

Last updated: October 14, 2015

2nd Quarter Result for Fiscal year ending February 29, 2016

October 14, 2015

Gulliver International Co., Ltd.
(7599)

I . 2nd Quarter Result for FY 2016

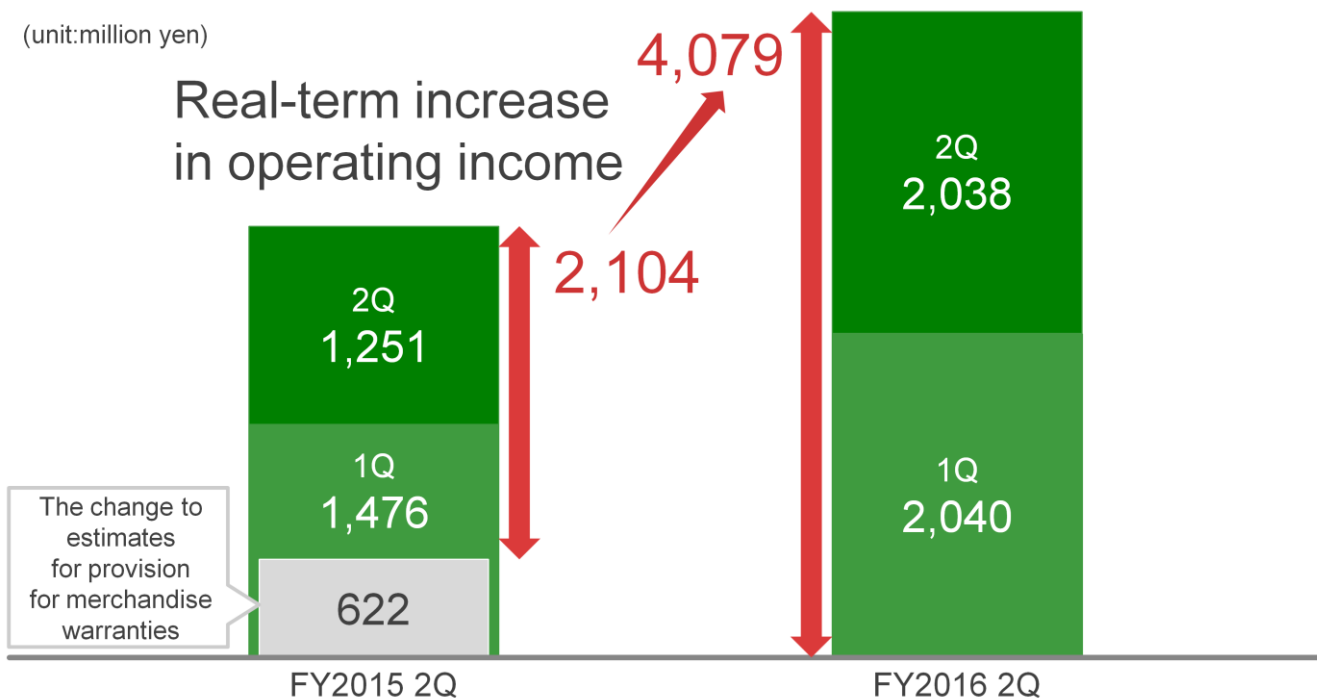
II . Status of Buick Holdings Pty Ltd
(DVG Automotive Group) in Australia

III . Forecast for Fiscal year to February 29, 2016

IV . Reference

I . 2nd Quarter Result for FY 2016

Consolidated Operating Income (YOY)



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■ Supplementary information about increased operating income

(1) Subtracting the change to the estimates for provision for merchandise warranties in FY 2015 1Q, in the first half there was a significant real-term increase in operating income from ¥2,104 million to ¥4,079 million

*Provision for merchandise warranties:

A provision set aside to cover the cost of future repairs under a warranty given with the retail sale of a used car (warranties may be up to 10 years for Japanese cars).

In the first quarter of the previous year, we changed the estimates, as it became possible to generate more precise estimates based on past results.

This change was processed as a reduction in sales cost (increase in gross profit).

	FY2015 Mar - Aug		FY2016 Mar - Aug
No. of cars purchased	70,985 cars	➔	88,128 cars
No. of wholesale	53,525 cars	➔	64,016 cars
No. of retail car sales	25,070 cars	➔	34,020 cars
SG&A expenses	16.0 billion yen	➔	19.3 billion yen
Operating income	2.7 billion yen	➔	4.0 billion yen

*Number of cars for direct stores

■ Factors increasing operating income

- (1) Increase in the retail car sales volume associated with the increase in the number of display sales stores.
- (2) Increase in wholesale car sales volume associated with the increase in the number of cars purchased.
- (3) Wholesale gross profit declined in the first quarter, but improved in the second quarter.

■ Factors increasing SG&A expenses

- (1) New store openings in fiscal 2015
- (2) New store openings in fiscal 2016
- (3) Consolidation of profit and loss of Motoren Glanz (formerly Nakamitsu Motors) from fiscal 2016.

Retail Structure at “Display Sales Stores” and “Original Gulliver Stores”



*The number of direct stores as of Aug 31, 2015



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■ Supplementary information about retail sales structure

【Display Sales Stores】

(1) Mainly visited by customers seeking to upgrade to a used car

【Original Gulliver Stores】

(1) Mainly visited by three kinds of customers: those visiting for a new car upgrade, those visiting for a used car upgrade, and those visiting to sell only without upgrading.

(2) Retail sales are cross-selling to new car upgrade customers and used car upgrade customers.

(3) The new car market has suffered a sustained slump since the increase of the consumption tax rate in 2014. It has yet to make a full recovery. The number of customers visiting Gulliver Stores for new car upgrades has declined.

Display sales stores

Establish used car retail business model

1.

Increase in Retail car sales

Establish channels in stages

Opened 72 stores by the end of fiscal 2015

Open a further 27 stores in the first half of FY 2016

Steadily increased sales at existing 72 stores to Ave 34.7 cars/month

Original Gulliver stores

New car market continues to slump

2.

Increase in Wholesale

Decline in Gulliver store visits from customers changing to new cars

Increase investment in Internet advertising

Increase in cars purchased

Increase in store visits only for customers changing to used cars or selling cars

■ Supplementary information about factors increasing profits

【Display Sales Stores】

(1) Each channel has been established in stages. The 72 existing stores as of February 28, 2015, are operating at full capacity. In addition, 27 new stores have been opened in fiscal 2016.

(2) Increase in the retail car sales volume associated with the increase in the number of display sales stores.

(3) Steady growth unaffected by the decline following the increase in the consumption tax rate.

【Original Gulliver Stores Countermeasures for the Slump in the New Car Market and Results】

(1) Increased investment in Internet advertising resulted in an increase in customer visits to stores.

(2) However, many of the customers visiting stores were seeking used car upgrades or only to sell a car. As a result, the number of cars purchased increased, but this did not translate into an increase in retail car sales through cross-selling.

Factors of increase in retail car sales

Factors of increase in wholesale

Gross profit per car

Factors of increase in retail car sales


















Factors of increase in wholesale

Gross profit per car

■ Supplementary information about retail car sales volume

(1) Increase in the number of display sales stores.

Display Sales Stores Opened

 <p>OL R1-Toyohashinishiguchi Aichi, Toyohashi</p> 	<p>OL R38-Obihiro Hokkaido, Obihiro</p> 	<p>OL R41-Komaki Aichi, Komaki</p> 	<p>OL Naritakukodori Chiba, Narita</p> 	<p>OL Hamamatsuirino Shizuoka, Hamamatsu</p> 
<p>OL R19-Matsumoto Nagano, Matsumoto</p> 	<p>OL Shunankume Yamaguchi, Shunan</p> 	<p>OL Izumo Shimane, Izumo</p> 	<p>OL Higashikariya Aichi, Kariya</p> 	<p>OL Yahatahigashi Fukuoka, Kitakyushu</p> 
<p>OL Toyokawainter Aichi, Toyokawa</p> 	<p>OL R17-Ageo Saitama, Ageo</p> 	<p> MC Isesaki Gunma, Isesaki</p> 	<p>MC Shinmaebashi Gunma, Maebashi</p> 	<p>MC Tsukubakenkyugakuen Ibaraki, Tsukuba</p> 

Display Sales Stores Opened



SN Tsukubakenkyugakuen
Ibaraki, Tsukuba



SN Shizuokaikeda
Shizuoka, Shizuoka



SN Hamamatsushinzucho
Shizuoka, Hamamatsu



SN Nagoyanarumi
Aichi, Nagoya



SN Miyazakiotsuka
Miyazaki, Miyazaki



LIBERALA Utsunomiya
Tochigi, Utsunomiya



LIBERALA Takamatsu
Kagawa, Takamatsu



LIBERALA Hamamatsuwada
Shizuoka, Hamamatsu



LIBERALA Ichinomiya
Aichi, Ichinomiya



LIBERALA Sapporoshiroishi
Hokkaido, Sapporo



Gulliver PLAZA

Gulliver PLAZA Tonami
Toyama, Tonami



Gulliver PLAZA showroom
Toyama, Tonami



Gulliver

Niihama
Ehime, Niihama



Imabari
Ehime, Imabari



Examples of Customer Attraction at Display Sales Stores

HUNT example

HUNT
de odekake

New car buyers

Used car buyers

Leasing store

バイク王

TOKYU HANDS
TRUCK MARKET



カイトニ

NOZZY
COFFEE



WOW!TOWN Kisarazu



SNAP HOUSE example

SNAP HOUSE

New car buyers

Used car buyers

Established a commercial café in store



Supplementary examples of customer attraction at display sales stores

【HUNT】

- (1) HUNT opened as a lifestyle proposal-type complex facility within a large-scale shopping mall (AEON MALL Kisarazu).
- (2) We set up a leasing store within HUNT, which invited customers to visit WOW!TOWN Kisarazu.
- (3) The rental revenue from the leasing store offset the store operation cost.
- (4) We succeeded in capturing customers who had no interest in used cars.

【SNAP HOUSE】

- (1) Targets families by mainly stocking minivans.
- (2) Commercial café in-store is provided as a communication space for homemakers.
- (3) Since the café charges, customers feel free to visit as they please.
- (4) The number of prospective customers increased and the store became the first candidate when upgrading their car.



VehiclePort

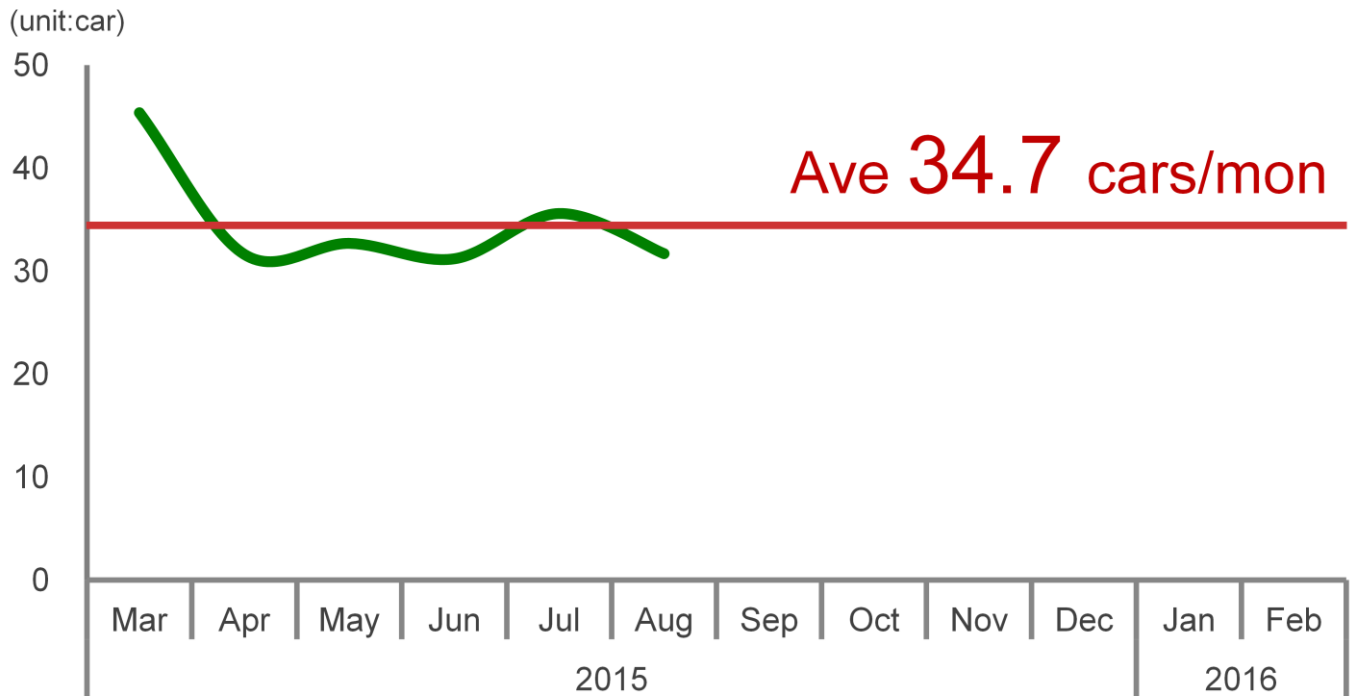
Vehicle Port

- Location : PIERI Moriyama (Moriyama, Shiga)
- Area : 646.24 square metre
- Allocated staff : 4 staff (plan)
- Capital investment : Approx. 3 million yen
- Opening Date : October 31, 2015 (Plan)

■ Supplementary information about new display sales stores

- (1) Contract time set short and withdrawal conditions lightened.
- (2) Reduced the initial investment burden.
- (3) Channels changed every month to enable one store to serve multiple customer needs.

Status of Display Sales Stores (existing stores ; sales volume)



*Average retail car sales for stores that opened before February 2015 and are fully operational in the fiscal year ending February 2016 (excluding Shake! Hamamatsu and VOLVO Matsuyama)

■ Supplementary information about retail car sales volume at display sales stores

(1) Retail car sales volume at display sales stores averages 34.7 units per month for existing stores.

(2) March had a higher-than-usual level of sales due to inventory awaiting retail sale from February being held over to the following month. Even if this portion is deducted, the level is maintained in line with the planned 33 units per month.

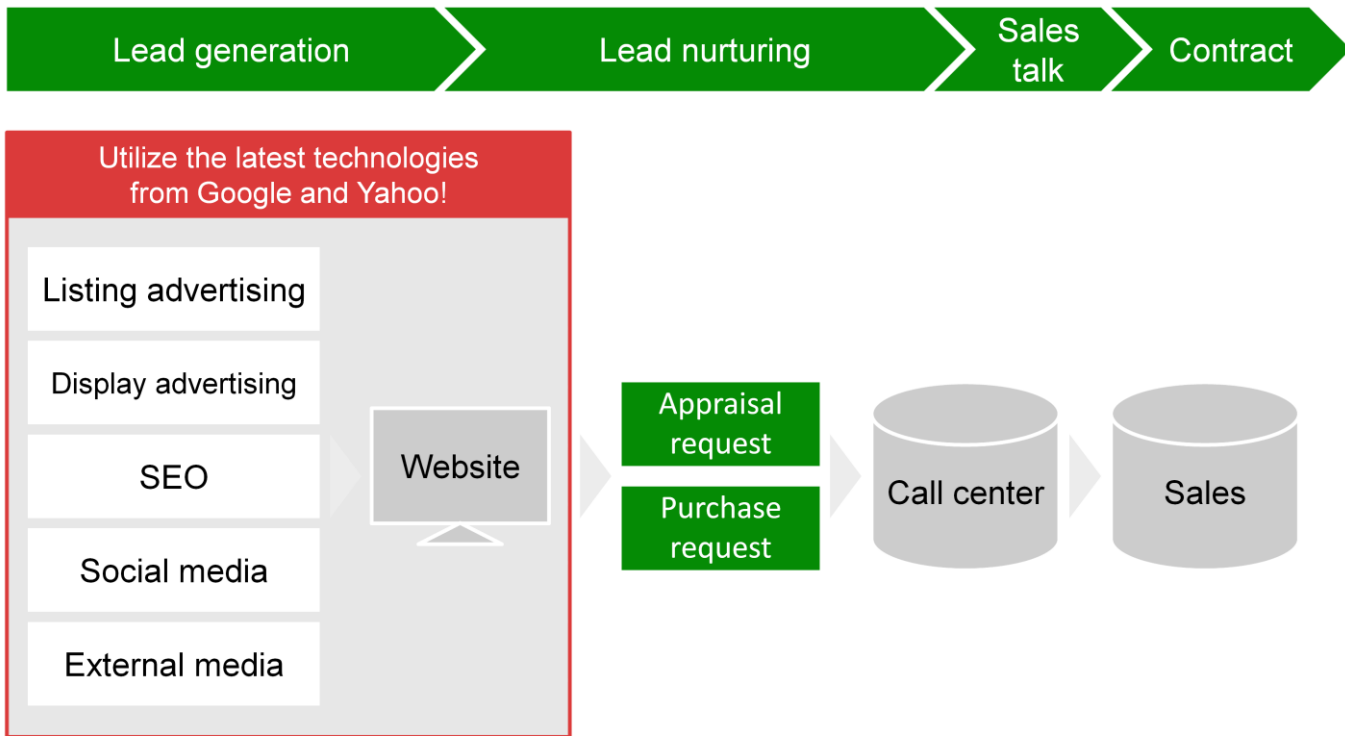
Factors of increase in retail car sales

Factors of increase in wholesale

Gross profit per car

■ Supplementary information about wholesale car sales volume

(1) Increase in customer visits due to more precise targeting of Internet-based efforts to attract customers.

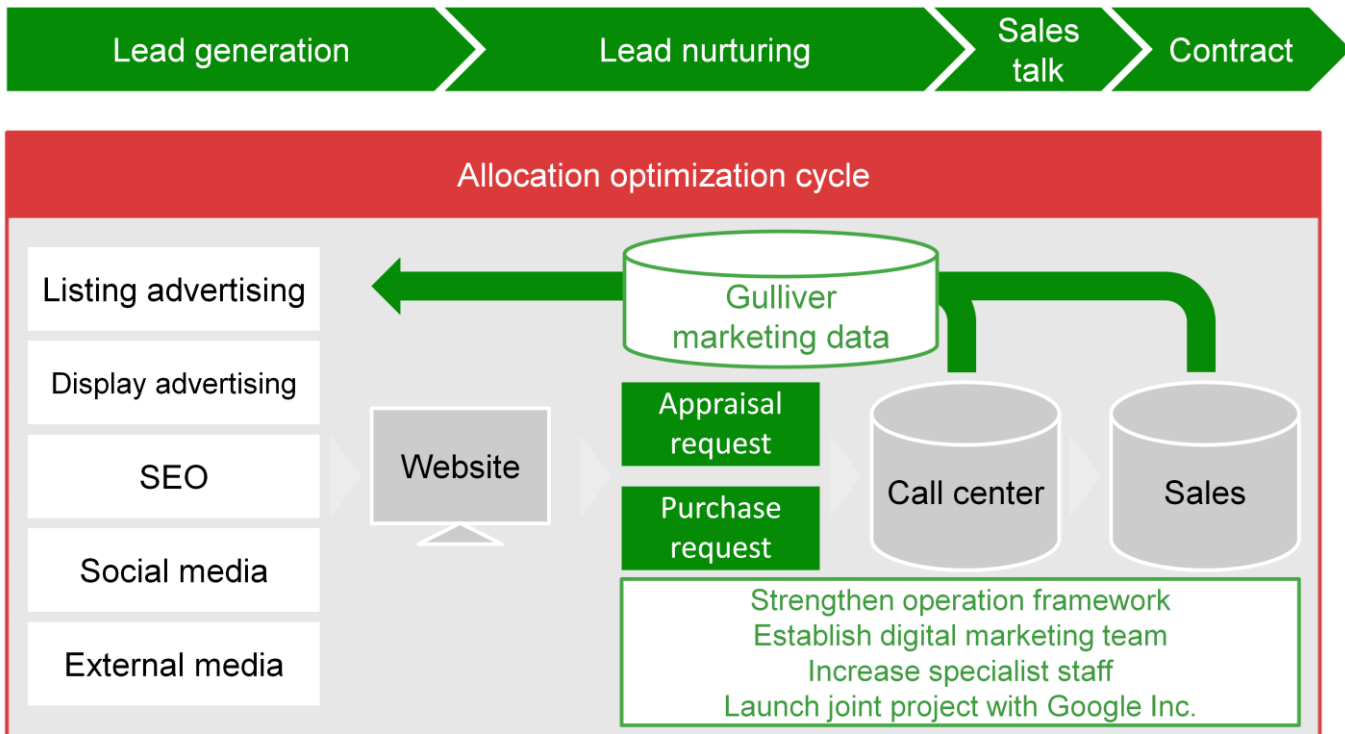


■ Supplementary information about Internet advertising initiative i

(1) Introduction of automated bidding in listing advertising and implementation of display advertising utilizing Google and Yahoo! Technologies has increased the number of customers attracted.

*Lead generation refers to capturing prospective customers (obtaining their personal information)

*Lead nurturing refers to nurturing prospective customers into likely prospective customers

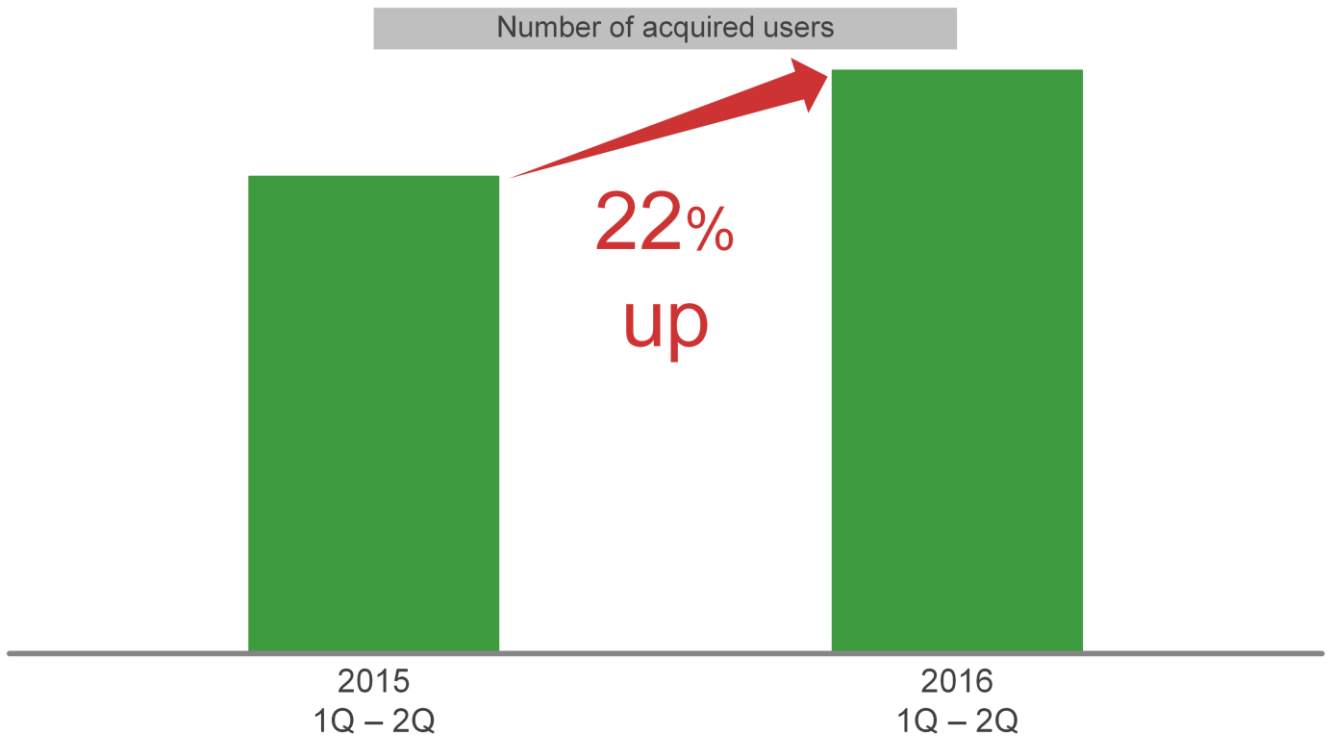


■ Supplementary information about Internet advertising initiative ii

- (1) Analyze acquired prospective customer information to increase the retail close rate.
- (2) Analyze the retail close data and feed back to the customer attraction sites to improve customer attraction efficiency.

■ Strengthen operation framework

- (1) Establish specialist customer attraction team (digital marketing team).
- (2) Increase specialist staff
- (3) Launch joint project with Google Inc.



■ Supplementary information about Internet advertising initiative iii

(1) Number of users has increased because we are now able to acquire information on users that we were previously unable to reach.

Factors of increase in retail car sales

Factors of increase in wholesale

Gross profit per car

■ Supplementary information on gross profit per car

(1) Improved as the temporary high purchase price environment has normalized.

Gross Profit Per Car (YOY Change)



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■ Supplementary information on gross profit per car

(1) In the first quarter, the slump in the new car market caused a supply shortage in the used car market leading to a temporarily abnormal environment where competitors purchased cars for unreasonably high prices.

As a result, the wholesale gross profit declined in the first quarter.

(2) In the second quarter, the abnormal environment has eased and normalized. Second quarter wholesale gross profit has been improving since July. It is higher year on year.

(3) Retail gross profit has shown no changing trend in both the first and second quarters.

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■ Factors increasing SG&A expenses

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- (3) Consolidation of profit and loss of Motoren Glanz (formerly Nakamitsu Motors) from fiscal 2016.

II . Status of Buick Holdings Pty Ltd (DVG Automotive Group) in Australia

Buick Holdings operates **25** multi-brand automotive dealerships at around 10 locations in Western Australia

Toyota	Nissan	Honda	Isuzu	Mitsubishi	Suzuki
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Hyundai	Kia	Holden
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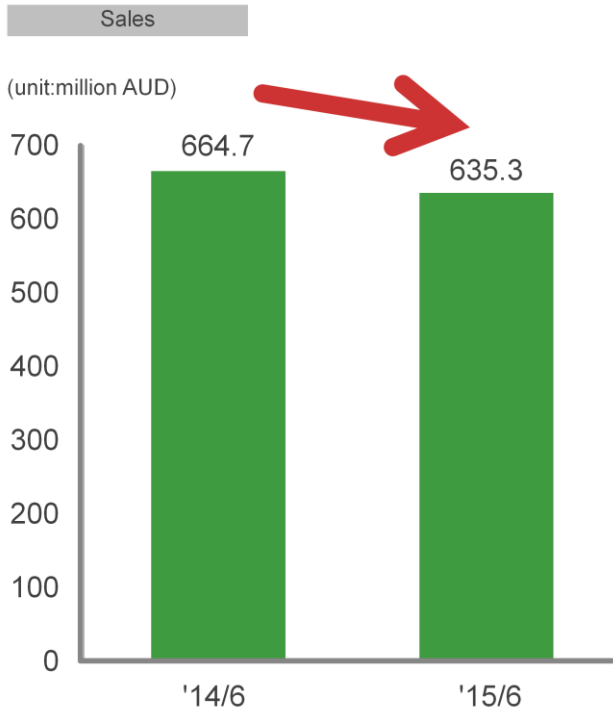
Chrysler	Peugeot	Volks wagen	FIAT	Alfa Romeo
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■ Supplementary information about business development of DVG

- (1) DVG is one of the largest multi-band dealers in Australia.
- (2) Gulliver completed the share acquisition on September 16, 2015.
- (3) DVG's profit and loss for the five months from October 2015 to February 2016 are expected to be included in consolidation for FY 2016.

DVG's Business Results



*Adjusted operating income is the amount of operating income less expenses that will not be incurred after the acquisition (remuneration paid to the current owner company, etc.).
*The above figures are the results of Buick Holdings Pty Ltd restated in accordance with Japanese GAAP under certain conditions, and the financial statements have not been audited by an independent auditor.

■ Supplementary information about DVG's business results

- (1) Net sales have declined slightly year on year due to a contraction in the Australian market.
- (2) Operating income has been maintained at the same level as the previous year through effective management such as restraint on discounting.

Envisaged at announcement on July 13

Stock Acquisition Price **11,772** million yen

*11,372 million yen (120.6 million AUD) in ordinary shares + an estimated 400 million yen in advisory fees and other expenses

*Based on an exchange rate of 1 AUD=94.3 yen (Based on closing price on Jun 30, 2015)

Amount of new bank loans(planned) **12,000** million yen

Share acquisition result on September 16

Stock Acquisition Price **10,699** million yen

*10,299 million yen (120.6 million AUD) in ordinary shares + an estimated 400 million yen in advisory fees and other expenses

*Based on an exchange rate of 1 AUD=85.4 yen (Exchange rate on August 26, 2015, when the foreign exchange forward contract was concluded)

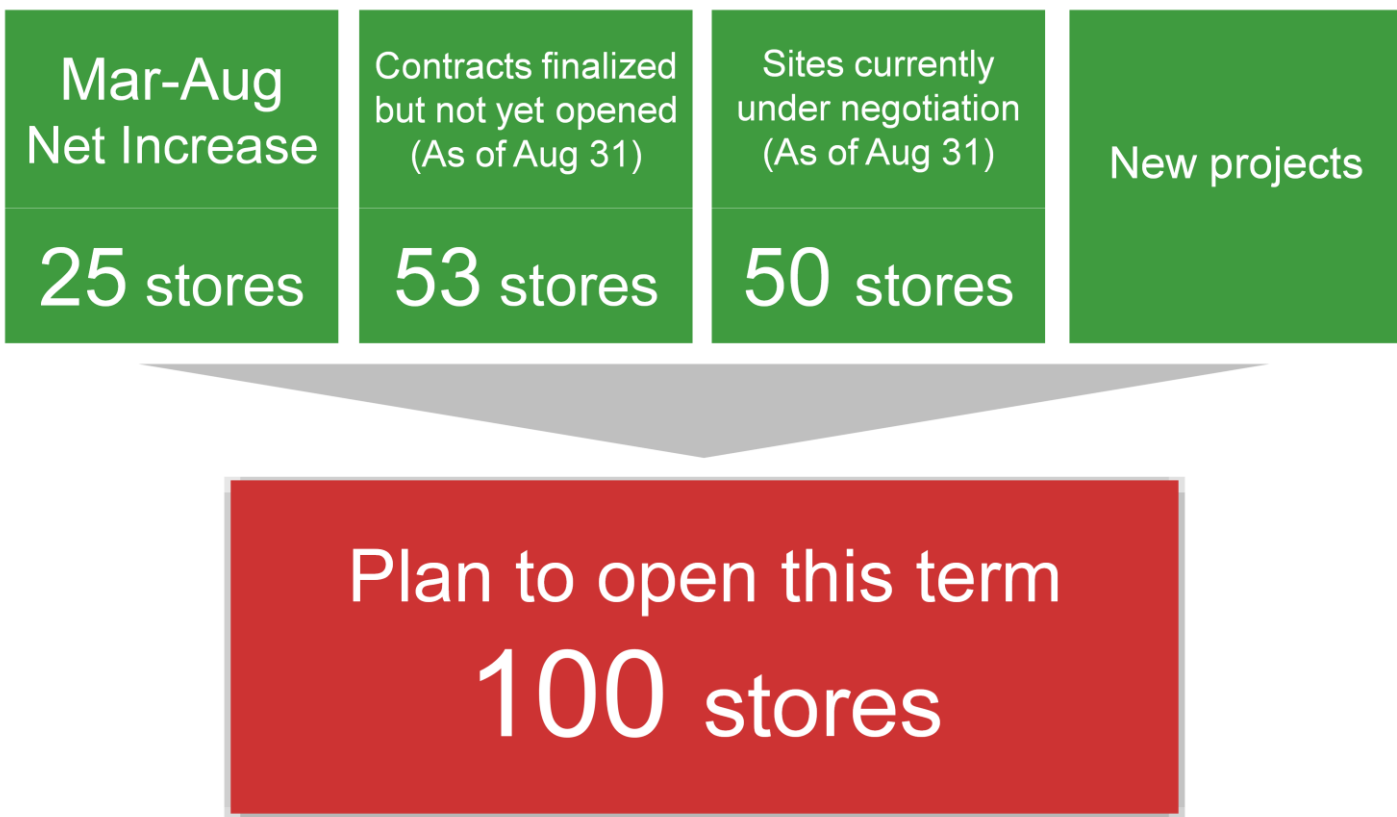
Amount of new bank loans(Executed in September) **10,700** million yen

25

■ Supplementary information about acquisition price

(1) The yen has strengthened since the announcement on July 13, reducing the acquisition price by around 1 billion yen from the initial plan.

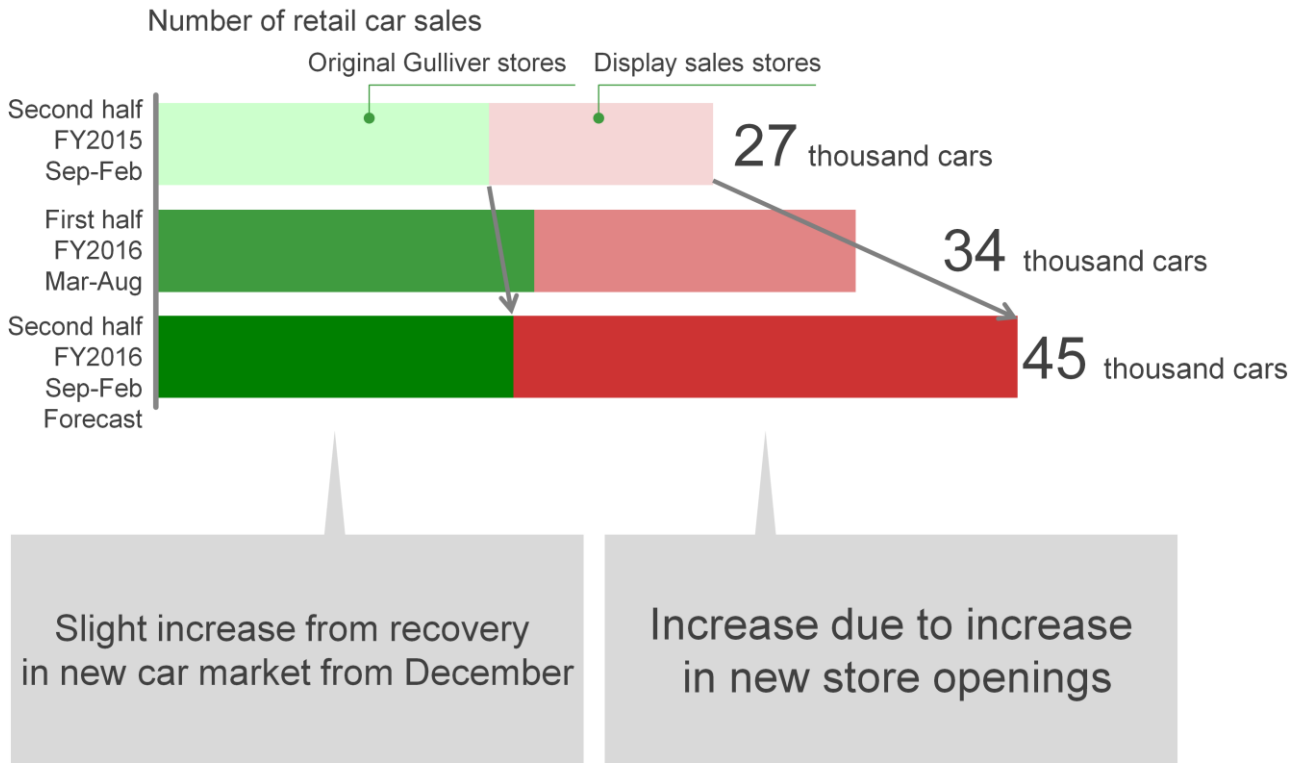
III. Forecast for Fiscal year to February 29, 2016



■ Supplementary information about store openings

- (1) Numbers of information on new store proposals and new contracts are in line with plan.
- (2) Currently, construction fees and construction material prices have not increased significantly.
- (3) Construction providers are requiring some time to secure workers, leading to longer completion times.

Assumptions for Second Half(number of retail car sales)



■ Supplementary information about retail car sales volume in the second half

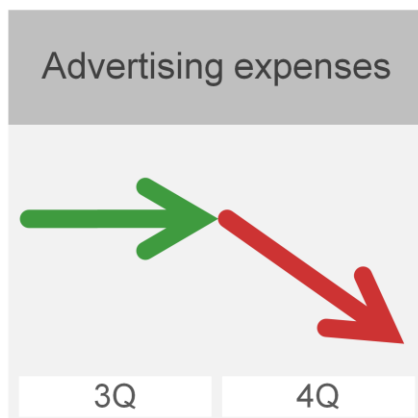
(1) Full recovery of the new car market is envisaged for the fourth quarter with postponement of new car model changes expected.

Consolidated operating income for FY2016

8.2 billion yen



4Q recovery



YOY -550 million yen



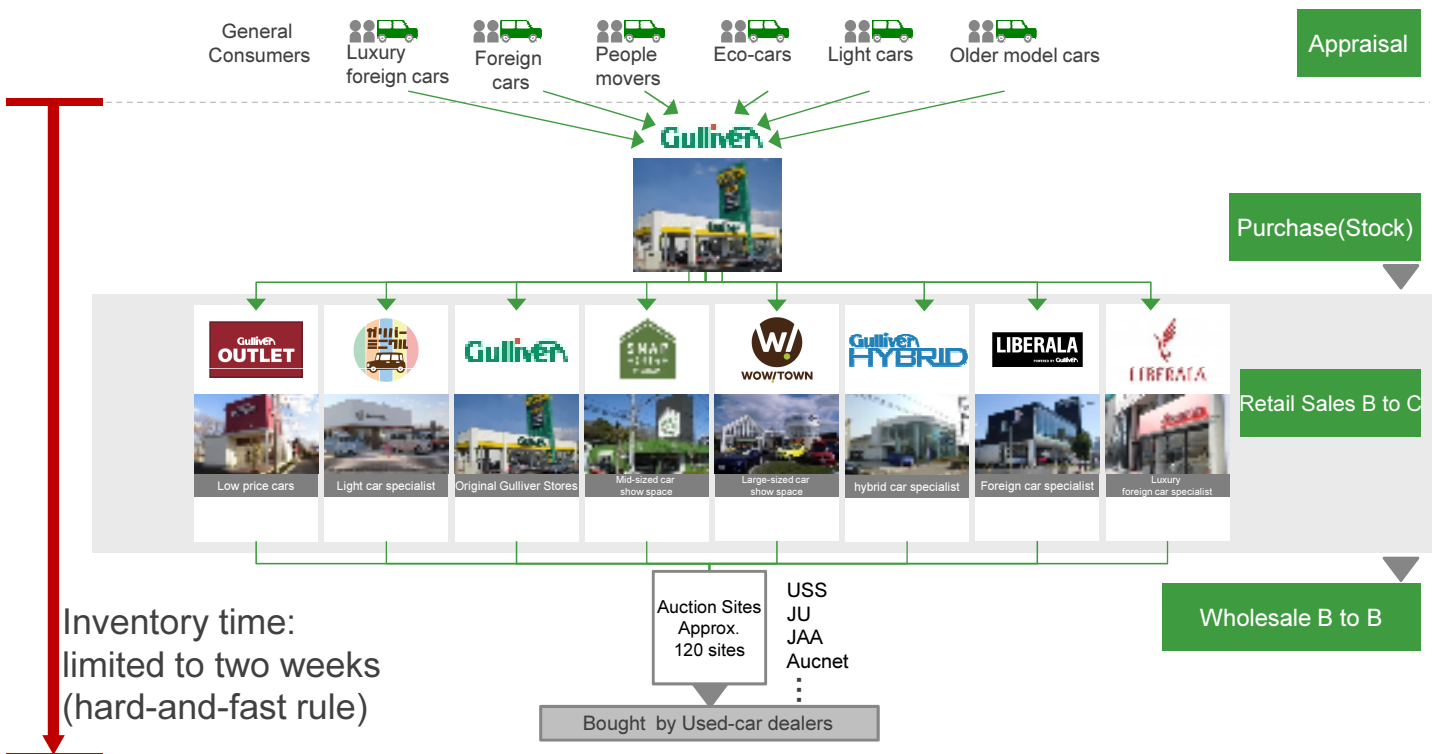
Level YOY

■ Supplementary information about assumptions for the second half

- (1) New car market – Postponement of model changes of popular selling models is expected.
- (2) Advertising expenses – Customer attraction cost should ease with recovery in the new car market.
- (3) Retail car sales volume at display sales stores – Maintained at the same level as the previous fiscal year.

IV. Reference

Car Distribution Flow at Gulliver's Directly Managed Stores



Income Statement

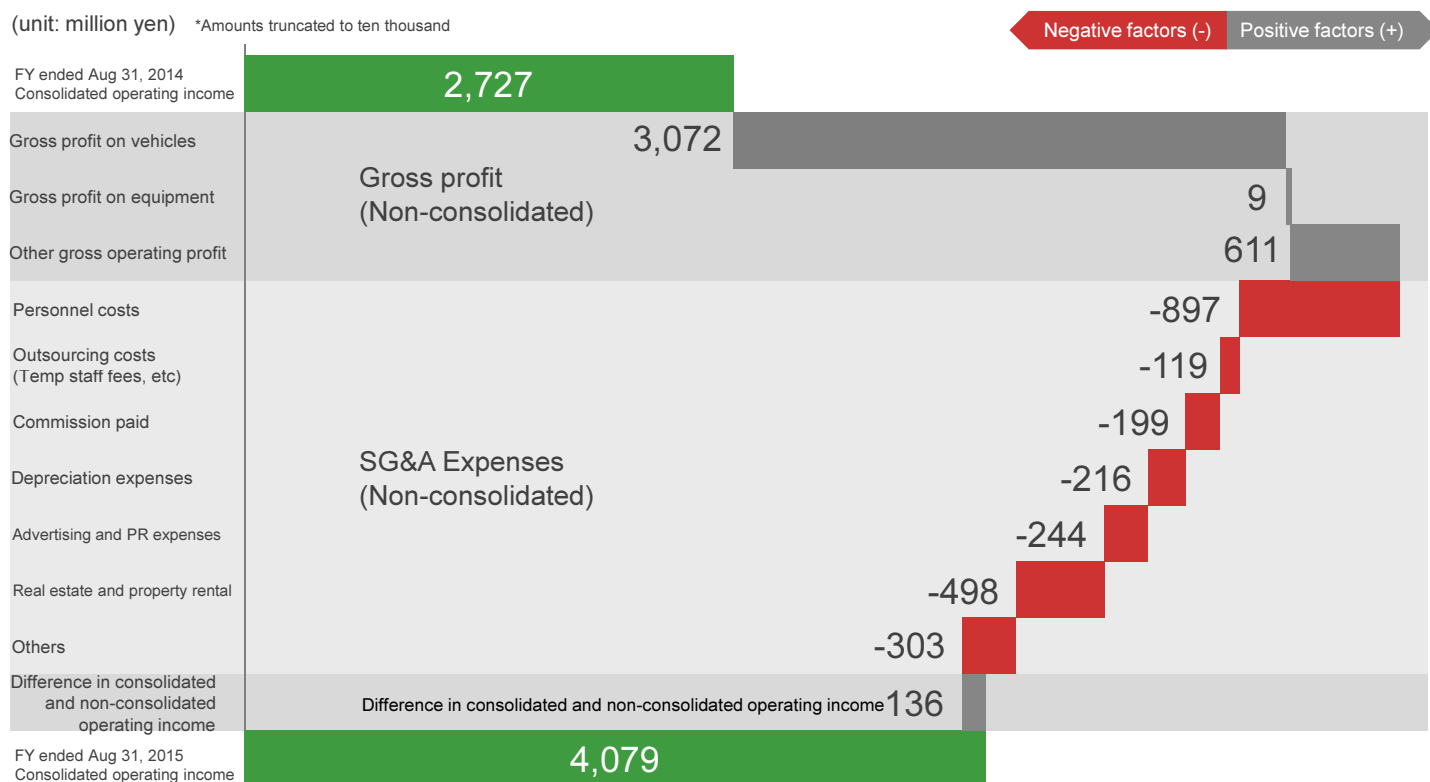
Consolidated	FY ended Aug 31, 2012		FY ended Aug 31, 2013		FY ended Aug 31, 2014		FY ended Aug 31, 2015			
	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	71,299	100.0	83,401	100.0	74,631	100.0	95,024	100.0	20,393	27.3
Cost of sales	55,636	78.0	65,637	78.7	55,828	74.8	71,573	75.3	15,745	28.2
Gross profit	15,663	22.0	17,763	21.3	18,802	25.2	23,450	24.7	4,648	24.7
SG&A Expenses	14,073	19.7	14,206	17.0	16,075	21.5	19,371	20.4	3,296	20.5
Operating income	1,589	2.2	3,557	4.3	2,727	3.7	4,079	4.3	1,352	49.6
Ordinary income	1,718	2.4	3,658	4.4	2,758	3.7	4,043	4.3	1,285	46.6
Income before income taxes and minority interests	1,597	2.2	3,679	4.4	2,704	3.6	4,021	4.2	1,317	48.7
Net income	868	1.2	2,298	2.8	1,645	2.2	2,563	2.7	918	55.8

Non-Consolidated	FY ended Aug 31, 2012		FY ended Aug 31, 2013		FY ended Aug 31, 2014		FY ended Aug 31, 2015			
	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	70,612	100.0	82,712	100.0	73,280	100.0	89,317	100.0	16,037	21.9
Cost of sales	55,249	78.2	65,211	78.8	54,925	75.0	67,268	75.3	12,343	22.5
Gross profit	15,363	21.8	17,500	21.2	18,354	25.0	22,048	24.7	3,694	20.1
SG&A Expenses	13,916	19.7	14,043	17.0	15,793	21.6	18,272	20.5	2,479	15.7
Operating income	1,446	2.0	3,456	4.2	2,561	3.5	3,776	4.2	1,215	47.4
Ordinary income	1,506	2.1	3,502	4.2	2,563	3.5	3,740	4.2	1,177	45.9
Income before income taxes	1,527	2.2	3,532	4.3	2,519	3.4	3,721	4.2	1,202	47.7
Net income	860	1.2	2,198	2.7	1,527	2.1	2,343	2.6	816	53.4

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Analysis of change in consolidated operating income

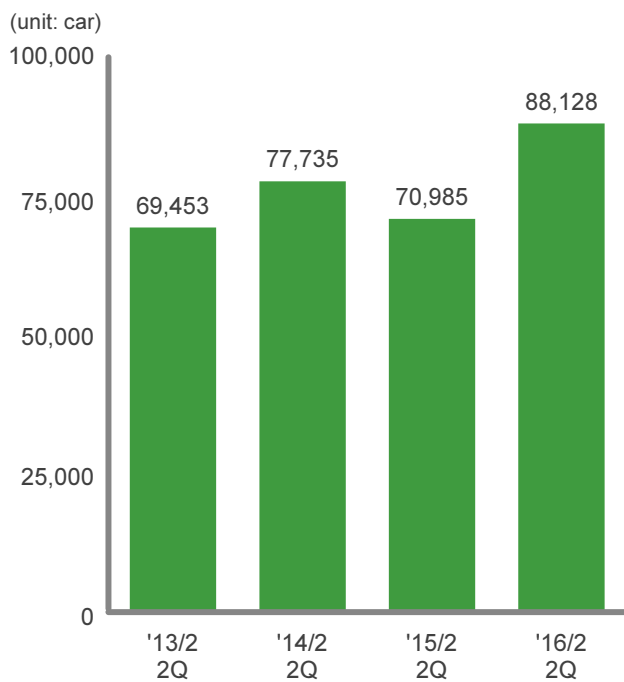
(unit: million yen) *Amounts truncated to ten thousand



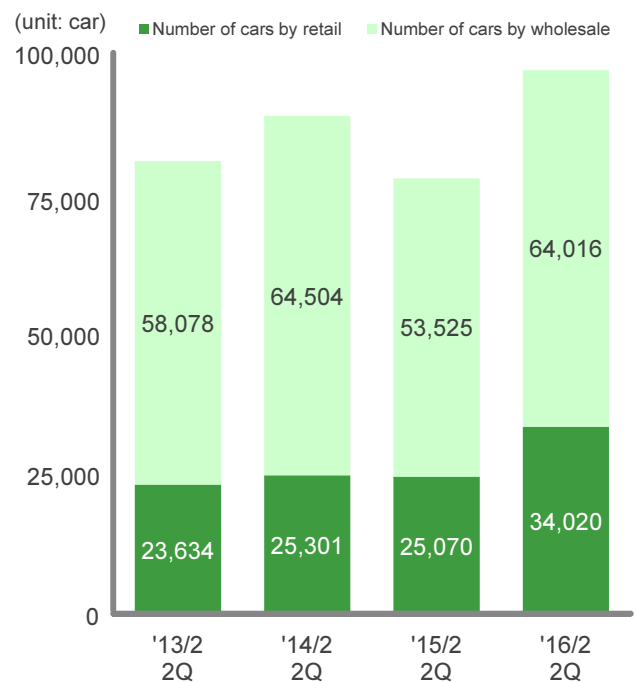
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Transaction Volume

Number of cars purchased



Number of cars by wholesale and Number of cars by retail



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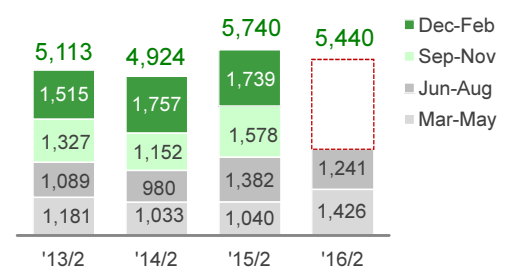
SG&A Expense (Non-Consolidated)

	FY ended Aug 31, 2012		FY ended Aug 31, 2013		FY ended Aug 31, 2014		FY ended Aug 31, 2015			
	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Personnel costs	5,641	8.0	5,746	6.9	6,122	8.4	7,019	7.9	897	14.7
Outsourcing costs (Temp staff fees, etc)	633	0.9	554	0.7	640	0.9	760	0.9	120	18.8
Commission paid	252	0.4	267	0.3	350	0.5	549	0.6	199	56.9
Depreciation expenses	558	0.8	599	0.7	729	1.0	945	1.1	216	29.6
Advertising and PR expenses	2,270	3.2	2,014	2.4	2,423	3.3	2,667	3.0	244	10.1
Real estate and property rental	2,304	3.3	2,447	3.0	2,603	3.6	3,102	3.5	499	19.2
Others	2,255	3.2	2,414	2.9	2,923	4.0	3,227	3.6	304	10.4
Total	13,916	19.7	14,043	17.0	15,793	21.6	18,272	20.5	2,479	15.7

Basic data

		FY ended Aug 31, 2012	FY ended Aug 31, 2013	FY ended Aug 31, 2014	FY ended Aug 31, 2015
Employees (Head office)	person	513	498	505	595
Employees (Direct stores)	person	1,475	1,508	1,702	2,075
Total employees	person	1,988	2,006	2,207	2,670
Capital investment(stores)	million yen	282	481	1,251	1,885
Capital investment(system, etc)	million yen	294	150	245	758
Total capital investment	million yen	577	632	1,496	2,644

Advertising expenses (million yen)



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Consolidated balance sheets

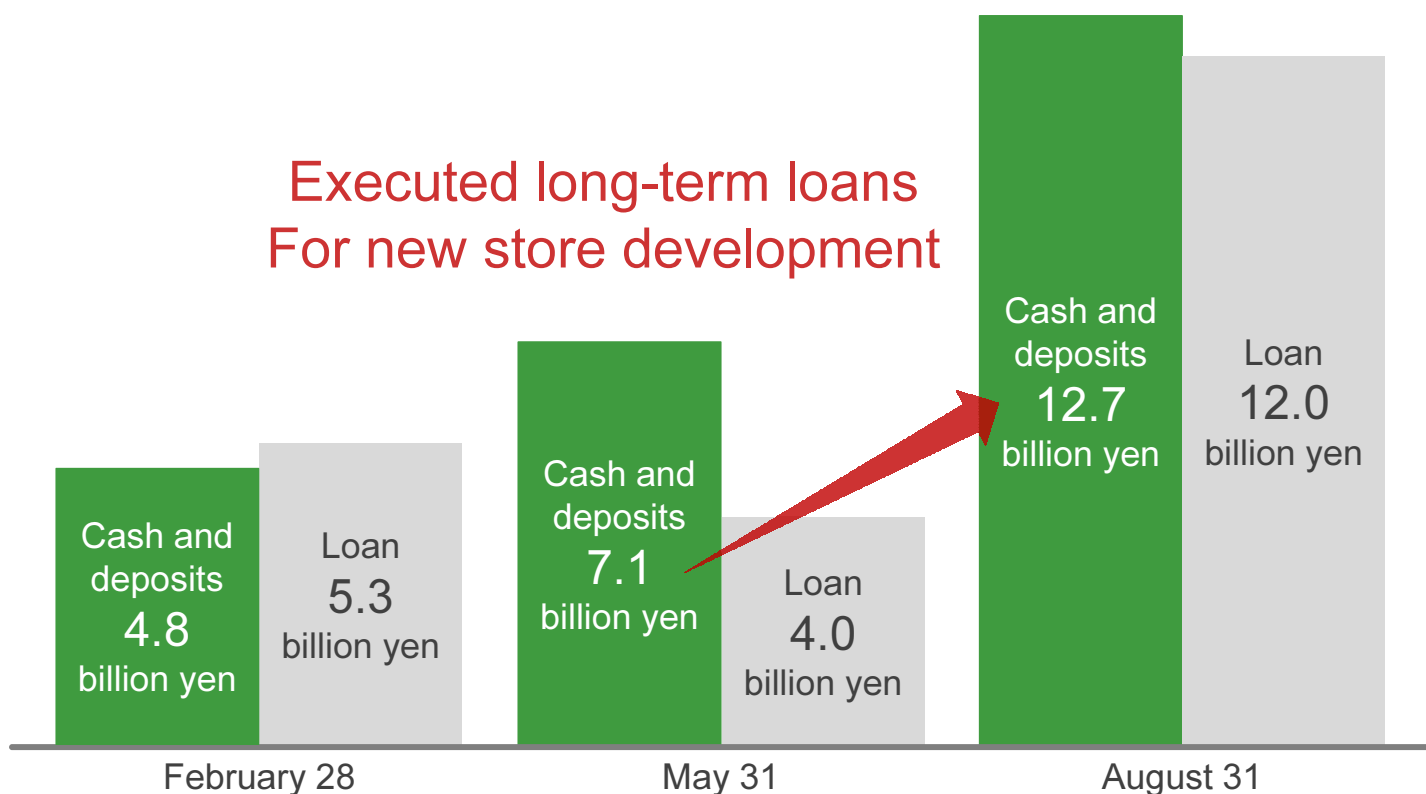
(unit: million yen)

	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		
Goodwill	1,997	1,946
Software	1,332	1,566
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

	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 bonds	495	-
Current portion of long-term loans payable	4,647	-
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

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Financial Status



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Consolidated Statements of Cash Flows

(unit: million yen)

	FY ended Aug 31, 2013	FY ended Aug 31, 2014	FY ended Aug 31, 2015
I. Cash flows from operating activities	5,985	1,757	6,009
II. Cash flows from investing activities	-212	-2,780	-4,069
III. Cash flows from financing activities	-475	-948	5,938
IV. Effect of exchange rate change on cash and cash equivalents	5	-2	0
V. Net increase (decrease) in cash and cash equivalents	5,303	-1,973	7,878
VI. Cash and cash equivalents at beginning of period	6,836	14,661	4,863
VII. Increase in cash and cash equivalents from newly consolidated subsidiary	-	103	-
VIII. Cash and cash equivalents at end of period	12,140	12,791	12,741

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Basic Policy Concerning Distribution of Profits

Basic policy

- We emphasize dividend payout ratio and return profits to investors corresponding to achievements.

Concrete Target

- Retaining dividend payout ratio of 30% of consolidated net income for the period.

Dividends per share

(unit:yen)

		FY ended Feb 28, 2014	FY ended Feb 28, 2015	FY ending Feb 29, 2016 (Forecast)
Interim dividend		5.00	7.50	7.50
Year-end dividend	Ordinary dividend	8.00	2.50	7.50
	Anniversary dividend	-	5.00	-
Annual dividend		13.00	15.00	15.00

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