>Total shareholders' equity</b>	<b>32,761</b>	<b>34,521</b>
<b>Accumulated other comprehensive income</b>		
Foreign currency translation adjustment	80	108
<b>Total accumulated other comprehensive income</b>	<b>80</b>	<b>108</b>
Subscription rights to shares	4	–
<b>Total net assets</b>	<b>32,846</b>	<b>34,629</b>
<b>Total liabilities and net assets</b>	<b>52,779</b>	<b>57,153</b>

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

**Consolidated statements of income**

(Millions of yen)

	Fiscal year ended February 28, 2014	Fiscal year ended February 28, 2015
Net sales	169,398	155,681
Cost of sales	132,843	116,605
Gross profit	36,554	39,075
Selling, general and administrative expenses	29,460	33,750
Operating income	7,094	5,325
Non-operating income		
Interest income	64	19
Reimbursement claims	19	12
Foreign exchange gains	11	0
Reversal of allowance for doubtful accounts	52	-
www	11	14
Other	22	41
Total non-operating income	181	89
Non-operating expenses		
Interest expenses	63	42
Provision of allowance for doubtful accounts	-	0
Loss on insurance cancellation	-	17
Other	10	8
Total non-operating expenses	74	69
Ordinary income	7,201	5,345
Extraordinary income		
Reversal of provision for loss on business of subsidiaries and associates	50	-
Other	0	0
Total extraordinary income	50	0
Extraordinary losses		
Loss on retirement of non-current assets	99	104
Impairment loss	52	55
Less Contract Cancellation Penalty	-	24
Other	27	4
Total extraordinary losses	180	188
Income before income taxes and minority interests	7,071	5,157
Income taxes - current	2,961	1,476
Income taxes - deferred	(249)	394
Total income taxes	2,711	1,871
Income before minority interests	4,360	3,286
Net income	4,360	3,286



**Consolidated statements of comprehensive income**

(Millions of yen)

	Fiscal year ended February 28, 2014	Fiscal year ended February 28, 2015
Income before minority interests	4,360	3,286
Other comprehensive income		
Foreign currency translation adjustment	17	28
Total other comprehensive income	17	28
Comprehensive income	4,377	3,314
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,377	3,314

**Consolidated statements of changes in net assets**

Fiscal year ended February 28, 2014

(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	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

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,157	4,032	28,548	(3,975)	32,761
Changes of items during period					
Change of scope of consolidation			27		27
Dividends of surplus			(1,571)		(1,571)
Transfer of loss on disposal of treasury shares		11	(11)		–
Net income			3,286		3,286
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(11)		28	17
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,730	28	1,759
Balance at end of current period	4,157	4,032	30,278	(3,947)	34,521

	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	80	80	4	32,846
Changes of items during period				
Change of scope of consolidation				27
Dividends of surplus				(1,571)
Transfer of loss on disposal of treasury shares				–
Net income				3,286
Purchase of treasury shares				(0)
Disposal of treasury shares				17
Net changes of items other than shareholders' equity	28	28	(4)	23
Total changes of items during period	28	28	(4)	1,783
Balance at end of current period	108	108	–	34,629

**Consolidated statements of cash flows**

(Millions of yen)

	Fiscal year ended February 28, 2014	Fiscal year ended February 28, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	7,071	5,157
Depreciation	1,354	1,643
Amortization of goodwill	0	8
Increase (decrease) in provision for bonuses	(24)	(3)
Increase (decrease) in allowance for doubtful accounts	(52)	3
Increase (decrease) in provision for merchandise warranties	308	(540)
Increase (decrease) in provision for directors' retirement benefits	(18)	32
Interest and dividend income	(64)	(19)
Interest expenses	63	42
Foreign exchange losses (gains)	(11)	3
Loss on retirement of non-current assets	99	104
Lease contract cancellation penalty	-	24
Impairment loss	52	55
Decrease (increase) in notes and accounts receivable - trade	2,545	3,022
Decrease (increase) in inventories	942	(6,071)
Increase (decrease) in notes and accounts payable - trade	(592)	298
Increase (decrease) in accrued consumption taxes	352	(324)
Other, net	(544)	(32)
Subtotal	11,483	3,403
Interest and dividend income received	64	19
Interest expenses paid	(63)	(42)
Income taxes paid	(1,422)	(3,324)
Net cash provided by (used in) operating activities	10,061	56
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,481)	(5,194)
Purchase of intangible assets	(426)	(686)
Payments for asset retirement obligations	(15)	(30)
Payments of loans receivable	(120)	(231)
Collection of loans receivable	7,204	3
Payments for lease and guarantee deposits	(352)	(517)
Proceeds from collection of lease and guarantee deposits	100	98
Payments of construction assistance fund receivables	(334)	(930)
Collection of construction assistance fund receivables	237	263
Payments into time deposits	-	(30)
Proceeds from withdrawal of time deposits	-	59
Purchase of shares of subsidiaries and associates	(325)	(40)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,305)
Proceeds from liquidation of subsidiaries	246	-
Other, net	1	1
Net cash provided by (used in) investing activities	3,734	(8,540)

(Millions of yen)

	Fiscal year ended February 28, 2014	Fiscal year ended February 28, 2015
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	–	(140)
Repayments of long-term loans payable	(5,000)	(24)
Purchase of treasury shares	(0)	(0)
Proceeds from exercise of share options	–	12
Cash dividends paid	(981)	(1,569)
Net cash provided by (used in) financing activities	(5,981)	(1,721)
Effect of exchange rate change on cash and cash equivalents	10	6
Net increase (decrease) in cash and cash equivalents	7,824	(10,200)
Cash and cash equivalents at beginning of period	6,836	14,661
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	–	402
Cash and cash equivalents at end of period	14,661	4,863

## (Changes in accounting policies)

### Changes in accounting estimate

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 accumulated a sufficient amount of actual data related to repairs, we changed the method of calculating estimates from the first quarter of the fiscal year under review, due to our ability to generate more precise estimates.

As a result, compared to the previous method, cost of sales for the fiscal year under review decreased by 666 million yen and operating income, ordinary income, and income before income taxes and minority interests all increased by the equivalent amount.

## (Changes in method of presentation)

### Consolidated balance sheets

From the fiscal year under review, "Goodwill" which had been included in "Other" under "Intangible assets" 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 assets. In order to reflect this change in the method of presentation, "Goodwill" has been reclassified in the consolidated financial statements for the previous fiscal year.

As a result of the change, the 17 million yen of "Other" under "Intangible assets" in the consolidated statements of income for the previous fiscal year was reclassified as 1 million yen of "Goodwill" and 15 million yen of "Other."

From the fiscal year under review, "Accounts payable - other" which had been included in "Other" under "Current liabilities" in the previous fiscal year, has been stated as a separate item in the consolidated financial statements because its monetary amount exceeded five percent of the total amount of assets. In order to reflect this change in the method of presentation, "Accounts payable - other" has been reclassified in the consolidated financial statements for the previous fiscal year.

As a result of the change, the 4,478 million yen of "Other" under "Current liabilities" in the consolidated statements of income for the previous fiscal year was reclassified as 2,632 million yen of "Accounts payable - other" and 1,846 million yen of "Other."

### Consolidated statements of income

In the fiscal year under review, the Gulliver Group reported an impairment loss for the following asset groups.

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.

Fiscal year ended February 28, 2015

Purpose	Type	Location
Sales store	Building, etc.	Tokai 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 55 million yen. This figure breaks down as 53 million yen for "Buildings and structures" and 1 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, 2014	As of February 28, 2015
Assets		
Current assets		
Cash and deposits	13,970	2,655
Accounts receivable - trade	3,554	3,260
Merchandise	9,348	15,355
Supplies	122	151
Prepaid expenses	561	629
Deferred tax assets	1,233	821
Short-term loans receivable	17	39
Other	475	951
Allowance for doubtful accounts	(139)	(133)
Total current assets	29,144	23,731
Non-current assets		
Property, plant and equipment		
Buildings	12,952	16,544
Accumulated depreciation	(4,159)	(4,715)
Buildings, net	8,792	11,828
Structures	2,626	3,530
Accumulated depreciation	(1,441)	(1,647)
Structures, net	1,185	1,882
Vehicles	211	5
Accumulated depreciation	(182)	(4)
Vehicles, net	29	0
Tools, furniture and fixtures	2,734	3,092
Accumulated depreciation	(2,163)	(2,379)
Tools, furniture and fixtures, net	571	713
Land	218	218
Construction in progress	184	643
Total property, plant and equipment	10,980	15,287
Intangible assets		
Goodwill	1	1
Trademark right	1	0
Software	990	1,331
Other	14	14
Total intangible assets	1,007	1,347

(Millions of yen)

	As of February 28, 2014	As of February 28, 2015
Investments and other assets		
Investment securities	3	0
Shares of subsidiaries and associates	2,301	2,341
Long-term loans receivable	1	24
Long-term loans receivable from subsidiaries and associates	979	1,907
Claims provable in bankruptcy, claims provable in rehabilitation and other	61	77
Long-term prepaid expenses	121	198
Lease and guarantee deposits	3,311	3,651
Construction assistance fund receivables	2,812	3,472
Deferred tax assets	253	271
Other	119	101
Allowance for doubtful accounts	(63)	(87)
Total investments and other assets	9,903	11,959
Total non-current assets	21,891	28,593
Total assets	51,035	52,325
Liabilities		
Current liabilities		
Accounts payable - trade	2,836	3,119
Current portion of long-term loans payable	–	4,000
Accounts payable - other	1,593	1,604
Income taxes payable	2,061	149
Accrued consumption taxes	425	97
Accrued expenses	847	1,368
Advances received	2,632	2,923
Deposits received	98	120
Provision for bonuses	440	436
Provision for merchandise warranties	1,817	1,276
Accounts payable - facilities	149	515
Unearned revenue	281	126
Other	13	0
Total current liabilities	13,197	15,741
Non-current liabilities		
Long-term loans payable	4,000	–
Long-term guarantee deposited	741	690
Provision for directors' retirement benefits	474	507
Asset retirement obligations	1,191	1,424
Total non-current liabilities	6,407	2,622
Total liabilities	19,605	18,363



(Millions of yen)

	As of February 28, 2014	As of February 28, 2015
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	27,172	29,680
Total retained earnings	27,212	29,719
Treasury shares	(3,975)	(3,947)
Total shareholders' equity	31,425	33,962
Subscription rights to shares	4	–
Total net assets	31,430	33,962
Total liabilities and net assets	51,035	52,325

**Non-consolidated statements of income**

(Millions of yen)

	Fiscal year ended February 28, 2014	Fiscal year ended February 28, 2015
Net sales		
Net sales of goods	161,846	147,054
Other operating revenue	6,189	6,117
Total net sales	168,036	153,171
Cost of sales		
Cost of goods sold		
Beginning goods	10,341	9,348
Cost of purchased goods	130,201	120,296
Total	140,543	129,645
Ending goods	9,348	15,355
Transfer to other account	58	13
Cost of goods sold	131,136	114,276
sss	863	715
Total cost of sales	132,000	114,992
Gross profit	36,036	38,178
Selling, general and administrative expenses		
Advertising expenses	4,924	5,740
Directors' compensations	183	174
Salaries and allowances	7,921	8,546
Bonuses	1,345	1,521
Provision for bonuses	422	419
Legal welfare expenses	1,427	1,542
ddd	1,148	1,419
Traveling and transportation expenses	1,156	1,398
Communication expenses	580	584
Supplies expenses	499	739
Depreciation	1,349	1,621
Rent expenses	190	162
Rents	4,938	5,409
Provision for directors' retirement benefits	32	32
Provision of allowance for doubtful accounts	–	9
Other	3,039	3,814
Total selling, general and administrative expenses	29,161	33,137
Operating income	6,874	5,041
Non-operating income		
Interest income	80	20
Dividend income	0	1,000
Reimbursement claims	19	–
www	11	14
Reversal of allowance for doubtful accounts	53	–
Other	20	27
Total non-operating income	185	1,062

(Millions of yen)

	Fiscal year ended February 28, 2014	Fiscal year ended February 28, 2015
Non-operating expenses		
Interest expenses	63	41
Provision of allowance for doubtful accounts	–	8
Loss on insurance cancellation	–	17
Other	8	11
Total non-operating expenses	71	78
Ordinary income	6,987	6,024
Extraordinary income		
Other	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	99	104
Impairment loss	52	55
Less Contract Cancellation Penalty	–	24
Other	24	4
Total extraordinary losses	177	188
Income before income taxes	6,810	5,837
Income taxes - current	2,864	1,352
Income taxes - deferred	(254)	393
Total income taxes	2,609	1,746
Net income	4,200	4,091

**Non-consolidated statements of changes in net assets**

Fiscal year ended February 28, 2014

(Millions of yen)

	Shareholders' equity								Subscript ion rights to shares	Total net assets
	Capital stock	Capital surplus		Retained earnings			Treasury shares	Total sharehold ers' 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

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
					Retained earnings brought forward				
Balance at beginning of current period	4,157	4,032	–	4,032	39	27,172	27,212	(3,975)	31,425
Changes of items during period									
Dividends of surplus						(1,571)	(1,571)		(1,571)
Transfer of loss on disposal of treasury shares			11	11		(11)	(11)		–
Net income						4,091	4,091		4,091
Purchase of treasury shares								(0)	(0)
Disposal of treasury shares			(11)	(11)				28	17
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	2,507	2,507	28	2,536
Balance at end of current period	4,157	4,032	–	4,032	39	29,680	29,719	(3,947)	33,962

	Subscription rights to shares	Total net assets
Balance at beginning of current period	4	31,430
Changes of items during period		
Dividends of surplus		(1,571)
Transfer of loss on disposal of treasury shares		–
Net income		4,091
Purchase of treasury shares		(0)
Disposal of treasury shares		17
Net changes of items other than shareholders' equity	(4)	(4)
Total changes of items during period	(4)	2,532
Balance at end of current period	–	33,962

## **(Changes in Accounting Policies)**

### **Changes in accounting estimate**

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 accumulated a sufficient amount of actual data related to repairs, we changed the method of calculating estimates from the first quarter of the fiscal year under review, due to our ability to generate more precise estimates.

As a result, compared to the previous method, cost of sales for the fiscal year under review decreased by 666 million yen and operating income, ordinary income, and income before income taxes and minority interests all increased by the equivalent amount.

### **Changes in Method of Presentation**

From the fiscal year under review, "Dividend 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, "Dividend income" has been reclassified in the consolidated financial statements for the previous fiscal year.

As a result of the change, the 20 million yen of "Other" under "Non-operating income" in the consolidated statements of income for the previous fiscal year was reclassified as 0 million yen of "Dividend income" and 20 million yen of "Other."