

2nd Quarter Result for Fiscal year ending February 28, 2015

October 14, 2014

Gulliver International Co.,Ltd.
(7599)

- I . Key indicators for the first half ended Aug 31
- II . Forecast for Fiscal year to February 28, 2015
- III . Status of openings
- IV . Medium-Term Business Plan
- V . Long-term Outlook
- VI . Topics
- VII . Reference

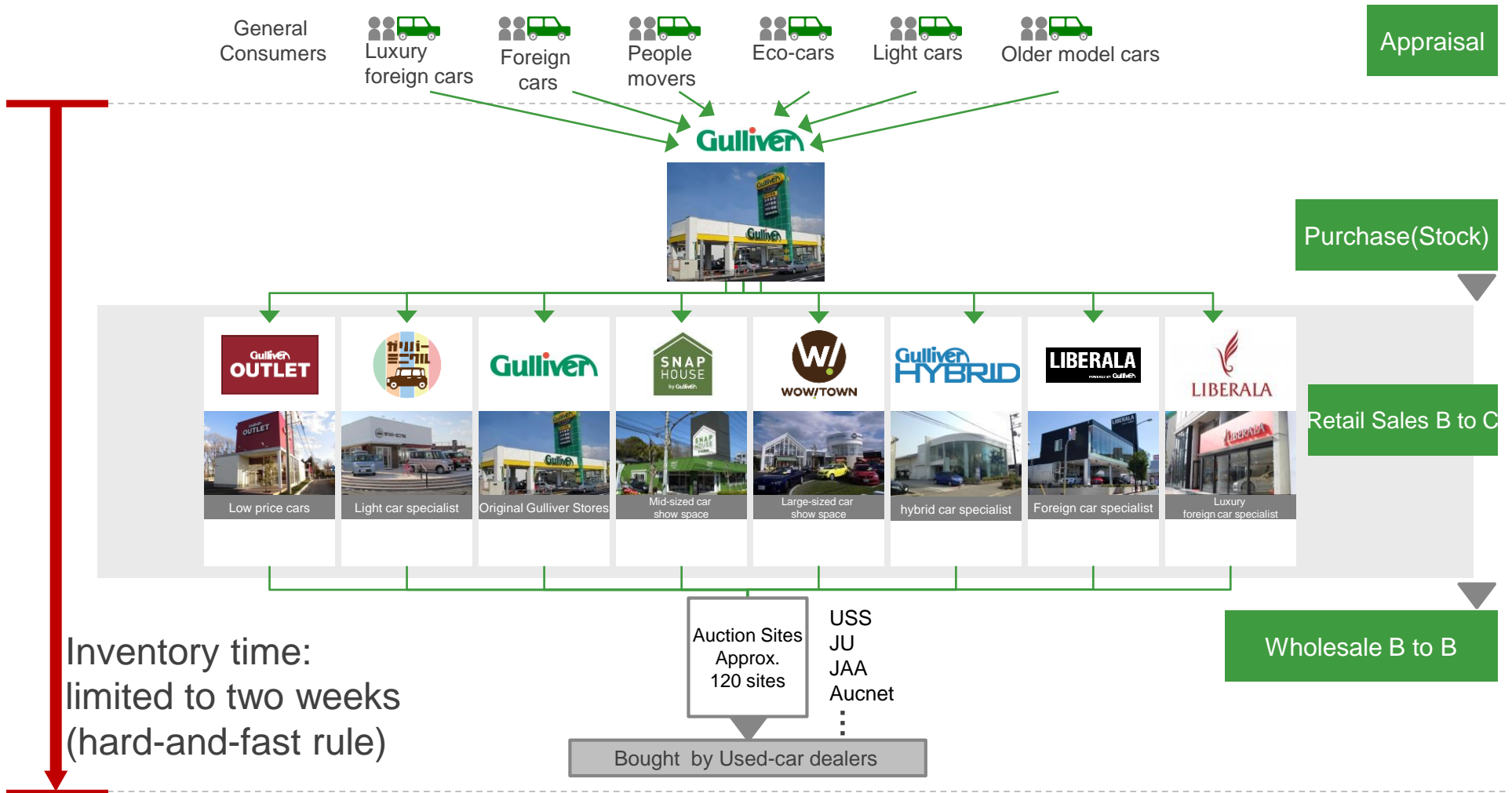
I . Key indicators for the first half ended Aug 31

First half Result for Fiscal year ending February 28, 2015

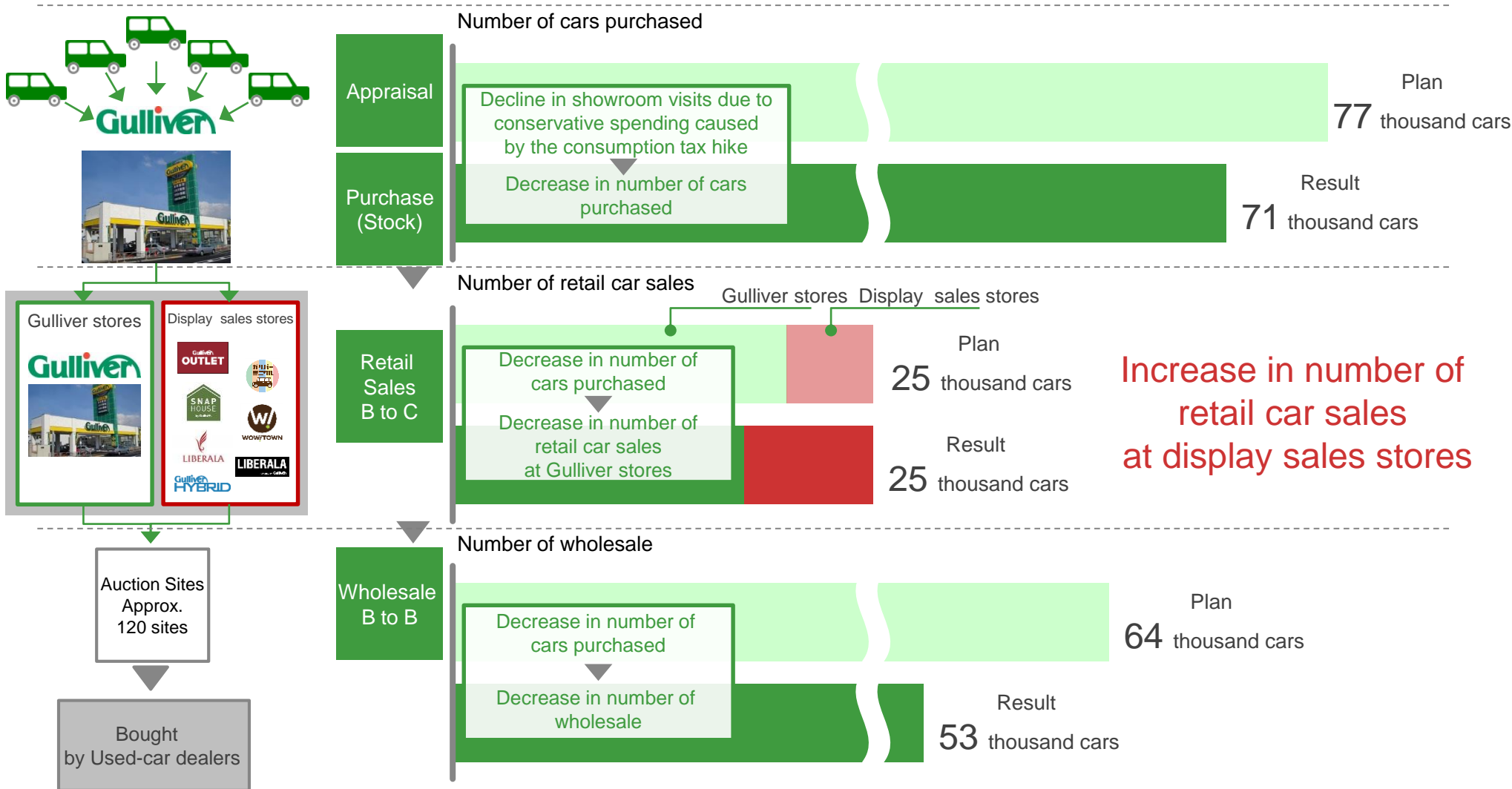
		FY2015 First half
Number of cars purchased	➔	70,985 cars
Number of wholesale	➔	53,525 cars
Number of retail car sales	➔	25,070 cars
SG&A expenses	➔	16.0 billion yen
Operating income	➔	2.7 billion yen

*Number of cars for direct stores

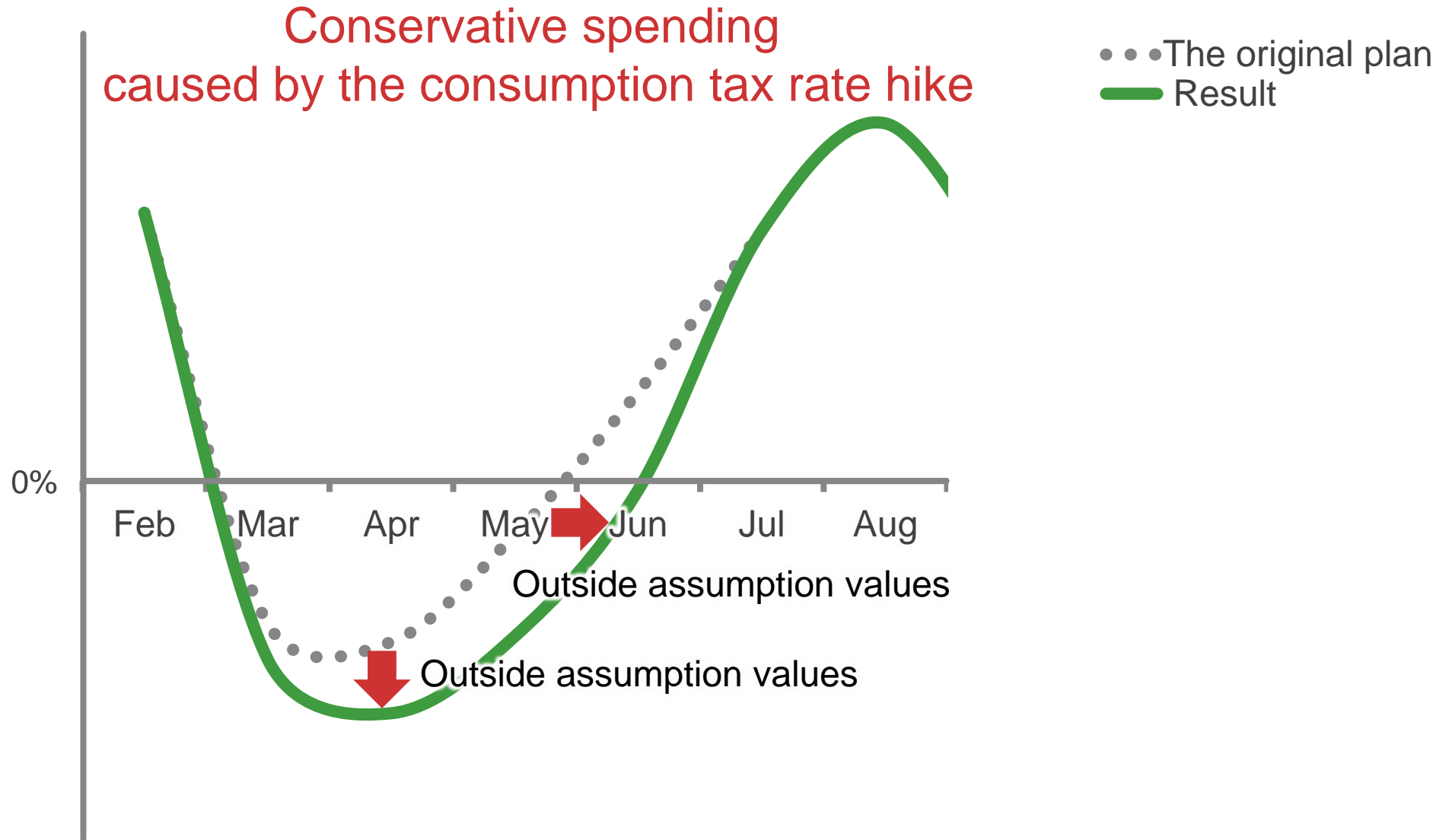
Car Distribution Flow at Gulliver's Directly Managed Stores



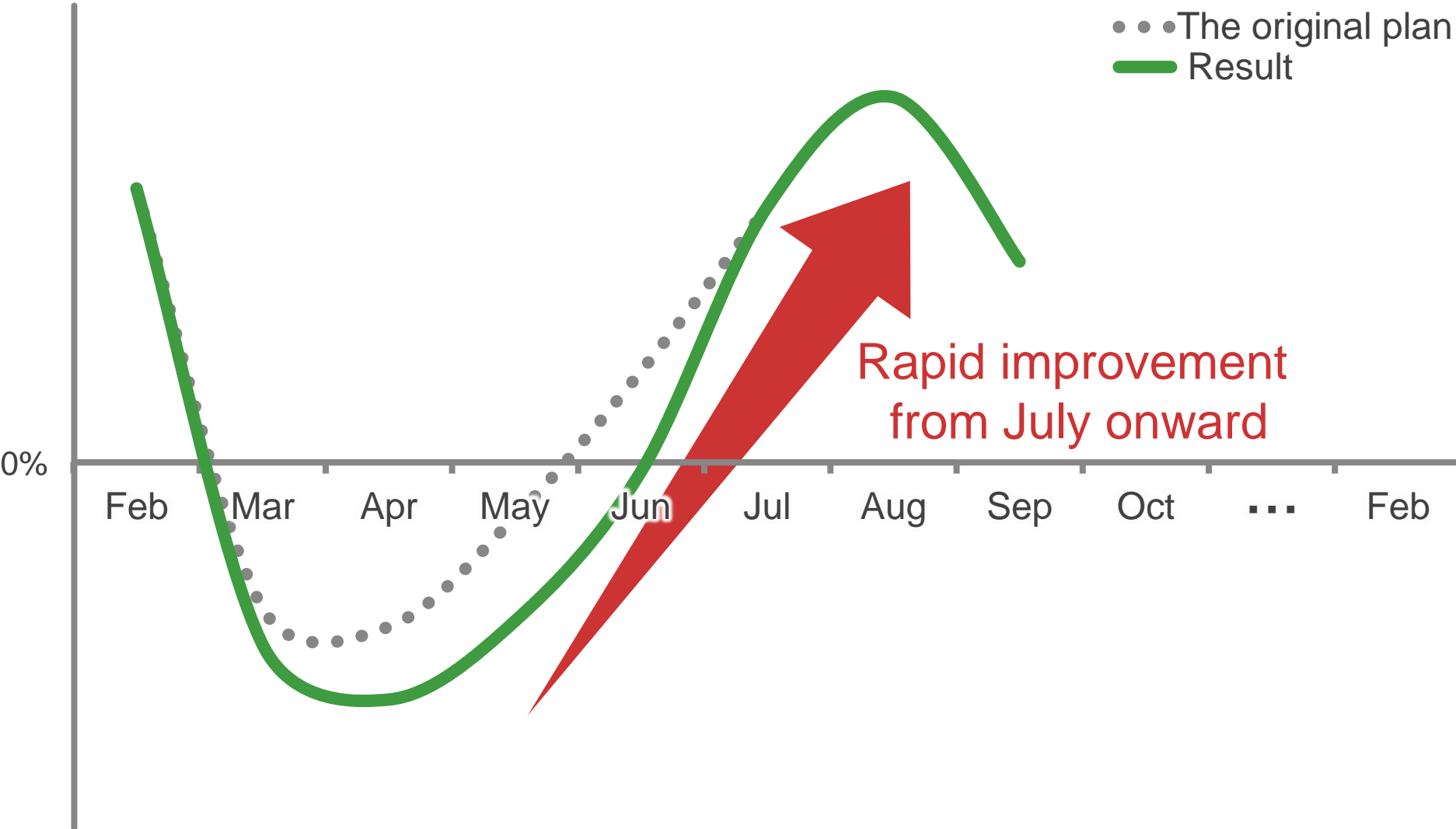
Factors behind the Difference in First Half Operating Income Targets and Results



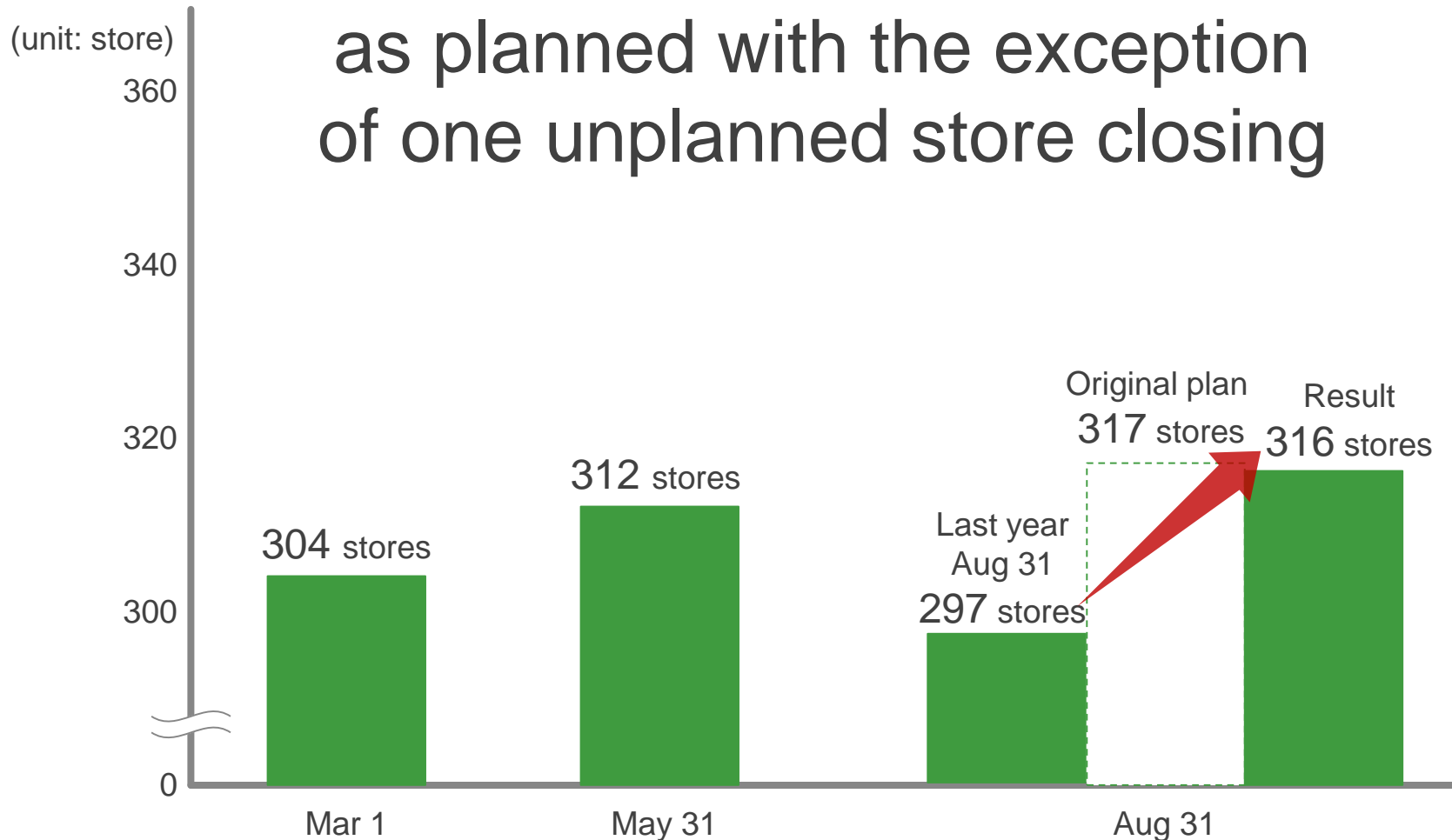
Number of customers (YoY)



Number of customers (YoY)



New store openings proceeded as planned with the exception of one unplanned store closing



Negative factors

- Greater-than-expected decline in showroom visits due to conservative spending caused by the consumption tax hike
- ➔ Decrease in number of cars purchased at Gulliver stores
= Decrease in number of wholesale

Positive factors

- Greater-than-expected increase in number of retail car sales at display sales stores
- New store openings proceeded as planned

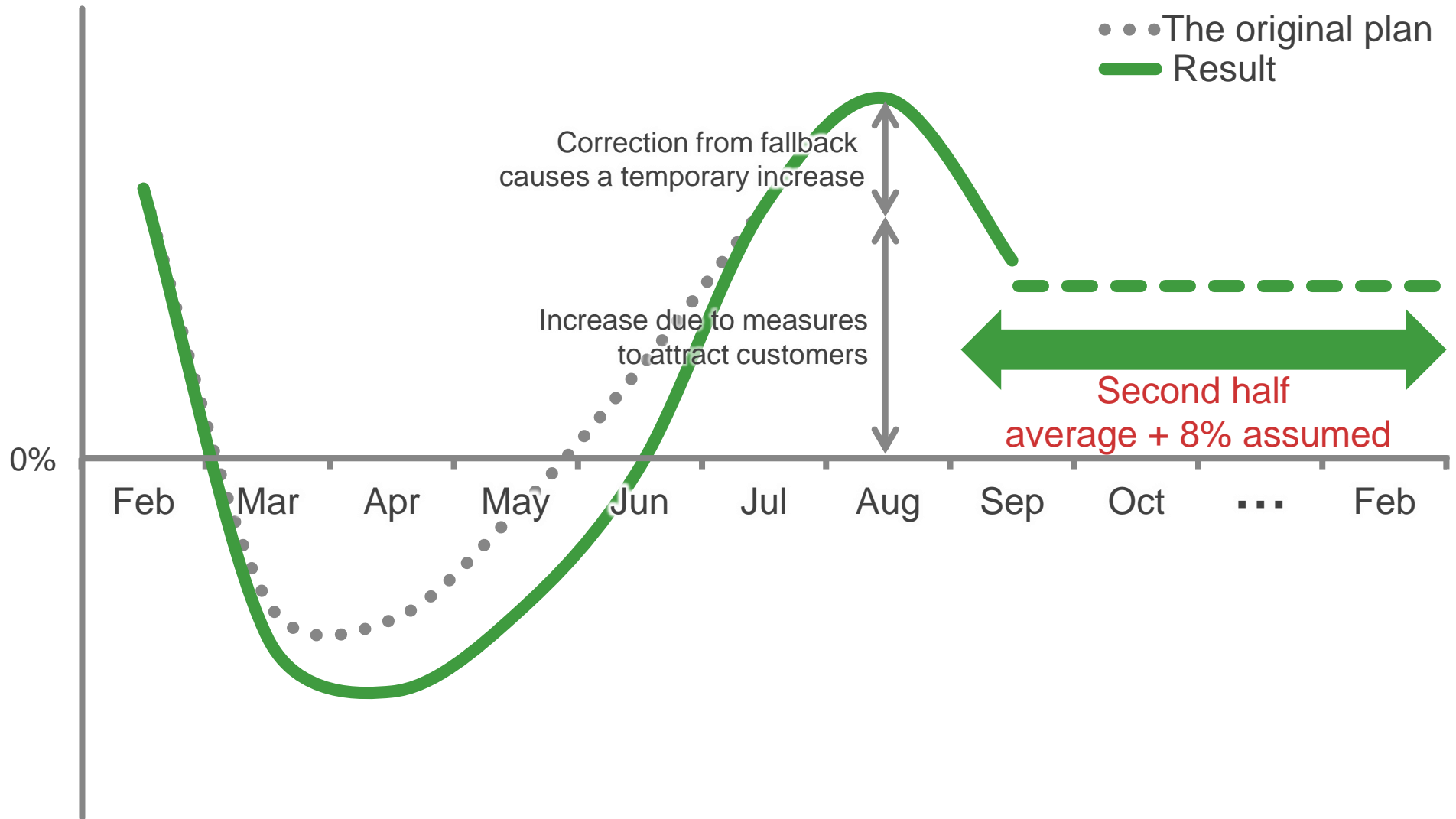
II . Forecast for Fiscal year to February 28, 2015

FY2015 Forecast

Number of cars purchased	➔	159,000 cars
Number of wholesale	➔	115,000 cars
Number of retail car sales	➔	60,000 cars
SG&A expenses	➔	32.5 billion yen
Operating income	➔	8.5 billion yen

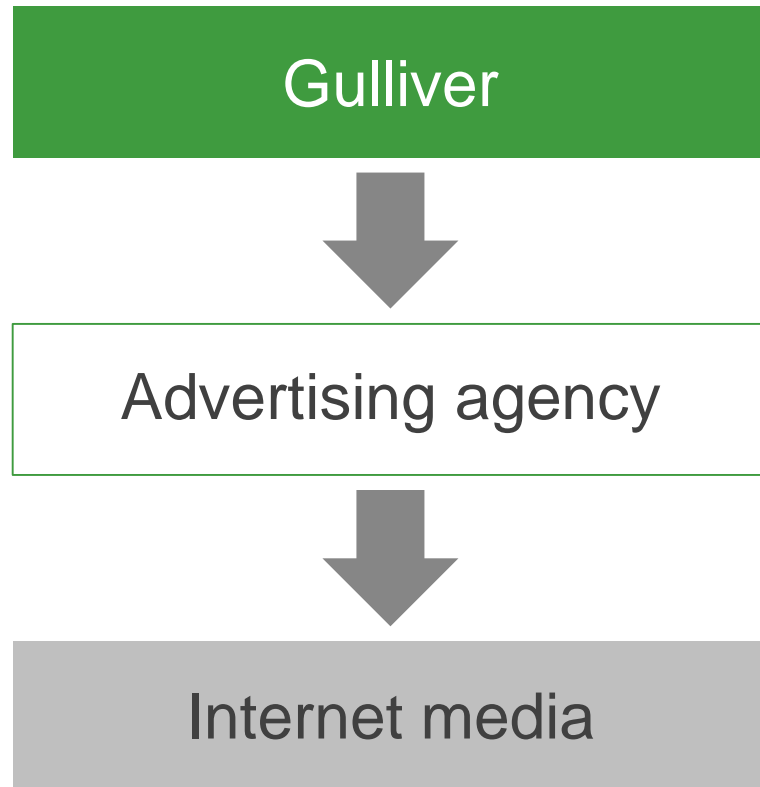
*Number of cars for direct stores

Forecast for number of customers (YoY)

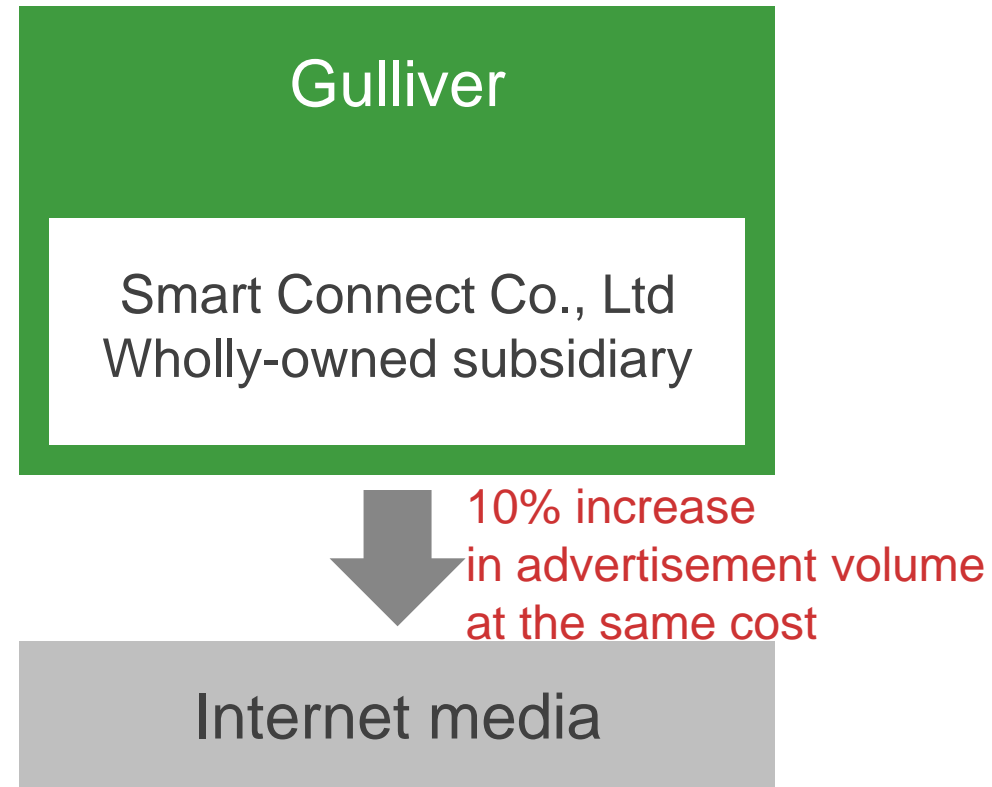


Increased advertising efficiency by establishing a dedicated Internet marketing subsidiary

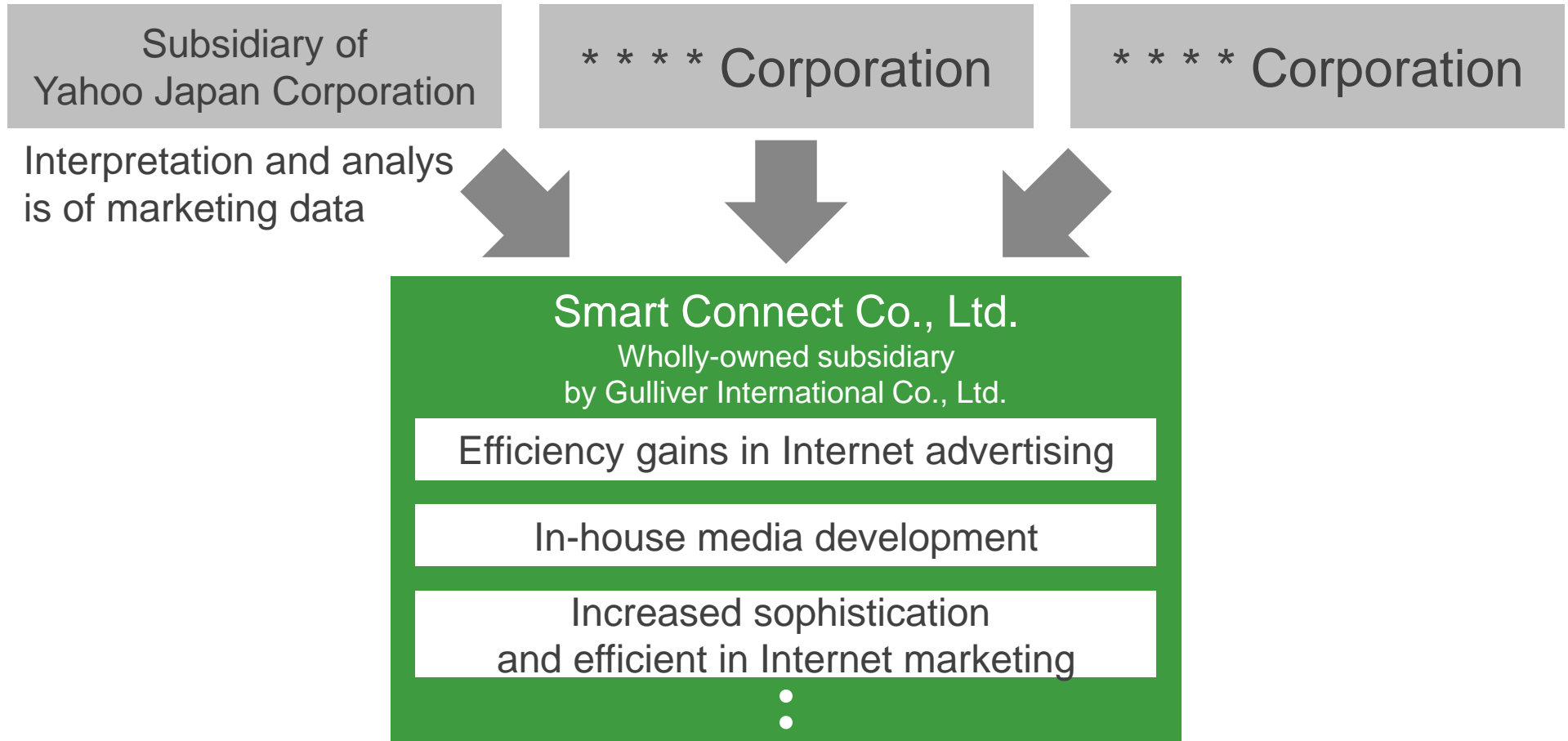
Previously



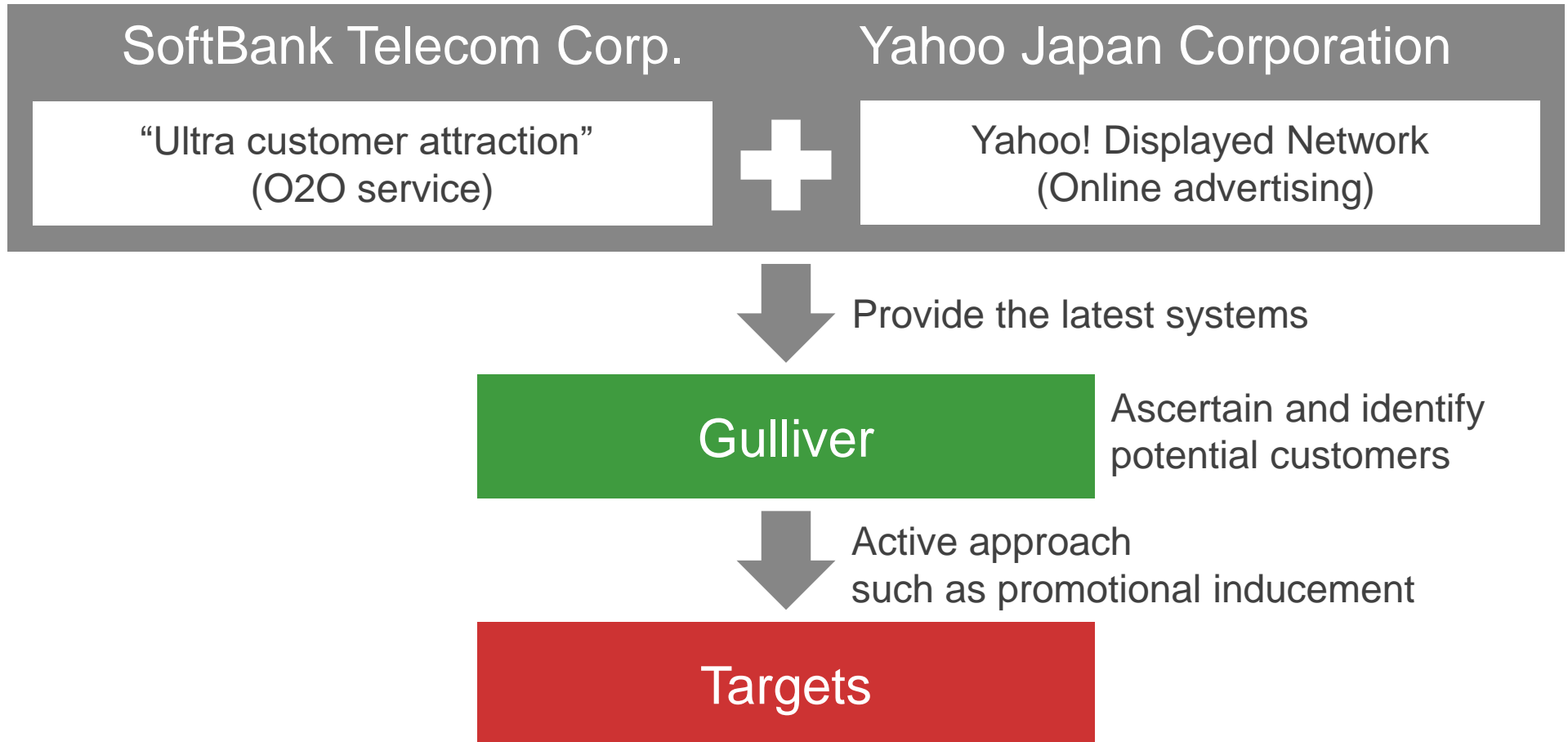
Future



Innovate Internet marketing with leading companies + dedicated subsidiary



Conducted promotions to attract customers using the latest systems



Assumptions for Second Half

Number of cars purchased



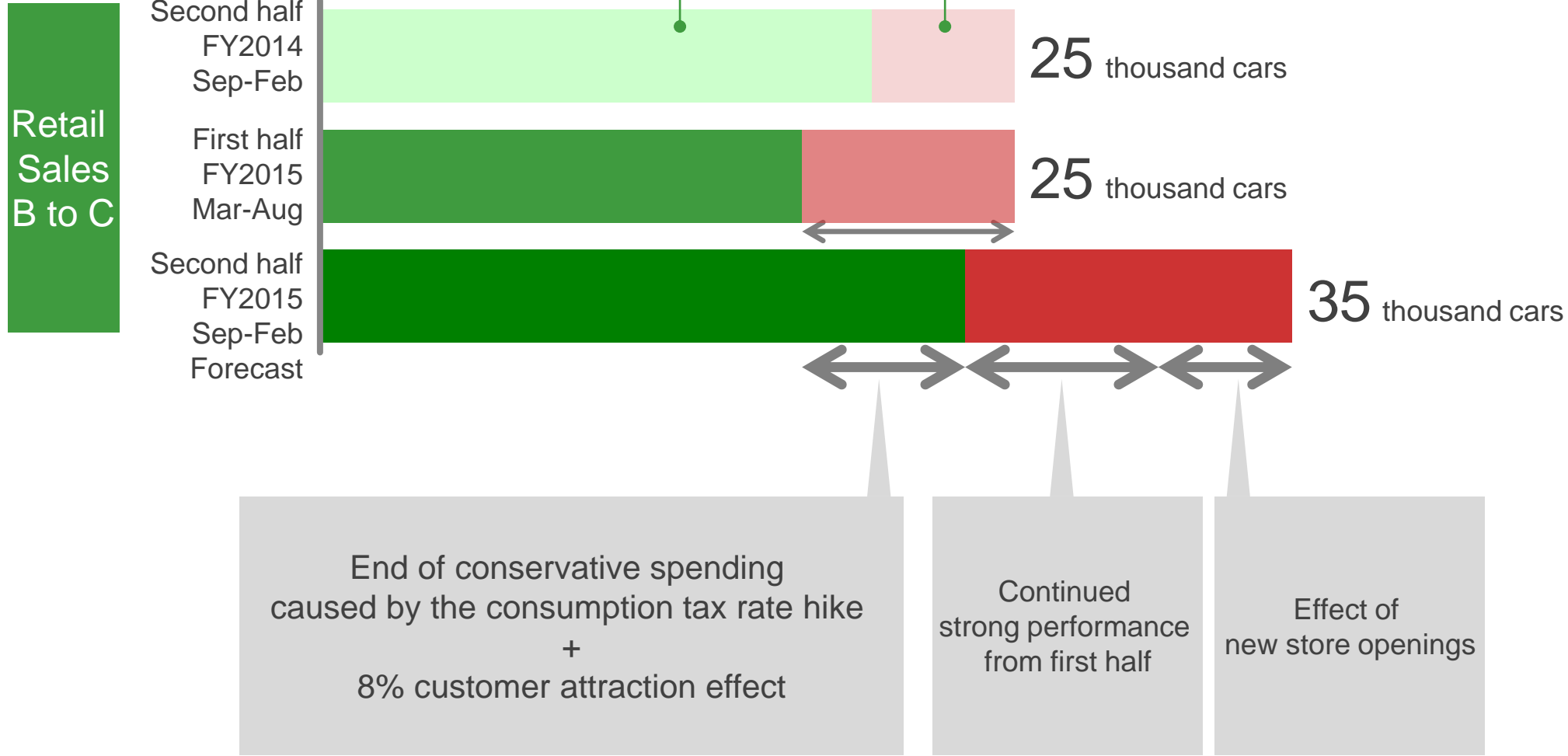
Number of retail car sales



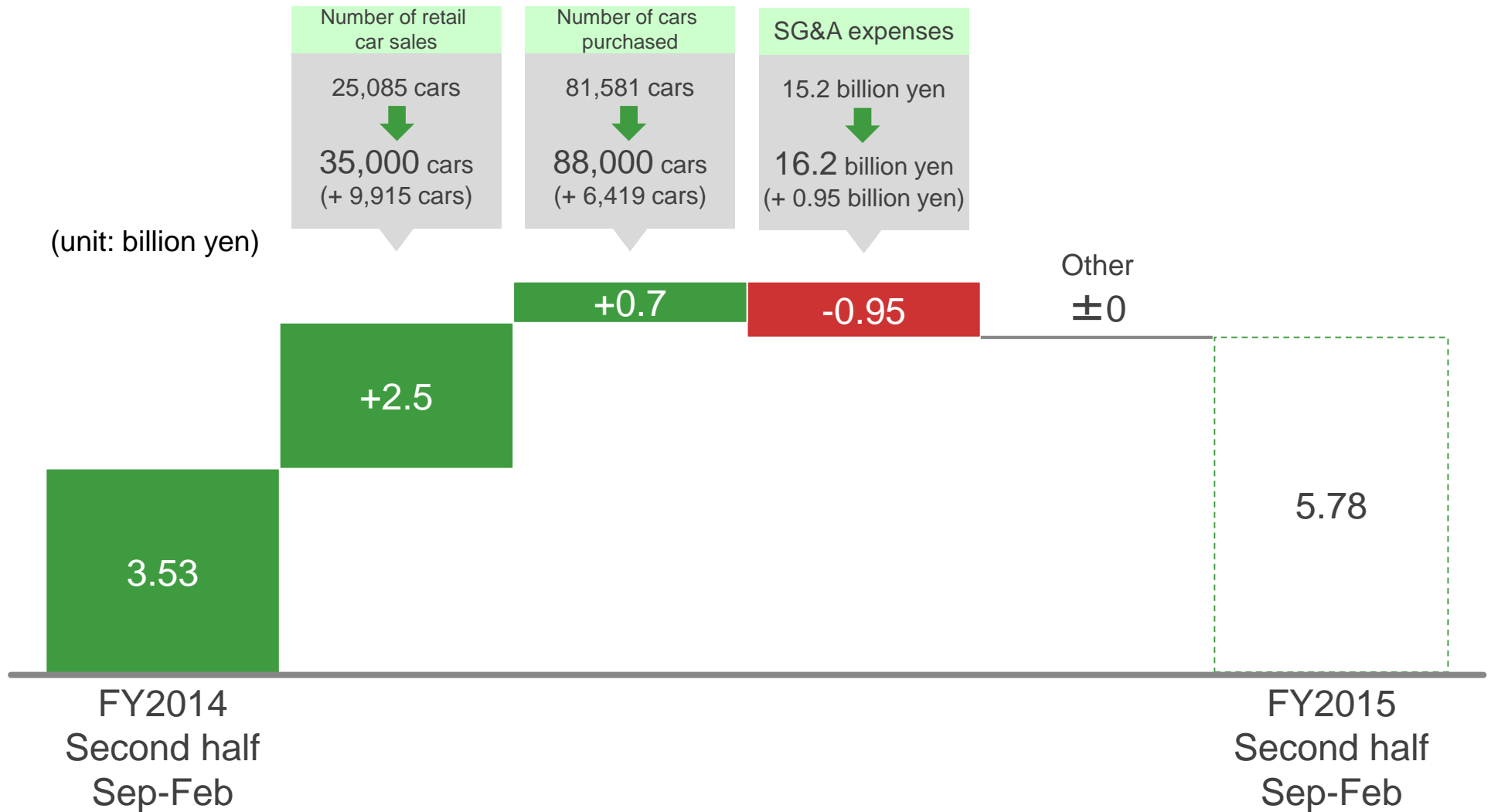
Number of wholesale



Assumptions for Second Half(Number of retail car sales)



Basis for achieving the second half operating income forecast



III. Status of openings

Status of openings (Mar-Aug)

17 direct stores opened*

Opened	OUTLET	SNAPHOUSE	WOW!TOWN	Hybrid	LIBERALA	Gulliver	
1Q	R124-Kashima	Higashi-kawaguchi		Takarazuka-inter	Tsukuba	Nagoyaminami	
	R431-Yonago					R58-Ginowan	
	R10-Miyazakiehira					Koku1toyoda	
	Hirakata					Kozajujiro	
	Matsuyama-kumanodai						
2Q	Kofubp-Kokubo					sakaiteppocho	
	R8-Fukui					R176-Toyonaka	
	Niigatakameda						
Number of stores opened	8 stores	1 store	0 store	1 store	1 store	6 stores	Total 17 stores

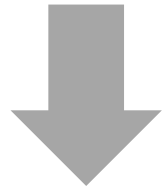
* Including transfer, change of channel, and change of business conditions

Basis for current term development plan

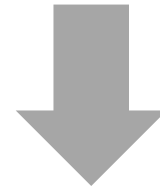
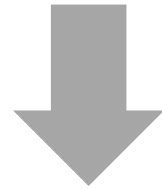
First half +
September
Net Increase
17 stores



Contracts finalized
but not yet opened
(As of Sep 30)
52 stores



Sites currently
under negotiation
(As of Sep 30)
46 stores



Plan to open
this term
50 stores

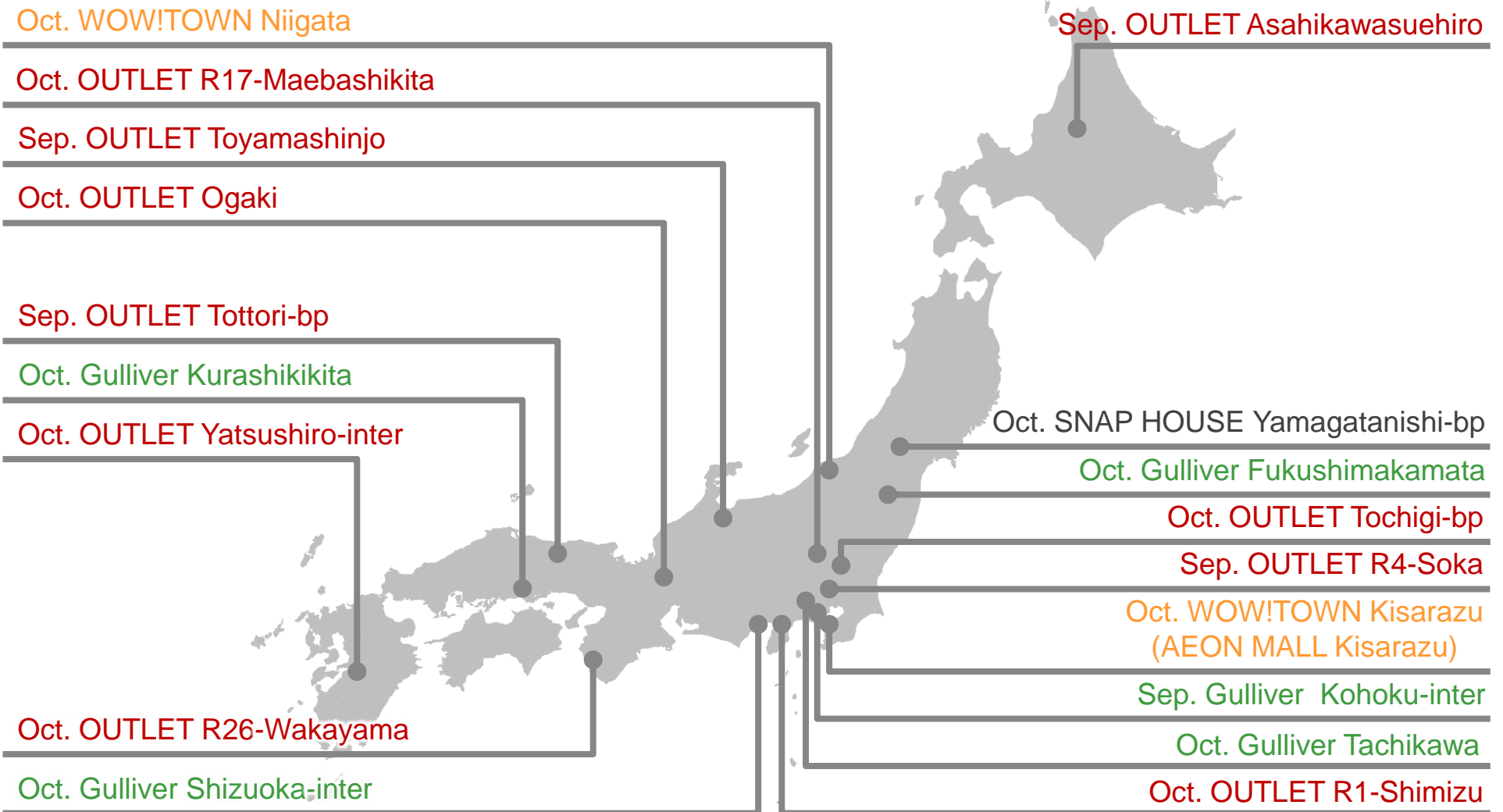
Plan to open
next term
100 stores

Net Increase in the Number of Directly Managed Stores from March 1



* Forecast for October onward

Status of openings (Sep-Oct)



* Including transfer, change of channel, and change of business conditions

Stores with Confirmed Opening Days during the Second Half

Opening	Stores
September	OUTLET Toyamashinjo
	OUTLET Tottori-bp
	OUTLET Asahikawasuehiro
	OUTLET R4-Soka
	Gulliver Kohoku-inter
October	OUTLET Ogaki
	OUTLET R26-Wakayama
	OUTLET R1-Shimizu
	OUTLET Tochigi-bp
	OUTLET Yatsushiro-inter
	OUTLET R17-Maebashikita
	WOW!TOWN Niigata
	WOW!TOWN Kisarazu
	SNAP HOUSE Yamagatanishi-bp
	Gulliver Kurashikita
	Gulliver Fukushimakamata
Gulliver Tachikawa	
Gulliver Shizuoka-inter	

Opening	Stores
November	OUTLET Kyotofushimi
	OUTLET Kanazawanishi-inter
	SNAP HOUSE Akitaniida
	Gulliver Nadamikage
	Gulliver Takamatsuyashima
December	Gulliver Mitsuzawa
	Gulliver Akabane
	OUTLET Shimonosekichofu
January	OUTLET Oyama
	OUTLET Gifuyabuta
	LIBELARA Toyohashi
	OUTLET Akishima
	OUTLET Ube
February	LIBERALA Kobe
	Gulliver Takamatsu-chuodori
	OUTLET Shinonoi-bp
	OUTLET Fukushimaishidoro
	OUTLET Musashimurayama
	OUTLET Sendai
	OUTLET Hachinohe
SNAP HOUSE Tsukuba	
SNAP HOUSE Mitominami-inter	

* Including transfer, change of channel, and change of business conditions

* In addition, about 10 stores are expected to open from December onward

WOW!TOWN Niigata







Opening a store at AEON MALL Kisarazu



Opening a store at AEON MALL Kisarazu

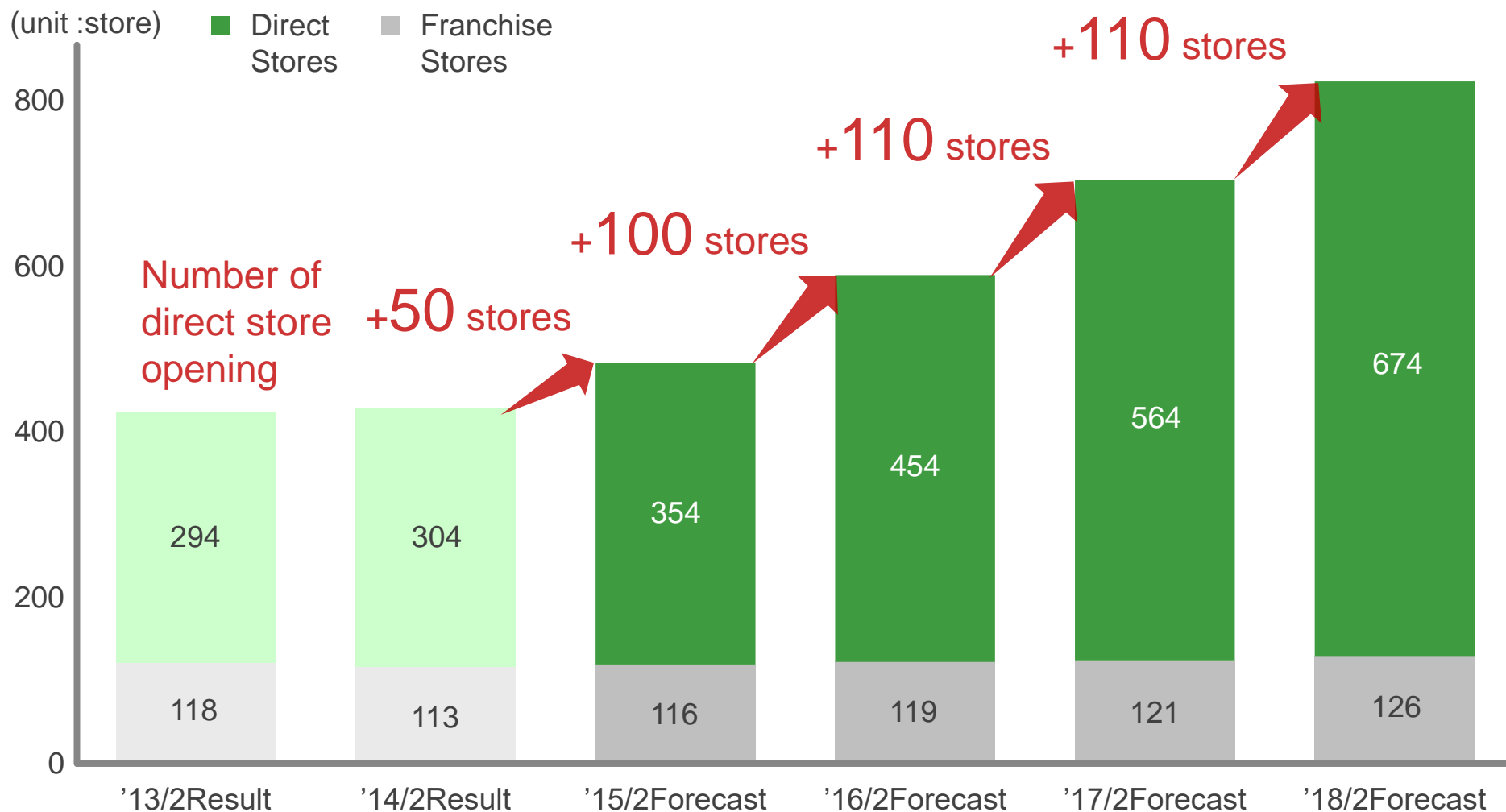


Opening a store at AEON MALL Kisarazu



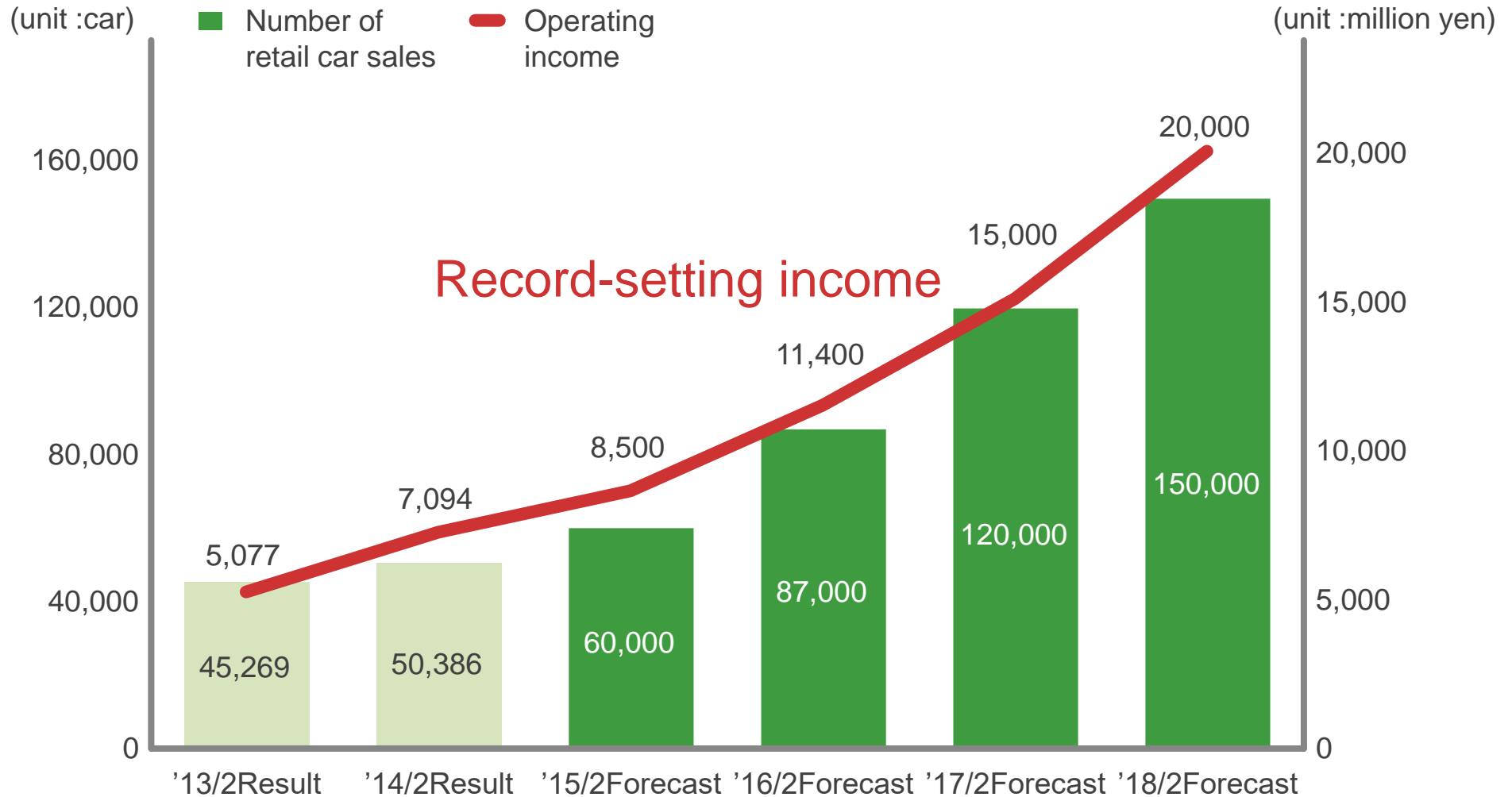
IV. Medium-Term Business Plan

Medium-Term Business Plan(Number of stores)



* Material released on April 14, 2014

Medium-Term Business Plan(Operating Income, Number of retail car sales)



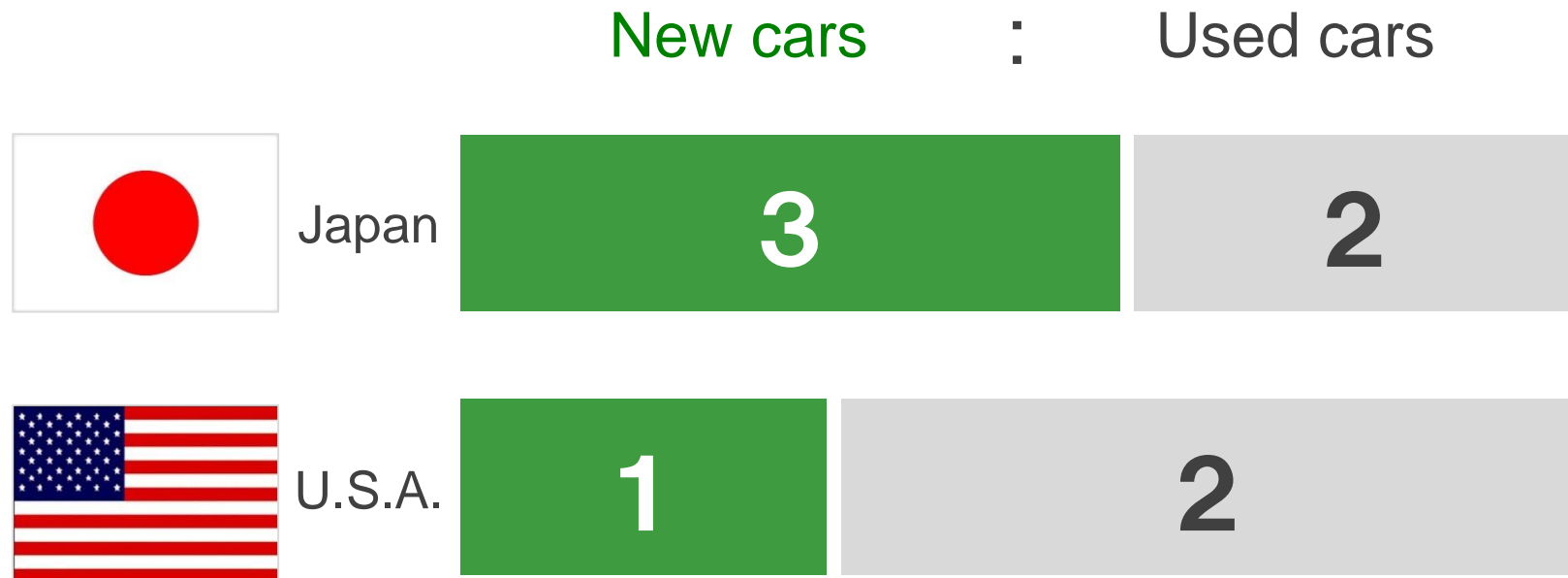
* Material released on April 14, 2014

V . Long-term Outlook

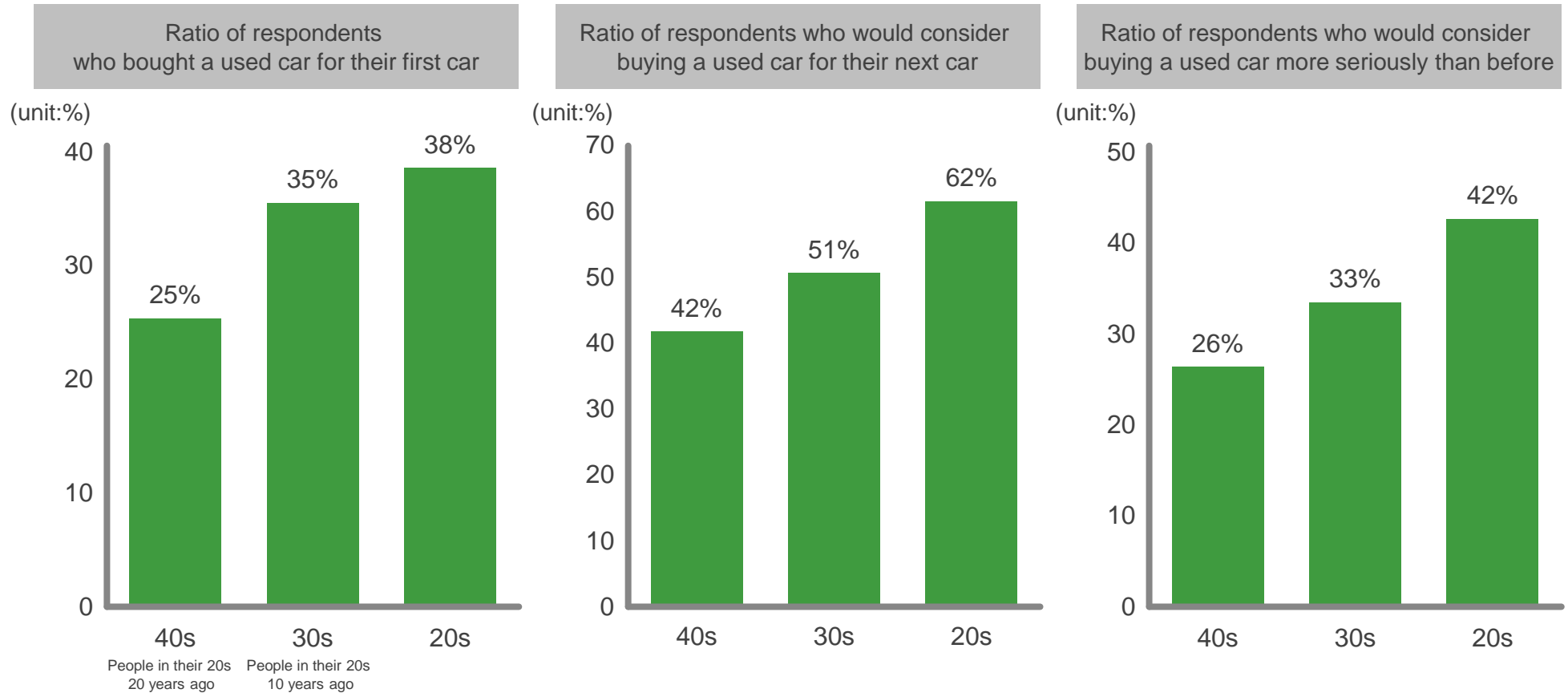
1. Potential for expanding the domestic used-car market
2. Further expansion of sales channels for overseas

Ratio of new cars and used cars in Japan and the U.S.

Japan's ratio of used cars is less than that of the U.S./Europe, and there is room for expansion in the Japanese used car market.



Increase in interest among younger generation in buying used cars



* Result from an Internet survey conducted in August 2014 (target: 1000 persons)

Expansion to ASEAN



Established joint venture, V-Gulliver Company Limited with a subsidiary of the Viriyah Group



March 2014 First store Gulliver Srinagarindra was opened



August 2014 Second store Gulliver Nakhon Sawan was opened



October 2014 Third store Gulliver Nawamin is opening

Plan to open 10 stores in total in Thailand by April 2015

The first store in Thailand (Bangkok)



The second store in Thailand (Nakhon Sawan)



The third store in Thailand (Bangkok)



* under construction

Expansion to Oceania area

Direct export model using Dolphinet



Local operation to begin in Australia once customs duty on exports of used cars to Australia is scrapped

Establish a wholly-owned subsidiary in New Zealand, with plans to commence trial operation at one store from November

The first store in New Zealand



The first store in New Zealand



VI. Topics

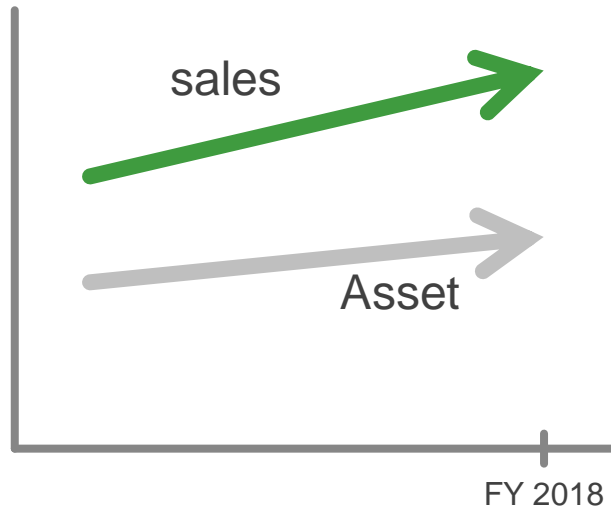
Outlook for ROE FY2018

Increase in retail car sales
Increase in profit margin
with expansion in retail sales



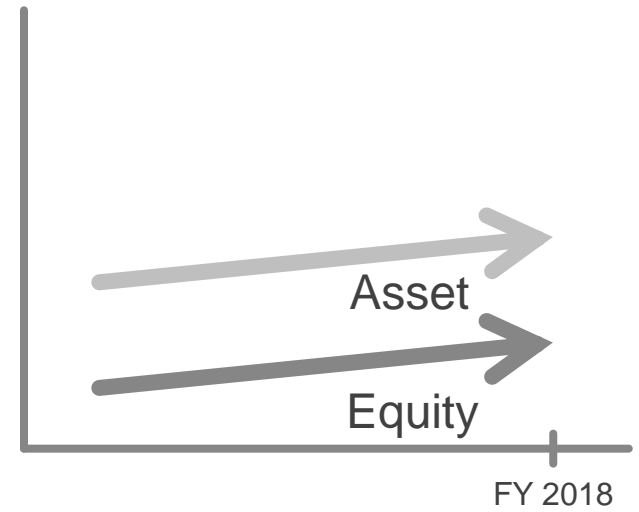
Net income margin

Expand retail car sales
based on management policy
of not holding inventory
or real estate



Total asset turnover ratio

Investment in store opening
with own capital
(+ a portion from bank loan)



Financial leverage

$$\frac{\text{Net income}}{\text{sales}}$$



$$\frac{\text{sales}}{\text{Asset}}$$



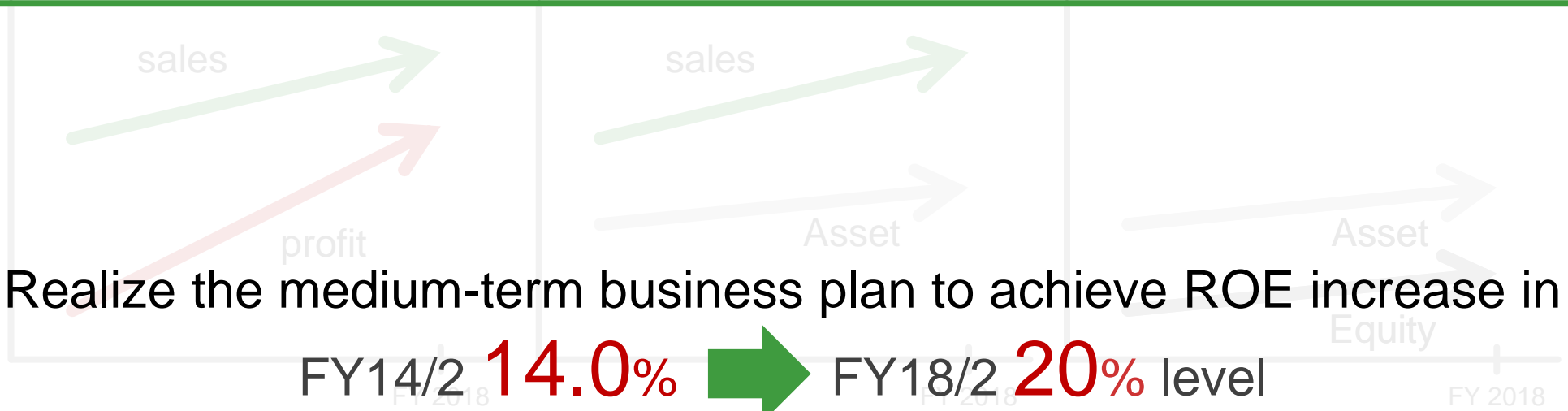
$$\frac{\text{Asset}}{\text{Equity}}$$

Outlook for ROE FY2018

Increase in retail car sales
Increase in profit margin
with expansion in retail sales

Expand retail car sales
based on management policy
of not holding inventory
or real estate

Investment in store opening
with own capital
(+ a portion from bank loan)



Net income margin

Total asset turnover ratio

Financial leverage

$$\frac{\text{Net income}}{\text{sales}}$$

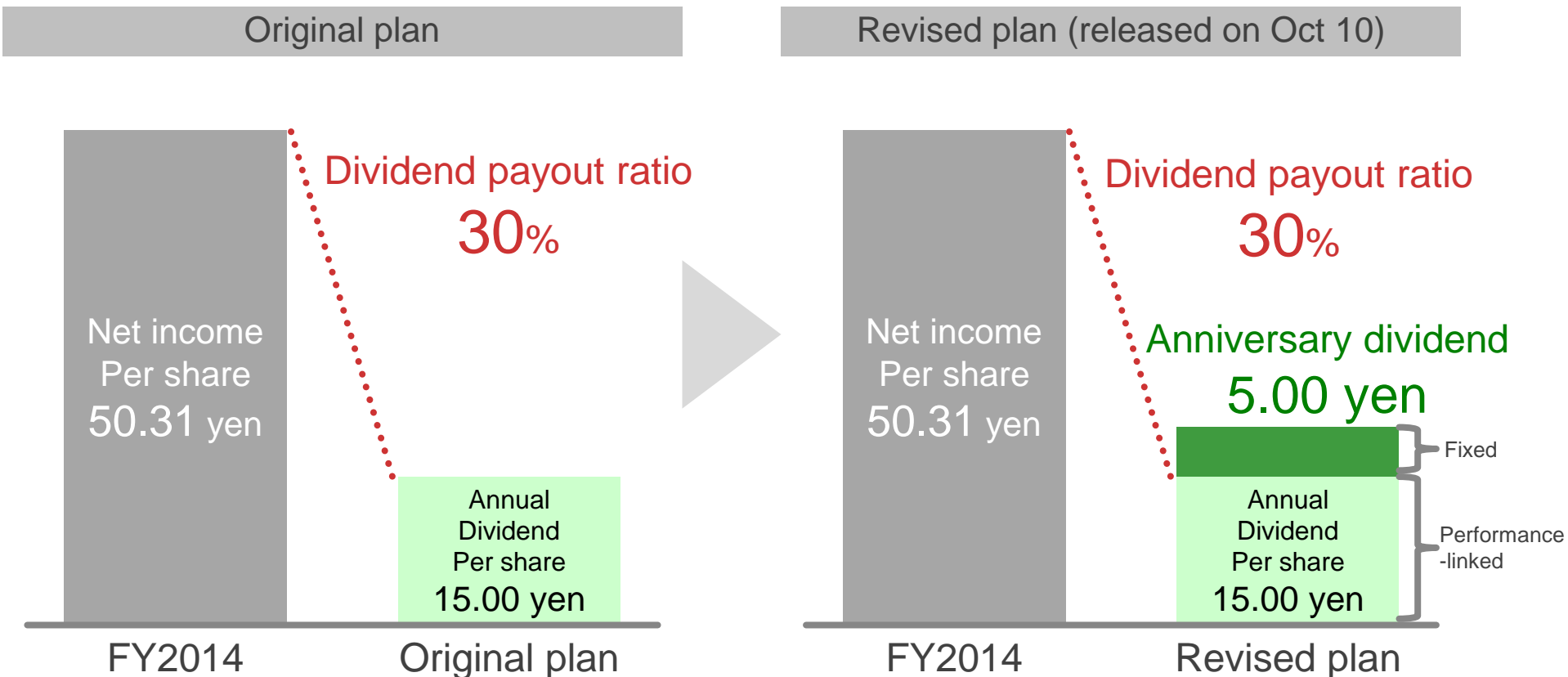


$$\frac{\text{sales}}{\text{Asset}}$$



$$\frac{\text{Asset}}{\text{Equity}}$$

Commemorative year-end dividend of 5 yen per share for 20th Anniversary



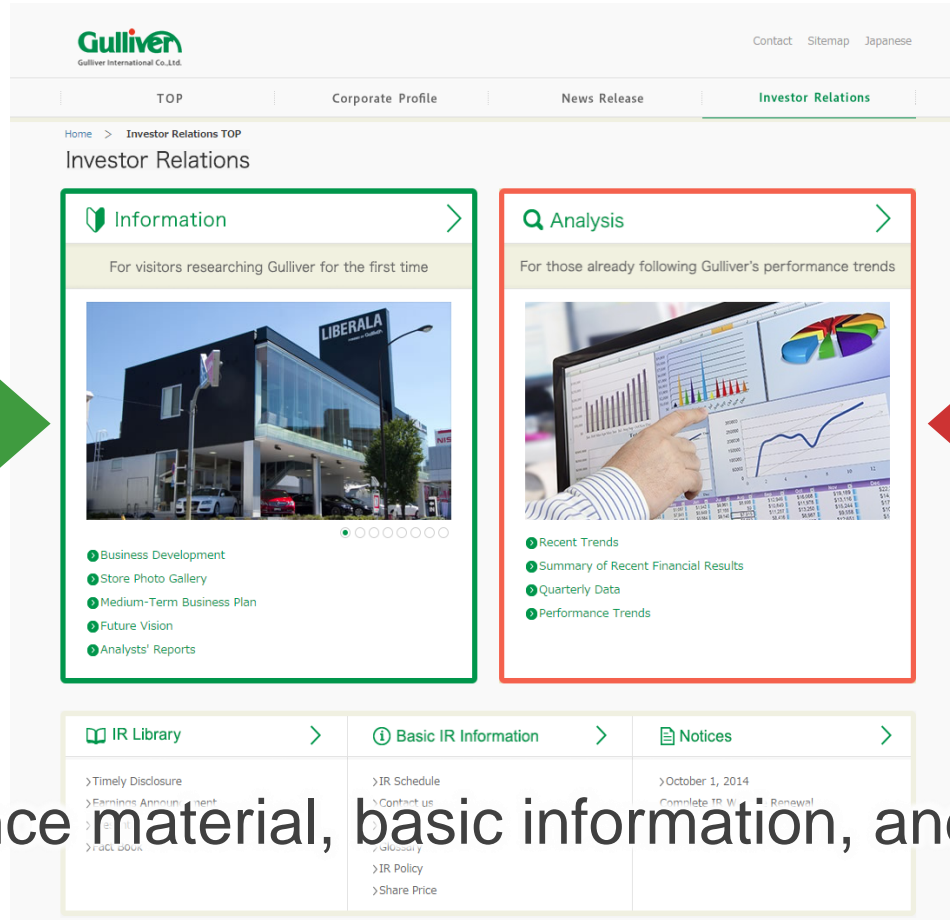
* Dividend per share will be an interim dividend of 7.50 yen per share plus year-end dividend of 12.50 yen per share for a planned annual dividend of 20.00 yen per share.

* The performance-linked component of the dividend may increase or decrease if the net income for the fiscal year is lower or higher than planned.

*The year-end dividend for the fiscal year ending February 28, 2015, including the commemorative dividend, is to be formally decided by a resolution of the ordinary general meeting of shareholders.

Content is divided into two sections to reflect the different stages in investors' research

For those researching gulliver for the first time



For those already following Gulliver

Reference material, basic information, and notices

VII. Reference

Income Statement

Consolidated	FY ended Aug 31, 2011		FY ended Aug 31, 2012		FY ended Aug 31, 2013		FY ended Aug 31, 2014			
	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	70,318	100.0	71,299	100.0	83,401	100.0	74,631	100.0	-8,770	-10.5
Cost of sales	52,582	74.8	55,636	78.0	65,637	80.2	55,828	74.8	-9,809	-14.9
Gross profit	17,735	25.2	15,663	22.0	17,763	19.8	18,802	25.2	1,039	5.8
SG&A Expenses	13,067	18.6	14,073	19.7	14,206	15.7	16,075	21.5	1,869	13.2
Operating income	4,668	6.6	1,589	2.2	3,557	4.1	2,727	3.7	-830	-23.3
Ordinary income	4,670	6.6	1,718	2.4	3,658	4.2	2,758	3.7	-900	-24.6
Income before income taxes and minority interests	5,027	7.1	1,597	2.2	3,679	4.2	2,704	3.6	-975	-26.5
Net income	3,009	4.3	868	1.2	2,298	2.7	1,645	2.2	-653	-28.4

Non-Consolidated	FY ended Aug 31, 2011		FY ended Aug 31, 2012		FY ended Aug 31, 2013		FY ended Aug 31, 2014			
	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	68,225	100.0	70,612	100.0	82,712	100.0	73,280	100.0	-9,432	-11.4
Cost of sales	51,494	75.5	55,249	78.2	65,211	78.8	54,925	75.0	-10,286	-15.8
Gross profit	16,730	24.5	15,363	21.8	17,500	21.2	18,354	25.0	854	4.9
SG&A Expenses	12,549	18.4	13,916	19.7	14,043	17.0	15,793	21.6	1,750	12.5
Operating income	4,180	6.1	1,446	2.0	3,456	4.2	2,561	3.5	-895	-25.9
Ordinary income	4,211	6.2	1,506	2.1	3,502	4.2	2,563	3.5	-939	-26.8
Income before income taxes	4,801	7.0	1,527	2.2	3,532	4.3	2,519	3.4	-1,013	-28.7
Net income	2,971	4.4	860	1.2	2,198	2.7	1,527	2.1	-671	-30.5

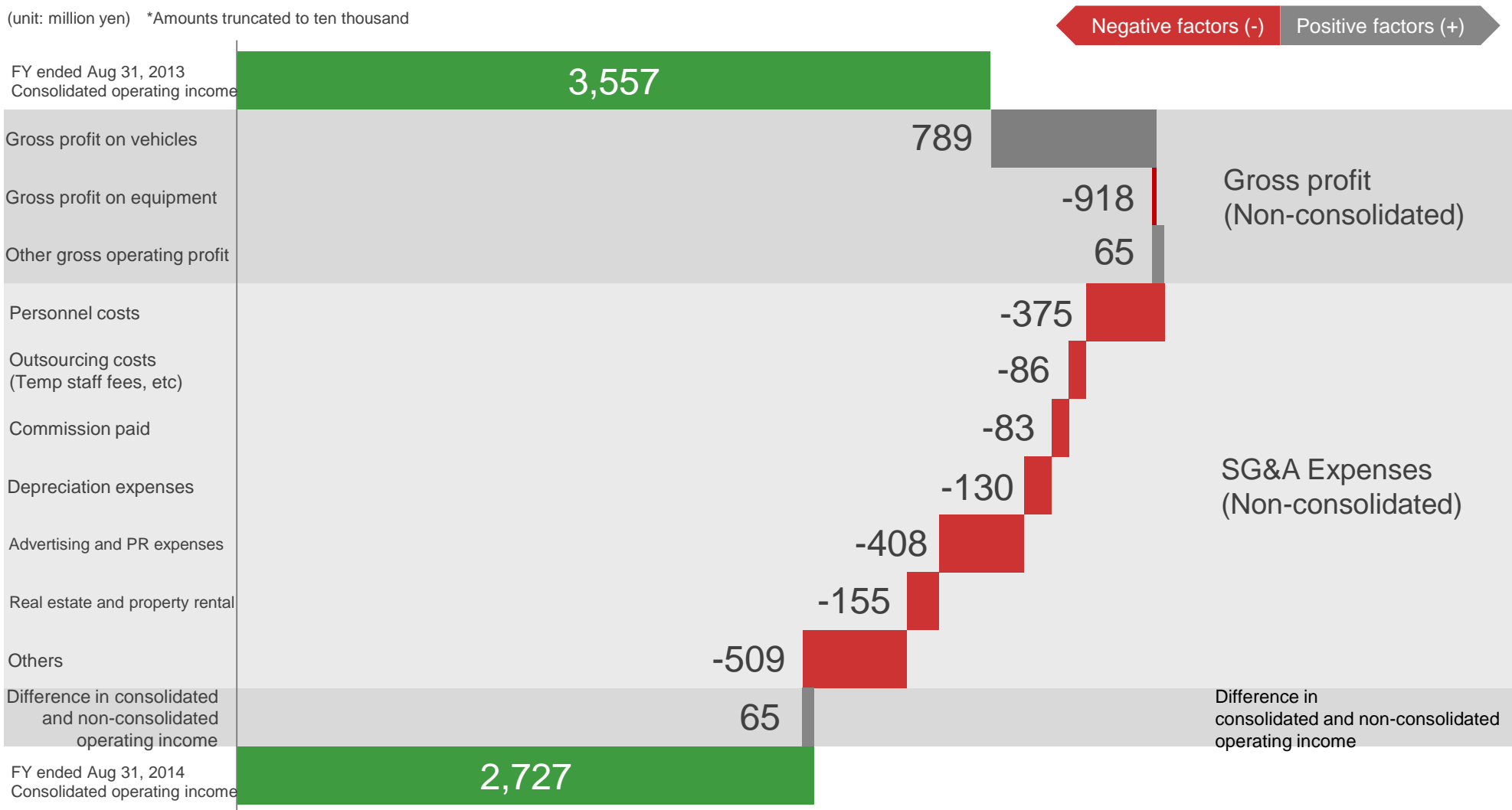
Income Statement(Forecast)

Consolidated	FY ended Feb 29, 2012		FY ended Feb 28, 2013		FY ended Feb 28, 2014		FY ending Feb 28, 2015			
	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Forecast (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	132,881	100.0	143,417	100.0	169,398	100.0	173,000	100.0	3,602	2.1
Cost of sales	99,892	75.2	109,527	76.4	132,843	78.4	132,000	76.3	-843	-0.6
Gross profit	32,989	24.8	33,889	23.6	36,554	21.6	41,000	23.7	4,446	12.2
SG&A Expenses	26,739	20.1	28,812	20.1	29,460	17.4	32,500	18.8	3,040	10.3
Operating income	6,249	4.7	5,077	3.5	7,094	4.2	8,500	4.9	1,406	19.8
Ordinary income	6,318	4.8	5,252	3.7	7,201	4.3	8,500	4.9	1,299	18.0
Income before income taxes and minority interests	6,596	5.0	5,172	3.6	7,071	4.2	8,300	4.8	1,229	17.4
Net income	3,785	2.8	2,980	2.1	4,360	2.6	5,100	2.9	740	17.0

Non-Consolidated	FY ended Feb 29, 2012		FY ended Feb 28, 2013		FY ended Feb 28, 2014		FY ending Feb 28, 2015			
	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Forecast (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	130,138	100.0	142,060	100.0	168,036	100.0	171,600	100.0	3,564	2.1
Cost of sales	98,543	75.7	108,770	76.6	132,000	78.6	131,300	76.5	-700	-0.5
Gross profit	31,595	24.3	33,290	23.4	36,036	21.4	40,300	23.5	4,264	11.8
SG&A Expenses	26,050	20.0	28,491	20.1	29,161	17.4	32,000	18.6	2,838	9.7
Operating income	5,544	4.3	4,798	3.4	6,874	4.1	8,300	4.8	1,426	20.7
Ordinary income	5,622	4.3	4,966	3.5	6,987	4.2	8,300	4.8	1,313	18.8
Income before income taxes	6,202	4.8	4,904	3.5	6,810	4.1	8,100	4.7	1,290	18.9
Net income	3,674	2.8	2,834	2.0	4,200	2.5	5,000	2.9	800	19.0

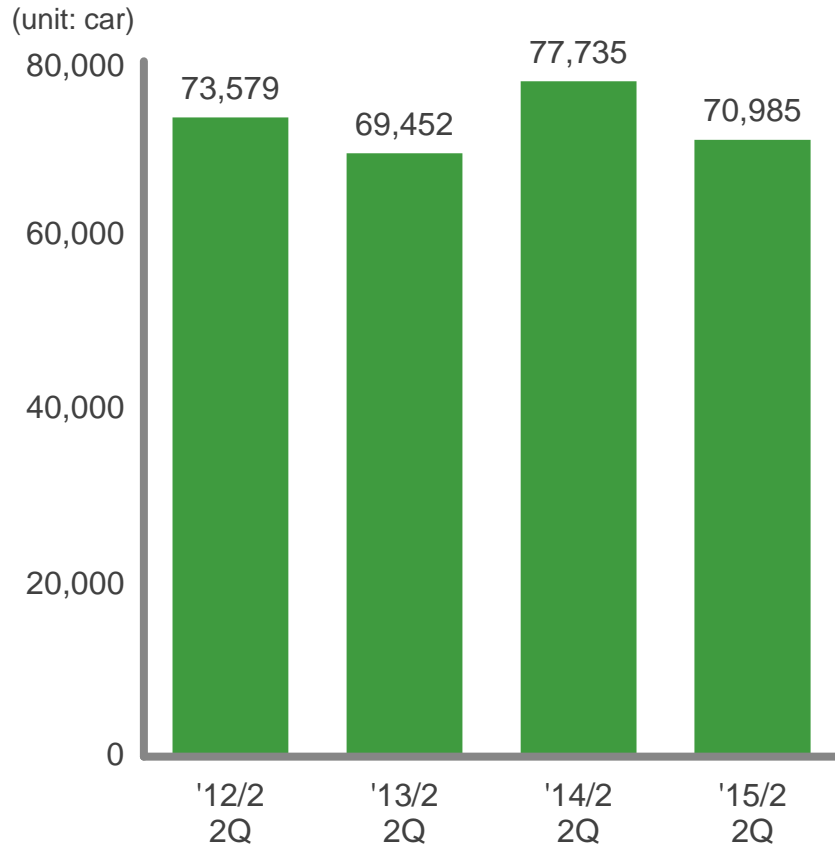
Analysis of change in consolidated operating income

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

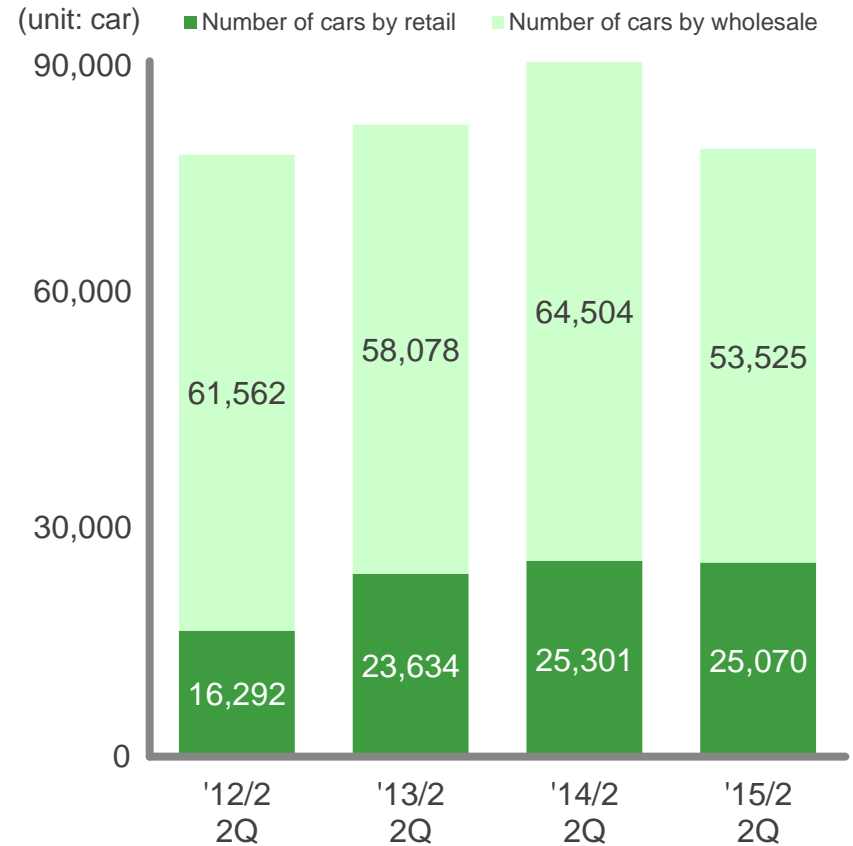


Transaction Volume

Number of cars purchased



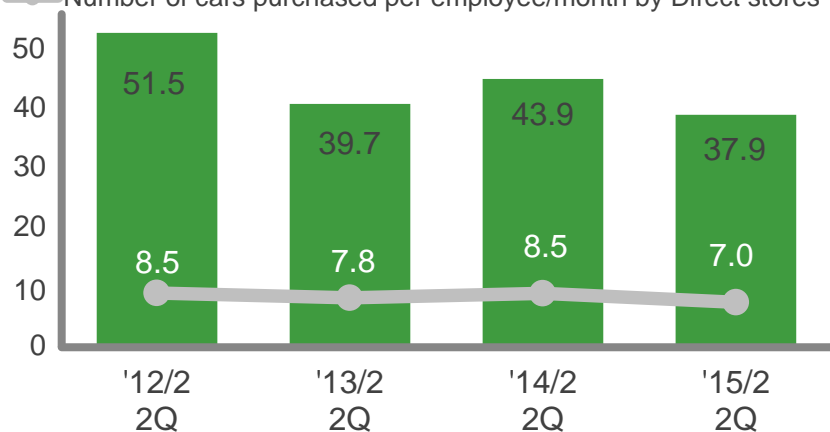
Number of cars by wholesale and Number of cars by retail



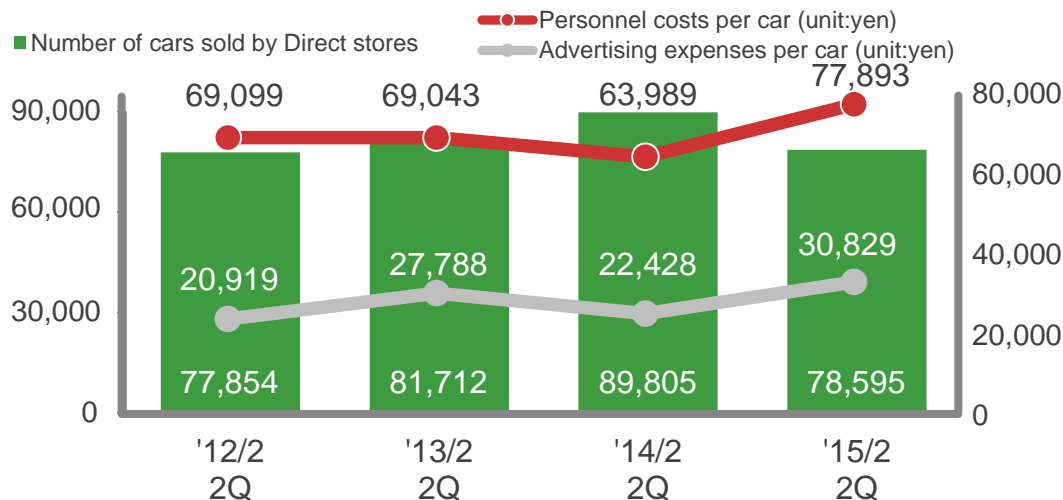
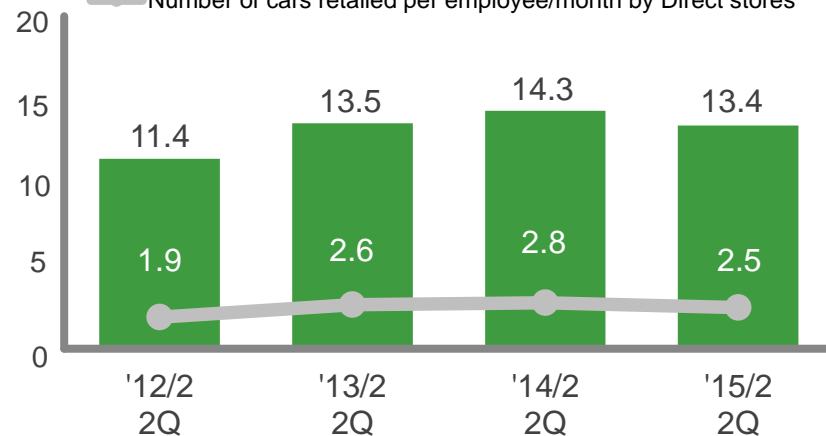
Productivity Indicator

Productivity Indicator

■ Number of cars purchased per store/month by Direct stores
 ● Number of cars purchased per employee/month by Direct stores



■ Number of cars retailed per store/month by Direct stores
 ● Number of cars retailed per employee/month by Direct stores



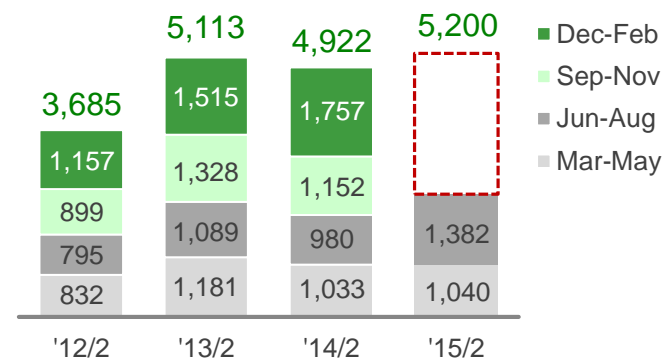
SG&A Expense (Non-Consolidated)

	FY ended Aug 31, 2011		FY ended Aug 31, 2012		FY ended Aug 31, 2013		FY ended Aug 31, 2014			
	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Personnel costs	5,379	7.9%	5,641	8.0%	5,746	6.9%	6,122	8.4%	376	6.5%
Outsourcing costs (Temp staff fees, etc)	524	0.8%	633	0.9%	554	0.7%	640	0.9%	86	15.5%
Commission paid	232	0.3%	252	0.4%	267	0.3%	350	0.5%	83	31.1%
Depreciation expenses	556	0.8%	558	0.8%	599	0.7%	729	1.0%	130	21.7%
Advertising and PR expenses	1,628	2.4%	2,270	3.2%	2,014	2.4%	2,423	3.3%	409	20.3%
Real estate and property rental	2,186	3.2%	2,304	3.3%	2,447	3.0%	2,603	3.6%	156	6.4%
Others	2,042	3.0%	2,255	3.2%	2,414	2.9%	2,923	4.0%	509	21.1%
Total	12,549	18.4%	13,916	19.7%	14,043	17.0%	15,793	21.6%	1,750	12.5%

Basic data

		FY ended Aug 31, 2011	FY ended Aug 31, 2012	FY ended Aug 31, 2013	FY ended Aug 31, 2014
Employees (Head office)	person	530	513	498	505
Employees (Direct stores)	person	1,469	1,475	1,508	1,702
Total employees	person	1,999	1,988	2,006	2,207
Capital investment(stores)	million yen	99	282	481	1,251
Capital investment(system, etc)	million yen	108	294	150	245
Total capital investment	million yen	208	577	632	1,496

Advertising expenses (million yen)



Consolidated balance sheets

(unit: million yen)

	As of February 28, 2014	As of August 31, 2014
Assets		
Current assets		
Cash and deposits	14,688	12,819
Notes and accounts receivable - trade	7,163	4,631
Merchandise	9,414	9,919
Deferred tax assets	1,210	856
Other	1,046	1,145
Allowance for doubtful accounts	-59	-53
Total current assets	33,463	29,319
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,586	16,582
Accumulated depreciation	-5,605	-5,912
Buildings and structures, net	9,981	10,670
Vehicles	215	57
Accumulated depreciation	-185	-53
Vehicles, net	30	3
Tools, furniture and fixtures	2,740	2,780
Accumulated depreciation	-2,165	-2,206
Tools, furniture and fixtures, net	575	573
Land	218	218
Construction in progress	184	1,077
Total property, plant and equipment	10,989	12,544
Intangible assets		
Software	993	1,111
Other	17	172
Total intangible assets	1,011	1,284
Investments and other assets		
Investment securities	3	3
Shares of subsidiaries and associates	435	46
Long-term loans receivable	251	250
Lease and guarantee deposits	3,319	3,449
Construction assistance fund receivables	2,812	3,040
Deferred tax assets	253	251
Other	302	335
Allowance for doubtful accounts	-62	-62
Total investments and other assets	7,315	7,313
Total non-current assets	19,316	21,141
Total assets	52,779	50,460

	As of February 28, 2014	As of August 31, 2014
Liabilities		
Current liabilities		
Accounts payable - trade	2,852	2,999
Short-term loans payable	-	4,005
Accounts payable - other	1,721	1,232
Income taxes payable	2,116	834
Deposits received	98	111
Provision for bonuses	440	536
Provision for merchandise warranties	1,817	1,268
Other	4,478	3,283
Total current liabilities	13,525	14,272
Non-current liabilities		
Long-term loans payable	4,000	51
Long-term guarantee deposited	741	713
Provision for directors' retirement benefits	474	490
Asset retirement obligations	1,191	1,217
Total non-current liabilities	6,407	2,472
Total liabilities	19,933	16,744
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	28,548	29,397
Treasury shares	-3,975	-3,947
Total shareholders' equity	32,761	33,639
Accumulated other comprehensive income		
Foreign currency translation adjustment	80	76
Total accumulated other comprehensive income	80	76
Subscription rights to shares	4	-
Total net assets	32,846	33,716
Total net assets	52,779	50,460

Consolidated Statements of Cash Flows

(unit: million yen)

	FY ended Aug 31, 2012	FY ended Aug 31, 2013	FY ended Aug 31, 2014
I . Cash flows from operating activities	4,167	5,985	1,757
II . Cash flows from investing activities	-271	-212	-2,780
III . Cash flows from financing activities	-2,415	-475	-948
IV . Effect of exchange rate change on cash and cash equivalents	1	5	-2
V . Net increase (decrease) in cash and cash equivalents	1,482	5,303	-1,973
VI . Cash and cash equivalents at beginning of period	7,945	6,836	14,661
VII . Increase in cash and cash equivalents from newly consolidated subsidiary	-	-	103
VIII . Cash and cash equivalents at end of period	9,428	12,140	12,791

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, 2013	FY ended Feb 28, 2014	FY ending Feb 28, 2015 (Forecast)
Interim dividend		41.00	5.00	7.50
Year-end dividend	Ordinary dividend	47.00	8.00	7.50
	Anniversary dividend	-	-	5.0
Annual dividend		88.00	13.00	20.00

•We had split one common share to 10 shares and implemented the share unit system, by which 10 shares turn to as share unit, effective as of May 1,2013. Dividend data adjusted for stock splits..