

Translation

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Summary of Consolidated Financial Results for the Three Months Ended May 31, 2016 (Based on Japanese GAAP)

July 13, 2016

Company name: Gulliver International Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 7599 URL <http://221616.com>
 Representative: President Yusuke Hatori
 Inquiries: General Manager, Finance IR Division Masayuki Matsumoto TEL 03-5208-5503
 Scheduled date to file Quarterly Securities Report: July 14, 2016
 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 three months ended May 31, 2016 (from March 1, 2016 to May 31, 2016)

(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, 2016	66,192	31.1	1,245	(38.9)	1,173	(41.9)	732	(41.3)
Three months ended May 31, 2015	50,498	30.0	2,040	38.2	2,017	33.9	1,248	37.1

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended May 31, 2016	7.22		–	
Three months ended May 31, 2015	12.31		–	

(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, 2016	108,419		38,278		34.3		366.88	
As of February 29, 2016	94,211		38,245		39.4		365.98	

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
Year ended February 29, 2016	–	7.50	–	5.00	12.50
Year ending February 28, 2017	–	–	–	–	–
Year ending February 28, 2017 (Forecast)	–	6.00	–	6.00	12.00

3. Forecast of consolidated financial results for the year ending February 28, 2017 (from March 1, 2016 to February 28, 2017)

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, 2016	119,200	25.4	2,600	(36.3)	2,350	(41.9)	1,350	(47.3)	13.31
Full year	243,500	15.9	7,600	0.8	7,100	3.9	4,100	(0.3)	40.43

4. Notes

- (1) Changes in significant subsidiaries during the three months ended May 31, 2016
 (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: Yes
- 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 May 31, 2016	106,888,000 shares	As of February 29, 2016	106,888,000 shares
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Number of treasury shares at the end of the period

As of May 31, 2016	5,480,300 shares	As of February 29, 2016	5,480,300 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, 2016	101,407,700 shares	Three months ended May 31, 2015	101,407,812 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, 2016), total retail car sales volume at all directly managed stores increased by 27.0% from the same term last year to 23,396 cars. The increase was supported by growth in both the number of display sales stores and the number of cars handled per store.

On the other hand, amid a prolonged slump in the new car market, the total number of cars purchased at directly operated stores remained level with the same term last year. The number of customers visiting stores declined, and the Company responded by increasing its advertising expenses, mainly for Internet advertising.

Selling, general and administrative expenses increased, mainly due to increases in advertising expenses as mentioned above, personnel expenses associated with an increase in recruit numbers, expenses related to store operations associated with an increase in the number of display sales stores, and expenses for structural reforms to attract customers in the future.

As a result of the above, consolidated business results for the first quarter were as follows: consolidated net sales rose by 31.1% from the same term last year to 66,192 million yen, operating income declined by 38.9% from the same term last year to 1,245 million yen, ordinary income declined by 41.9% from the same term last year to 1,173 million yen, and profit attributable to owners of parent declined by 41.3% from the same term last year to 732 million yen.

(2) Qualitative information on consolidated financial position

Assets

Total assets at May 31, 2016 were 108,419 million yen, an increase of 15.1% from February 29, 2016.

Current assets were 62,577 million yen, an increase of 27.5% from February 29, 2016. This mainly reflected a 17,318 million yen increase in Cash and deposits, which was partially offset by a 2,732 million yen decrease in Merchandise and a 1,424 million yen decrease in Notes and accounts receivable-trade.

Non-current assets were 45,841 million yen, an increase of 1.6% from February 29, 2016. This mainly reflected a 757 million yen increase in Buildings and structures, partially offset by a 367 million yen decrease in Construction in progress.

Liabilities

Total liabilities at May 31, 2016 were 70,140 million yen, up 25.3% from February 29, 2016.

Current liabilities were 25,136 million yen, a decrease of 12.1% from February 29, 2016. This mainly reflected a 1,976 million yen decrease in Short-term loans payable and a 1,774 million yen decrease in Accounts payable-trade.

Non-current liabilities were 45,004 million yen, an increase of 64.5% from February 29, 2016. This mainly reflected a 17,976 million yen increase in Long-term loans payable.

Net assets

Net assets at May 31, 2016 were 38,278 million yen, an increase of 0.1% from February 29, 2016. This mainly reflected a 225 million yen increase in Retained earnings.

(3) Outlook for the fiscal year ending February 28, 2017

The Company has revised its full-year and half-year consolidated results forecasts for the fiscal year ending February 28, 2017. For details please refer to the press release disclosed today (July 13, 2016) "Gulliver Announces Revisions to Operating Results and Dividend Forecasts for the Fiscal Year Ending February 2017"

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 29, 2016	As of May 31, 2016
Assets		
Current assets		
Cash and deposits	9,149	26,468
Notes and accounts receivable - trade	5,192	3,767
Merchandise	31,848	29,116
Deferred tax assets	778	995
Other	2,159	2,282
Allowance for doubtful accounts	(54)	(53)
Total current assets	49,074	62,577
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,000	27,090
Accumulated depreciation	(8,564)	(8,896)
Buildings and structures, net	17,435	18,193
Vehicles	435	432
Accumulated depreciation	(180)	(203)
Vehicles, net	255	229
Tools, furniture and fixtures	3,882	4,060
Accumulated depreciation	(2,874)	(2,958)
Tools, furniture and fixtures, net	1,007	1,102
Land	218	218
Construction in progress	826	459
Total property, plant and equipment	19,743	20,202
Intangible assets		
Software	1,941	1,996
Goodwill	9,597	9,390
Other	3,974	3,869
Total intangible assets	15,513	15,256
Investments and other assets		
Investment securities	13	22
Shares of subsidiaries and associates	45	45
Long-term loans receivable	395	389
Lease and guarantee deposits	4,565	4,766
Construction assistance fund receivables	4,304	4,571
Deferred tax assets	274	307
Other	489	489
Allowance for doubtful accounts	(209)	(209)
Total investments and other assets	9,879	10,382
Total non-current assets	45,136	45,841
Total assets	94,211	108,419

(Millions of yen)

	As of February 29, 2016	As of May 31, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	14,102	12,328
Short-term loans payable	2,045	68
Current portion of long-term loans payable	79	71
Accounts payable - other	3,064	2,789
Income taxes payable	1,778	663
Advances received	3,026	3,032
Deposits received	475	406
Provision for bonuses	459	30
Provision for merchandise warranties	1,076	1,088
Other provision(Current)	113	130
Other	2,378	4,526
Total current liabilities	28,600	25,136
Non-current liabilities		
Long-term loans payable	22,851	40,827
Long-term guarantee deposited	651	593
Provision for directors' retirement benefits	540	177
Asset retirement obligations	1,653	1,710
Deferred tax liabilities(Fixed)	1,086	1,064
Other provision(Fixed)	388	399
Other	194	231
Total non-current liabilities	27,365	45,004
Total liabilities	55,965	70,140
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	32,869	33,095
Treasury shares	(3,947)	(3,947)
Total shareholders' equity	37,111	37,337
Accumulated other comprehensive income		
Foreign currency translation adjustment	1	(132)
Total accumulated other comprehensive income	1	(132)
Minority owner shares worth	1,131	1,073
Total net assets	38,245	38,278
Total liabilities and net assets	94,211	108,419

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, 2015	Three months ended May 31, 2016
Net sales	50,498	66,192
Cost of sales	38,766	51,184
Gross profit	11,731	15,007
Selling, general and administrative expenses	9,690	13,761
Operating income	2,040	1,245
Non-operating income		
Interest income	7	14
Insurance premiums refunded cancellation	11	-
Reversal of allowance for doubtful accounts	-	0
Income from compensation for damage	-	35
Other	13	57
Total non-operating income	32	107
Non-operating expenses		
Interest expenses	24	113
Provision of allowance for doubtful accounts	0	-
Consumption tax difference	15	-
Foreign exchange losses	5	22
Other	8	44
Total non-operating expenses	54	180
Ordinary income	2,017	1,173
Extraordinary income		
Gain on sales of non-current assets	-	11
Other	0	-
Total extraordinary income	0	11
Extraordinary losses		
Loss on retirement of non-current assets	0	22
Directors' retirement benefits	-	110
Other	0	0
Total extraordinary losses	0	133
Income before income taxes and minority interests	2,017	1,050
Income taxes - current	870	614
Income taxes - deferred	(102)	(258)
Total income taxes	768	356
Net income	1,248	694
Loss attributable to non-controlling interests	-	(37)
Profit attributable to owners of parent	1,248	732

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended May 31, 2015	Three months ended May 31, 2016
Income before minority interests	1,248	694
Other comprehensive income		
Foreign currency translation adjustment	(0)	(154)
Total other comprehensive income	(0)	(154)
Comprehensive income	1,248	539
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,248	598
Comprehensive income attributable to non-controlling interests	–	(58)