

# Gulliver International Co., Ltd.

## Consolidated Results

Third Quarter of the Fiscal year Ending February 28, 2006

(Nine month period ended November 30, 2005)

This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions and the pricing and product initiatives of new and existing competitors.

## SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

Third quarter results for the fiscal year ending February 28, 2006

Gulliver International Co., Ltd.

January 11, 2006

Stock Code: 7599

Listed exchanges: Tokyo (1<sup>st</sup> Section)

http://www.glv.co.jp/

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### 1. Notes to preparation of these financial statements

1. Adoption of simplified accounting treatments: Yes (partial use of the simplified method)
  2. Differences in accounting treatments applied compared to previous consolidated fiscal year: None
  3. Changes to scope of consolidation or equity method accounting: Yes
- Three companies newly included: Hucobo Co., Ltd., G-BUS., LTD., Samurai Motors Co.

### 2. Consolidated financial results for the nine month period ended November 30, 2005

#### 1) Consolidated Operating Results

Millions of yen, rounded down

	Nine months ended November 30, 2005		Nine months ended November 30, 2004		Fiscal Year ended February 28, 2005	
		(% change)		(% change)		(% change)
Sales .....	133,219	19.9	111,029	--	156,696	28.5
Operating income .....	5,920	(21.2)	7,513	--	10,229	33.7
Ordinary income .....	5,882	(21.5)	7,496	--	10,219	32.7
Net income .....	2,795	(31.8)	4,102	--	5,652	39.5
Earnings per share (¥) .....	¥279.67	--	¥404.08	--	¥548.86	--
Fully diluted earnings per share (¥) .....	¥276.55	--	¥393.76	--	¥537.88	--

#### Notes to the preparation of these financial statements:

. Percentage figures for sales, operating income, etc. represent changes compared to the comparable period of the previous fiscal year.

#### 2) Financial Position (consolidated)

Millions of yen, rounded down

	As of November 30, 2005	As of November 30, 2004	As of February 28, 2005
Total assets .....	35,833	28,719	34,529
Shareholders' equity .....	15,772	16,446	16,143
Equity ratio (%) .....	44.0	57.2	46.7
Shareholders' equity per share (¥) .....	1,583.02	1,626.15	1,603.84

#### 3) Consolidated cash flows

	Nine months ended November 30, 2005	Nine months ended November 30, 2004	Fiscal Year ended February 28, 2005
Cash flow from operating activities .....	3,578	3,335	2,724
Cash flow from investing activities .....	(5,655)	(4,116)	(5,791)
Cash flow from financing activities .....	2,607	(2,466)	(1,427)
Cash and cash equivalents at end of period .....	4,826	5,376	4,130

### 3. Forecasts for the fiscal year ending February 28, 2006 (March 1, 2005 to February 28, 2006)

Millions of yen

	FY ending February 28, 2006
Sales .....	181,900
Ordinary income .....	10,300
Net Income .....	5,000
Earnings per share (¥) .....	¥502.73

Forecasts and forward-looking statements in this document are based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including economic conditions, legislative and regulatory developments, delay in new product or service launches, and pricing and product initiatives of competitors.

## Operating Results and Financial Position

Gulliver operates 268 directly operated stores involved in the purchase and sale of cars (20 more than at the end of the previous fiscal year) and has 219 franchise stores (30 fewer than at the end of the previous fiscal year). In total, Gulliver operates 487 stores (ten fewer than at the end of the previous fiscal year). In our directly owned store operations, we continued to open new branches and replacement stores (relocating or launching new stores), and through improving brand recognition and marketing activities were able to increase the number of customers per store and also the number of vehicles handled. Affiliated stores, despite a decrease in the number of stores, continued to perform well in numbers of cars handled.

The company has contracted Hideki Matsui of the New York Yankees as its campaign personality and is undertaking comprehensive marketing and public relations activities. Also, staff have been actively recruited along with the opening of more directly owned stores. As a result, the efficiency of investments in marketing and personnel costs decreased somewhat in the interim period of the fiscal year ending February 28, 2006 and we are presently striving to raise efficiency. In particular, in order to rapidly enhance our strength in sales we are focusing on training and raising the sales capabilities of directly operated store employees, continuing with a range of OJT (on-the-job training) programs, flexibly adapting our operating sales structures and implementing measures to increase motivation.

Vehicles handled by Gulliver are sold quickly, with an average timeframe of only one week to ten days required to achieve a sale via channels that include auction sites throughout Japan, the Company's unique selling system 'Dolphinet', and GAO! Auction, the internet based real-time auction aimed at used-car dealers. GAO! Auction was launched in January 2005 and had around 19,000 members as of the end of November 2005, it is performing well with a closure rate of approximately 40%.

There are currently four subsidiaries of Gulliver International: G-Trading Co., Ltd., the second-hand truck, bus and construction vehicles purchase, sales and export company (listed on JASDAQ in November 2006); G-One Financial Service Co., Ltd., the consolidated auto-loan and financial business subsidiary; Gulliver Europe Ltd., which aims to spread risks in future business activities; and Hucobo Co., Ltd. which was registered in June 2004 and is mainly involved in the car transportation business. The Group also includes Gulliver USA, INC., a non-consolidated affiliate that is involved in the purchase and sale of second-hand cars in the U.S.

At G-Trading Co., Ltd. we attempted to broaden our customer base through such activities

as a November campaign to attract new customers, but profitability decreased as a result of an increase in the cost of goods purchased. As regards exports, while the effects of higher oil prices steadily lessened, we strengthened our sales efforts in recovering regions. However, the demand for commercial-use vehicles failed to improve and the contribution to profits remained low.

At consolidated subsidiary Samurai Motors Co. (Moscow), initial investments have not yet been recovered but, since commencing internet-based sales methods, sales results have begun to improve. Similarly, at consolidated subsidiary G-BUS, sales are steadily improving through use of the internet and the company is currently implementing measures to improve brand recognition.

At G-One Financial Services, business development is progressing well, but an ordinary loss was recorded due to the accounting treatments adopted. During the period, G-One began full-fledged sales of auto-loan products. As a result, Gulliver has been receiving loan rebates from G-One for automobile loan contracts. Previously, Gulliver received rebates from outside companies, through the provision of loan services from other companies. Income from automobile loans sold by G-One (a certain proportion of the total credit provided) is recorded on a deferred basis, whereas rebates are recorded as a one-time expense, and in the period under review, this led to a loss at the ordinary income level. In the previous period we had expected that in the case of securitization of loan receivables, income could be recorded as a lump sum, but the Company now understands that recording income on a deferred basis is the appropriate accounting treatment and we have been implementing this treatment since the interim period of the year ending February 28, 2006.

Hucobo Co., Ltd. began operations in earnest and in the third quarter period, expenses relating to business establishment resulted in an ordinary loss.

As a result of the factors noted above, consolidated net sales for the nine month period ending November 30, 2005 increased 19.9% (¥22,190 million) to ¥133,219 million and operating income decreased 21.2% (¥1,593 million) to ¥5,920 million. Ordinary income decreased 21.5% (¥1,613 million) to ¥5,882 million and net income decreased 31.8% (¥1,306 million) to ¥2,795 million.

### **Financial Position**

As of November 30, 2005, total assets increased by ¥1,304 million compared to the end of the previous fiscal year and shareholders' equity decreased by ¥370 million.

**Cash flow**

Cash flow from operating and financing activities in the period under review was positive, however cash flow from investment activities was negative, while overall cash flow was a positive figure of ¥531 million. The balance of cash and cash equivalents as of November 30, 2005 was ¥4,826 million.

**Cash flow from operating activities**

Net cash generated from operating activities was ¥3,578 million. The principal factor contributing to this result was an increase in operating revenue from the sale and purchase of automobiles.

**Cash flow from investment activities**

Net cash used in investment activities was ¥5,655 million. The principal factor contributing to this result was investment in the opening of new directly operated stores.

**Cash flow from financing activities**

Net cash generated from financing activities was ¥2,607 million. The principal factor contributing to this result was an increase in loans.

**3. Forecasts for the fiscal year ending February 28, 2006 (March 1, 2005 to February 28, 2006)**

	<i>Millions of yen</i>
	FY ending February 28, 2006
Sales .....	181,900
Ordinary income .....	10,300
Net Income .....	5,000
Earnings per share (¥) .....	502.73

**Qualitative information regarding forecasts:**

Results in the period under review showed good progress towards the forecasts previously announced on October 19, 2005

## Consolidated Balance Sheets

	As of November 30, 2005		As of February 28, 2005		As of November 30, 2004	
<b>ASSETS</b>		% of total		% of total		% of total
<b>Current assets</b>						
Cash and deposits .....	4,826		4,130		5,376	
Accounts receivable .....	5,661		10,015		3,557	
Marketable securities .....	--		--		237	
Inventory .....	6,257		4,555		5,309	
Deferred tax assets .....	558		549		556	
Others .....	1,949		1,813		1,596	
Allowance for doubtful accounts .....	(69)		(84)		(28)	
<b>Total current assets .....</b>	<b>19,184</b>	<b>53.5</b>	<b>20,980</b>	<b>60.8</b>	<b>16,605</b>	<b>57.8</b>
<b>Fixed assets</b>						
<b>Tangible fixed assets</b>						
Buildings and structures .....	5,910		5,340		4,840	
Tools, fixtures and equipment .....	1,261		1,099		997	
Land .....	327		327		327	
Other .....	318		260		135	
<b>Total tangible fixed assets .....</b>	<b>7,818</b>	<b>21.8</b>	<b>7,026</b>	<b>20.4</b>	<b>6,300</b>	<b>21.9</b>
<b>Intangible fixed assets</b>						
Software .....	2,987		2,187		1,932	
Other .....	98		103		103	
<b>Total intangible fixed assets .....</b>	<b>3,085</b>	<b>8.6</b>	<b>2,290</b>	<b>6.6</b>	<b>2,036</b>	<b>7.1</b>
<b>Investments and other assets</b>						
Investment securities .....	319		373		244	
Deposits and guarantee money .....	3,295		2,185		2,133	
Construction cooperation fund .....	1,636		960		822	
Deferred tax assets .....	96		135		170	
Others .....	749		892		698	
Allowance for doubtful accounts .....	(351)		(314)		(293)	
<b>Total investments and other assets .....</b>	<b>5,745</b>	<b>16.0</b>	<b>4,231</b>	<b>12.2</b>	<b>3,776</b>	<b>13.2</b>
<b>Total fixed assets .....</b>	<b>16,649</b>	<b>46.5</b>	<b>13,548</b>	<b>39.2</b>	<b>12,113</b>	<b>42.2</b>
<b>Total Assets .....</b>	<b>35,833</b>	<b>100.0</b>	<b>34,529</b>	<b>100.0</b>	<b>28,719</b>	<b>100.</b>

## Consolidated Balance Sheets

	As of November 30, 2005		As of February 28, 2005		As of November 30, 2004	
		%		%		%
<i>Millions of yen</i>						
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable .....	2,810		5,734		2,889	
Short-term borrowing .....	9,500		3,950		1,100	
Accrued expenses .....	2,294		2,272		2,054	
Accrued corporate taxes .....	677		2,677		1,867	
Deposits received .....	700		767		981	
Reserve for bonuses .....	970		519		792	
Others .....	1,932		1,513		1,650	
Total current liabilities .....	18,885	52.7	17,435	50.5	11,336	39.5
Long-term liabilities						
Long-term debt .....	200		--		--	
Guarantee deposits received .....	628		621		630	
Total long-term liabilities .....	828	2.3	621	1.8	630	2.2
Total liabilities .....	19,714	55.0	18,056	52.3	11,966	41.7
<b>MINORITY INTERESTS</b>						
Minority interests .....	346	1.0	328	1.0	305	1.1
<b>CAPITAL</b>						
Paid-in capital .....	4,157	11.6	4,139	12.0	4,126	14.4
Capital surplus .....	4,032	11.3	4,014	11.6	4,002	13.9
Retained earnings .....	14,304	39.9	13,668	39.6	12,336	42.9
Unrealized gains and losses in other securities .....	79	0.2	10	0.0	8	0.0
Translation adjustments .....	0	0.0	--		--	--
Treasury stock .....	(6,799)	19.0	(5,689)	16.5	(4,027)	14.0
Total capital .....	15,772	44.0	16,143	46.7	16,446	57.2
<b>Total Liabilities, Minority Interests and Shareholders' Equity .....</b>	<b>35,833</b>	<b>100.0</b>	<b>34,529</b>	<b>100.0</b>	<b>28,719</b>	<b>100.0</b>

## Consolidated Statements of Income

*Millions of yen*

	March 1, 2005 to November 30, 2005		March 1, 2004 to November 30, 2004		March 1, 2004 to February 28, 2005	
		%		%		%
Sales .....	133,219	100.0	111,029	100.0	156,696	100.0
Cost of sales .....	101,909	76.5	83,458	75.2	118,089	75.4
Gross profit.....	31,310	23.5	27,571	24.8	38,607	24.6
Sales general and administrative expenses.....	25,390	19.1	20,057	18.1	28,377	18.1
Operating income .....	5,920	4.4	7,513	6.7	10,229	6.5
Non-operating income .....	65	0.1	23	0.0	53	0.0
Non-operating expenses .....	102	0.1	40	0.0	64	0.0
Ordinary income .....	5,882	4.4	7,496	6.7	10,219	6.5
Extraordinary profit .....	49	0.0	128	0.1	90	0.1
Extraordinary losses.....	365	0.3	1	0.0	251	0.2
Net income before taxes, etc. ....	5,566	4.1	7,623	6.8	10,058	6.4
Income tax, inhabitants tax and enterprise tax.....	2,780	2.1	3,580	3.1	4,402	2.8
Corporate tax adjustment .....	(17)		(121)		(81)	
Minority interests .....	7	0.0	61	0.0	84	0.0
<b>Net income .....</b>	<b>2,795</b>	<b>2.0</b>	<b>4,102</b>	<b>3.7</b>	<b>5,652</b>	<b>3.6</b>



## Consolidated Statements of Cash flows

	<i>Millions of yen</i>		
	March 1, 2005 to November 30, 2005	March 1, 2004 to November 30, 2004	March 1, 2004 to February 28, 2005
<b>I. Cash flow from operating activities</b>			
Income before taxes, etc.....	5,566	7,623	10,058
Depreciation.....	1,437	900	1,383
Increase (decrease) in reserve for bonuses .....	440	411	139
Increase (decrease) in allowance for doubtful accounts.....	21	(40)	37
Interest and dividends received .....	(1)	(4)	(5)
Interest paid .....	22	7	12
New share issuance expenses .....	5	7	7
Loss on disposal of fixed assets .....	244	1	247
Gain on sale of investment securities .....	(45)	—	—
Payment of directors' bonuses.....	(94)	(83)	(83)
Increase (decrease) in accounts receivable .....	5,701	1,809	(4,757)
Increase (decrease) in inventory.....	(1,634)	(3,320)	(2,559)
Increase (decrease) in accounts payable .....	(2,382)	159	2,657
Increase (decrease) in accrued consumption tax .....	187	(200)	(200)
Other .....	(998)	310	54
<b>Subtotal.....</b>	<b>8,470</b>	<b>7,583</b>	<b>6,990</b>
Interest and dividends received .....	1	5	6
Interest paid .....	(21)	(8)	(14)
Corporate taxes paid.....	(4,871)	(4,244)	(4,257)
<b>Cash flow from operating activities .....</b>	<b>3,578</b>	<b>3,335</b>	<b>2,724</b>
<b>II. Cash flow from investing activities</b>			
Proceeds from sale of marketable securities .....	—	—	228
Payments for purchase of investment of securities .....	—	—	(100)
Proceeds from sale of investment securities .....	212	—	—
Payments for acquisition of tangible fixed assets .....	(2,033)	(2,336)	(3,565)
Proceeds from sale of tangible fixed assets .....	0	0	0
Payments for acquisition of intangible fixed assets .....	(1,520)	(1,065)	(1,322)
Payments for acquisition of shares of affiliates.....	(19)	(124)	(224)
Amounts lent .....	(291)	(4)	(105)
Proceeds from repayment of loans .....	68	93	118
Increase (decrease) in short-term borrowing .....	16	(16)	(14)
Deposit and guarantee payments .....	(2,080)	(663)	(832)
Proceeds from repayment of investments .....	—	—	26
Other .....	(7)	(0)	(0)
<b>Cash flow from investing activities .....</b>	<b>5,655</b>	<b>(4,116)</b>	<b>(5,791)</b>
<b>III. Cash flow from financing activities</b>			
Net increase (decrease) in short term borrowings .....	5,550	550	3,400
Proceeds from long-term loans .....	200	—	—
Payment of installment obligations .....	—	(0)	—
Payments for acquisition of treasury stock .....	(1,545)	(2,559)	(4,512)
Proceeds from disposal of treasury stock.....	155	374	491
Proceeds from issuance of new shares .....	30	335	367
Payment of dividends.....	(1,786)	(1,341)	(1,341)
Payments from minority shareholders .....	3	173	167
<b>Cash flow from financing activities .....</b>	<b>2,607</b>	<b>(2,446)</b>	<b>(1,427)</b>
<b>IV. Cash and cash equivalents currency translation differences.....</b>	<b>(0)</b>	<b>—</b>	<b>—</b>
<b>V. (Decrease) increase in cash and cash equivalents .....</b>	<b>531</b>	<b>(3,248)</b>	<b>(4,494)</b>
<b>VI. Cash and cash equivalents at beginning of period .....</b>	<b>4,130</b>	<b>8,624</b>	<b>8,624</b>
<b>VII. Increase in cash and cash equivalents from new consolidations .....</b>	<b>164</b>	<b>—</b>	<b>—</b>
<b>VIII. Cash and cash equivalents at end of period.....</b>	<b>4,826</b>	<b>5,376</b>	<b>4,130</b>

### **Additional Information**

From the first quarter of the current fiscal year the proportionate amounts of corporation tax on value added and capital have been included in Selling, General and Administrative expenses. This follows the promulgation from March 31, 2004 of the Partial Revisions to the Law Concerning Regional Tax.<sup>1</sup> As a result Selling, General and Administration expenses increased by ¥90 million and operating income, ordinary income and income before taxes, etc. each decreased by ¥90 million.

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<sup>1</sup> (2003 Article 9) For fiscal years commencing on or after April 1, 2004, along with the introduction of the tax system based on business size 'Treatment of the tax based on business size portion of corporate taxes in the Statements of Income' (February 13, 2004, Corporate Accounting Standards Committee Practice Report 12).

#### 4. Segment Information

##### Segment information by business type

Third quarter of the fiscal year ending February 28, 2006 (March 1, 2005 to November 30, 2005)

Millions of yen

	Trading of used cars	Franchise business	Total	Elimination/ All company	Consolidated
Sales					
(1) Sales to external customers	126,704	6,514	133,219	0	133,219
(2) Inter-segmental sales or transfers	--	--	--	--	--
Total	126,704	6,514	133,219	0	133,219
Operating expenses	118,820	5,128	123,948	3,351	127,299
Operating income	7,884	1,386	9,270	(3,350)	5,920

Third quarter of the fiscal year ended February 28, 2005 (March 1, 2004 to November 30, 2004)

Millions of yen

	Trading of used cars	Franchise business	Total	Elimination/ All company	Consolidated
Sales					
(1) Sales to external customers	104,582	6,447	111,029	--	111,029
(2) Inter-segmental sales or transfers	--	--	--	--	--
Total	104,582	6,447	111,029	--	111,029
Operating expenses	95,505	5,377	100,883	2,633	103,516
Operating income	9,076	1,070	10,146	(2,633)	7,513

**Fiscal year ending February 28, 2005 (March 1, 2004 to February 28, 2005)**
*Millions of yen*

	Trading of used cars	Franchise business	Total	Elimination/ All company	Consolidated
Sales					
(1) Sales to external customers	148,131	8,564	156,696	--	156,696
(2) Inter-segmental sales or transfers	--	--	--	--	--
Total	148,131	8,564	156,696	--	156,696
Operating expenses	135,438	7,167	142,605	3,860	146,466
Operating income	12,693	1,396	14,090	(3,860)	10,229

Notes:

1. Method of business classification: Businesses have been classified according to the classification used in calculating sales.

Business Classification	Principal Product Name or Service Name
Used Car Sales	Purchase and sales of used automobiles through directly operated outlets and the like
Franchising	Royalties arising out of franchise agreements and fees for the provision of training etc., and intermediation in buying and selling of used automobiles

2. Amount and principal content included in the "Elimination or Total Company" item

*Millions of yen*

	March 1, 2005 to November 30, 2005	March 1, 2004 to November 30, 2004	March 1, 2004 to February 28, 2005
Amount of unallocated operating expenses included in elimination or total company item	3,351	2,633	3,860
Principal content	Expenses relating to head office administration at the parent company		

**Segment information by geographical location**

For the third quarter of the current consolidated fiscal year and for the previous fiscal year consolidated subsidiaries were located overseas but as over 90% of sales for each segment were in Japan segment information by geographical location has been omitted.

**Overseas sales**

For the third quarter of the current consolidated fiscal year, and for the previous fiscal year, overseas sales were less than 10% of consolidated sales and have therefore been omitted.