

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2015 (Based on Japanese GAAP)

October 13, 2015

Company name: Gulliver International Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 7599 URL <http://221616.com>
 Representative: Chairman Kenichi Hatori
 Inquiries: Manager, Business Management Division Masayuki Matsumoto TEL 03 (5208) 5503
 Scheduled date to file Quarterly Securities Report: October 15, 2015
 Scheduled date to commence dividend payments: November 9, 2015
 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 six months ended August 31, 2015 (from March 1, 2015 to August 31, 2015)

(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	%
Six months ended August 31, 2015	95,024	27.3	4,079	49.6	4,043	46.6	2,563	55.8
Six months ended August 31, 2014	74,631	(10.5)	2,727	(23.3)	2,758	(24.6)	1,645	(28.4)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended August 31, 2015	25.28		-	
Six months ended August 31, 2014	16.23		16.23	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
As of August 31, 2015	64,785		36,436		56.2		359.31	
As of February 28, 2015	57,153		34,629		60.6		341.49	

2. Cash dividends

	Annual dividends per share					
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total	
	Yen		Yen		Yen	
Year ended February 28, 2015	-	7.50	-	7.50	15.00	
Year ending February 29, 2016	-	7.50	-	-	-	
Year ending February 29, 2016 (Forecast)	-	-	-	7.50	15.00	

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	
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 six months ended August 31, 2015
 (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: No
- 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 August 31, 2015	106,888,000 shares	As of February 28, 2015	106,888,000 shares
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Number of treasury shares at the end of the period

As of August 31, 2015	5,480,300 shares	As of February 28, 2015	5,480,170 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended August 31, 2015	101,407,766 shares	Six months ended August 31, 2014	101,375,026 shares
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1. Qualitative information on settlement of accounts for the first half

(1) Qualitative information on consolidated operating results

In the first half of the fiscal year under review (March 1 to August 31, 2015), retail car sales volume at nationwide directly managed stores increased by 35.7% from the same period last year to 34,020 cars. The result reflects the success of accelerated new store openings of display sales stores (WOW!TOWN, OUTLET, LIBERALA, SNAP HOUSE, and MINICLE).

On the other hand, at existing Gulliver stores, the market has not yet recovered from a protracted slump in the new car market following the increase in the consumption tax rate in 2014. In this situation, the Company worked to increase the number of customers visiting stores by making advertising expenditures centered on the Internet. As a result, the number of customers visiting stores increased more than initially expected, and the number of cars purchased at directly managed stores increased by 24.1% year on year to 88,128.

Due to the above, consolidated business results for the first half were as follows: consolidated net sales increased by 27.3% from the same term last year to 95,024 million yen, operating income increased by 49.6% from the same term last year to 4,079 million yen, ordinary income increased by 46.6% from the same term last year to 4,043 million yen and net income increased by 55.8% from the same term last year to 2,563 million yen.

(2) Qualitative information on consolidated financial position

Assets

Total assets at August 31, 2015 were 64,785 million yen, a increase of 13.4 % from February 28, 2015.

Current assets were 34,437 million yen, up 17.1 % from the same date. The primary contributing factors were a 7,871 million yen increase in cash and deposit, on the other hand, a 1,366 million yen decrease in notes and accounts receivable-trade.

Of the total amount of accounts receivable-trade, the accounts receivable (financial credit) of consolidated subsidiary G-One Financial Services Co., Ltd. stood at 624 million yen.

Total noncurrent assets at August 31, 2015 increased by 9.4% from February 28, 2015, to 30,348 million yen. This mainly reflected a 1,348 million yen increase in Buildings and structures, a 304 million yen increase in Construction assistance fund receivables, and a 254 million yen increase in Lease and guarantee deposits.

Liabilities

Total liabilities at August 31, 2015 increased by 25.9 % from February 28, 2015 to 28,349 million yen.

Current liabilities at August 31, 2015 decreased by 31.5 % from February 28, 2015 to 13,599 million yen. The primary contributing factor was a 1,246 million yen increase in Income taxes payable, a 4,647 million yen decrease in Current portion of long-term loans payable, a 813 million yen decrease in Accounts payable - other, a 769 million yen decrease in Advances received, and a 671 million yen decrease in Accounts payable - trade.

Total noncurrent liabilities at August 31, 2015 increased by 451.2 % from February 28, 2015 to 14,749 million yen. The primary contributing factor was a 11,990 million yen increase in Long-term loans payable.

Net assets

Net assets at August 31, 2015 increased by 5.2 % from February 28, 2015 to 36,436 million yen, mainly due to a 1,802 million yen increase in retained earnings accompanying the posting of net income.

(3) Outlook for the fiscal year ending February 29, 2016

There have been no changes to the full-year consolidated results forecasts for the fiscal year ending February 29, 2016, which were announced with Financial Results, First Quarter of the Fiscal Year Ending February 29, 2016 (Japanese GAAP; Consolidated) issued on July 13, 2015.

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2015	As of August 31, 2015
Assets		
Current assets		
Cash and deposits	4,897	12,768
Notes and accounts receivable - trade	4,619	3,253
Merchandise	17,020	16,142
Deferred tax assets	801	811
Other	2,114	1,513
Allowance for doubtful accounts	(49)	(52)
Total current assets	29,402	34,437
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,622	22,554
Accumulated depreciation	(6,571)	(7,155)
Buildings and structures, net	14,051	15,399
Vehicles	571	443
Accumulated depreciation	(104)	(130)
Vehicles, net	466	313
Tools, furniture and fixtures	3,155	3,416
Accumulated depreciation	(2,414)	(2,636)
Tools, furniture and fixtures, net	741	779
Land	218	218
Construction in progress	649	716
Total property, plant and equipment	16,126	17,426
Intangible assets		
Software	1,332	1,566
Goodwill	1,997	1,946
Other	19	19
Total intangible assets	3,349	3,532
Investments and other assets		
Investment securities	0	0
Shares of subsidiaries and associates	71	77
Long-term loans receivable	124	265
Lease and guarantee deposits	4,034	4,288
Construction assistance fund receivables	3,472	3,777
Deferred tax assets	268	260
Other	381	798
Allowance for doubtful accounts	(78)	(78)
Total investments and other assets	8,274	9,389
Total non-current assets	27,750	30,348
Total assets	57,153	64,785

(Millions of yen)

As of February 28, 2015 As of August 31, 2015

	As of February 28, 2015	As of August 31, 2015
Liabilities		
Current liabilities		
Accounts payable - trade	5,100	4,429
Short-term loans payable	150	—
Current portion of long-term loans payable	4,647	—
Current portion of bonds	495	—
Accounts payable - other	2,203	1,389
Income taxes payable	242	1,489
Advances received	2,951	2,181
Deposits received	479	319
Provision for bonuses	436	612
Provision for merchandise warranties	1,276	1,025
Other	1,864	2,151
Total current liabilities	19,847	13,599
Non-current liabilities		
Long-term loans payable	43	12,033
Long-term guarantee deposited	690	654
Provision for directors' retirement benefits	507	523
Asset retirement obligations	1,435	1,537
Total non-current liabilities	2,676	14,749
Total liabilities	22,523	28,349
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	30,278	32,081
Treasury shares	(3,947)	(3,947)
Total shareholders' equity	34,521	36,323
Accumulated other comprehensive income		
Foreign currency translation adjustment	108	112
Total accumulated other comprehensive income	108	112
Total net assets	34,629	36,436
Total liabilities and net assets	57,153	64,785

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

Consolidated statements of income (cumulative)

	(Millions of yen)	
	Six months ended August 31, 2014	Six months ended August 31, 2015
Net sales	74,631	95,024
Cost of sales	55,828	71,573
Gross profit	18,802	23,450
Selling, general and administrative expenses	16,075	19,371
Operating income	2,727	4,079
Non-operating income		
Interest income	8	13
Compensation income	12	–
Foreign exchange gains	1	–
Reversal of allowance for doubtful accounts	0	–
Insurance income	10	–
Insurance premiums refunded cancellation	–	11
Other	21	30
Total non-operating income	53	55
Non-operating expenses		
Interest expenses	20	43
Provision of allowance for doubtful accounts	–	0
www	–	15
Foreign exchange losses	–	7
Other	2	22
Total non-operating expenses	22	90
Ordinary income	2,758	4,043
Extraordinary income		
Gain on liquidation of subsidiaries	–	3
Other	0	0
Total extraordinary income	0	3
Extraordinary losses		
Loss on retirement of non-current assets	29	25
Lease contract cancellation penalty	24	–
Other	1	0
Total extraordinary losses	54	25
Income before income taxes and minority interests	2,704	4,021
Income taxes - current	702	1,461
Income taxes - deferred	356	(3)
Total income taxes	1,058	1,458
Income before minority interests	1,645	2,563
Net income	1,645	2,563

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended August 31, 2014	Six months ended August 31, 2015
Income before minority interests	1,645	2,563
Other comprehensive income		
Foreign currency translation adjustment	(3)	4
Total other comprehensive income	(3)	4
Comprehensive income	1,642	2,567
Comprehensive income attributable to Comprehensive income attributable to owners of parent	1,642	2,567

Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2014	Six months ended August 31, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	2,704	4,021
Depreciation	736	1,036
Amortization of goodwill	4	50
Increase (decrease) in allowance for doubtful accounts	(5)	2
Increase (decrease) in provision for bonuses	96	176
Increase (decrease) in provision for directors' retirement benefits	16	16
Increase in provision for merchandise warranties	(548)	(251)
Interest and dividend income	(8)	(13)
Interest expenses	20	43
Foreign exchange losses (gains)	(1)	–
Loss on retirement of non-current assets	29	25
Lease contract cancellation penalty	24	–
Decrease (increase) in notes and accounts receivable - trade	1,325	597
Decrease (increase) in inventories	(318)	886
Increase (decrease) in accrued consumption taxes	(107)	645
Increase (decrease) in notes and accounts payable - trade	135	(675)
Other, net	(367)	(327)
Subtotal	3,735	6,235
Interest and dividend income received	8	13
Interest expenses paid	(20)	(43)
Income taxes paid	(1,965)	(195)
Net cash provided by (used in) operating activities	1,757	6,009
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,067)	(2,432)
Purchase of intangible assets	(336)	(520)
Payments for asset retirement obligations	(9)	–
Purchase of shares of subsidiaries and associates	(10)	(5)
Payments of loans receivable	–	(148)
Collection of loans receivable	1	7
Payments for lease and guarantee deposits	(183)	(357)
Proceeds from collection of lease and guarantee deposits	38	36
Payments of construction assistance fund receivables	(374)	(444)
Collection of construction assistance fund receivables	124	149
Payments into time deposits	(4)	(5)
Proceeds from withdrawal of time deposits	39	12
Other, net	1	(361)
Net cash provided by (used in) investing activities	(2,780)	(4,069)

(Millions of yen)

	Six months ended August 31, 2014	Six months ended August 31, 2015
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(134)	(150)
Proceeds from long-term loans payable	–	12,000
Repayments of long-term loans payable	(16)	(4,656)
Redemption of bonds	–	(495)
Proceeds from exercise of share options	12	–
Cash dividends paid	(809)	(759)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(948)	5,938
Effect of exchange rate change on cash and cash equivalents	(2)	0
Net increase (decrease) in cash and cash equivalents	(1,973)	7,878
Cash and cash equivalents at beginning of period	14,661	4,863
Increase in cash and cash equivalents from newly consolidated subsidiary	103	–
Cash and cash equivalents at end of period	12,791	12,741