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Consolidated Financial Results For the Third Quarter Ended December 31, 2018 [JGAAP]

January 31, 2019

Company Name:	ZOZO, Inc.
Stock Listing:	Tokyo Stock Exchange – First Section
Code:	3092
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Scheduled date to submit quarterly report:	February 14, 2019
Scheduled date to commence dividend payment:	-
Quarterly supplementary financial document:	Yes
Quarterly results briefing:	Yes (For institutional investors and analysts)

(Rounded down to million yen)

1. Consolidated Business Results for the Third Quarter Ended December 31, 2018 (April 1, 2018 to December 31, 2018)

(1) Consolidated Business Performance (% change from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended December 2018	89,774	26.6	20,630	-12.4	20,685	-12.4	13,665	-16.1
Nine months ended December 2017	70,915	32.1	23,551	22.1	23,600	21.4	16,285	15.4

(Note) Comprehensive Income: Nine months ended December 2018: 13,659 million yen (-17.0%)
 Nine months ended December 2017: 16,449 million yen (16.4%)

	Profit per share	Fully diluted profit per share
	Yen	Yen
Nine months ended December 2018	44.58	—
Nine months ended December 2017	52.26	—

(Note) Fully diluted profit per share are not filled in since there are no dilutive shares during nine months ended December 2017, and there are no common stock equivalents that have a dilutive effect for nine months ended December 2018.

(2) Consolidated Financial Position

	Total assets	Net Assets	Equity Ratio
	million yen	million yen	%
As at December 31, 2018	76,441	20,203	26.3
As at March 31, 2018	70,712	40,810	57.7

(Reference) Shareholder's Equity: As at December 31, 2018: 20,123 million yen
 As at March 31, 2018: 40,810 million yen

2. Dividends

	Annual dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	12.00	—	17.00	29.00
Year ending March 31, 2019	—	14.00			
Year ending March 31, 2019 (forecast)				10.00	24.00

(Note) Revisions to the latest dividend forecast: Yes

3. Forecast of Consolidated Business Results for Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% change from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Year ending March 31, 2019	118,000	19.9	26,500	-18.9	26,500	-19.1	17,800	-11.7	58.13

(Note) Revisions to the consolidated business results forecast for year ending March 31, 2019: Yes

*Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None
- (2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements: None
- (3) Change in accounting policies, accounting estimates and restatement
 - ① Changes in accounting policies associated with revision of accounting standards: None
 - ② Changes in accounting policies other than ①: None
 - ③ Changes in accounting estimates: None
 - ④ Restatement: None
- (4) Shares outstanding (common stock)
 - ① Number of shares outstanding at the end of period (treasury stock included)

As at December 31, 2018:	311,644,285 shares
As at March 31, 2018:	311,644,285 shares
 - ② Treasury stock at the end of period

As at December 31, 2018:	6,349,100 shares
As at March 31, 2018:	-
 - ③ Average number of stock during period (quarterly cumulative period)

Nine months ended December 31, 2018:	306,514,396 shares
Nine months ended December 31, 2017:	311,644,285 shares

* Quarterly financial summary is not subject to the quarterly review procedures by certified public accountants or auditing firms.

* Explanation regarding appropriate use of business forecasts and other special instructions

- Forecasts regarding future performance in this material are based on information currently available to the company and certain assumptions that the company deems to be reasonable at the time this report was prepared. Actual results may differ significantly from the forecasts due to various factors. Please refer "(3) Future Prospects such as Consolidated Business Results" on page 8 for the suppositions that form the assumptions for business forecasts and cautions concerning the use of business forecasts.
- On January 31, 2019, the company will hold a financial result briefing for the institutional investors and analysts. Its detail as well as presentation materials will be posted on the company's IR website immediately after the commencement of the financial result briefing.

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1. Overview of Business Results

(1) Overview of Business Results for the Current Quarter

[Table 1] Previous Year Comparison

(Unit: million yen)

	Previous Third Quarter (April 1, 2017 to December 31, 2017)		Current Third Quarter (April 1, 2018 to December 31, 2018)		YoY
Gross Merchandise Value	196,987	(100.0%)	235,030	(100.0%)	19.3 %
Net sales	70,915	(36.0%)	89,774	(38.2%)	26.6 %
Gross profit	65,575	(33.3%)	81,057	(34.5%)	23.6 %
Operating profit	23,551	(12.0%)	20,630	(8.8%)	-12.4 %
Ordinary Profit	23,600	(12.0%)	20,685	(8.8%)	-12.4 %
Profit attributable to owners of parent	16,285	(8.3%)	13,665	(5.8%)	-16.1 %

Numbers inside parentheses are compositions toward the gross merchandise value

Under the corporate philosophy of “Make the World a better place, bring smiles to the World”, ZOZO, Inc. (hereinafter, referred to as the “Company”) group mainly operates the following businesses; 1) operation of a fashion e-commerce site ZOZOTOWN, 2) sales of the private brand ZOZO and 3) operation of a fashion media WEAR.

In the consolidated cumulative 3rd quarter of the current fiscal year, the group put efforts for configuring ZOZOTOWN more attractive for both users and brands to increase the number of unique users and the conversion rate (purchase rate of unique users). Specifically, the Company continued to open new shops of variety of genres actively to satisfy users’ diversified needs, and the Company have implemented sales events “ZOWEER” in spring (May 17 to 23) and in fall (November 6 to 13 and 20 to 27) of 2018. Also, to acquire new users and increase the annual purchase amount of existing members, the Company has started a new paid-membership “ZOZOARIGATO Membership” from December 25, 2018. Users can register to the service by paying either 500 yen per month (excluding tax) or 3,000 yen per annum (excluding tax). Detail of registered member benefit is that, with the Company to bear, equivalent to 10% of item purchase price but the limitation of 50,000 yen (including tax) per month, users can choose usage of that 10% amount from the followings in their sole discretion: 1) discount to their purchases, 2) donation to the designated institutions selected by the Company such as JAPAN RED CROSS SOCIETY and 3) give back to the shops where the items were purchased. Going forward, as a new mechanism to enjoy fashion while contributing to the society, the Company will endeavor to make the service acceptable by as many stakeholders as possible.

As for the private brand ZOZO, the Company started to offer formal line items such as business suits from July 2018, in addition to casual line items such as crew-neck T-shirt and slim tapered denim which had been available since the inception. During this 3rd quarter consolidated accounting period, the Company launched 7 new items including “ZOZOHEAT” the heating innerwear which the brand produced for the first time. Furthermore, previously, for users to purchase items of ZOZO, they must complete measurement using ZOZOSUITs. However, with the body size calculation algorithm which utilizes voluminous body measurement data, the Company introduced a new measurement method from September 7, 2018, enabling users to purchase certain item line-ups in his/her best size without measurement by ZOZOSUIT. In order to apply this measurement method and make all the items purchasable except some formal items such as business suits, the Company is currently working on improvements of the algorithm. Regarding ZOZOSUIT, the Company initiated its mass distribution from April 27, 2018 after shifting its measurement method from the stretchable sensor system to the marker method. Due to the expectation of expanding purchasable items through the new measurement method, it is anticipated that the distribution number at the end of the ongoing fiscal year will be 3 million at maximum.

As a result, the gross merchandise value for this consolidated cumulative 3rd quarter stood at 235,030 million yen (+19.3% YoY), net sales stood at 89,774 million yen (+26.6% YoY) and gross profit stood at 81,057 million yen (+23.6% YoY). From this consolidated cumulative 3rd quarter, the amount of the gross merchandise value is shown in the amount before deduction of discount attributable to the paid-membership. The gross profit margin (towards the gross merchandise value) rose up by 1.2p YoY to 34.5% mainly due to increases in the other revenue segment (shipping income, settlement commission etc.) and the consignment sales commission rate (comparison with the ratio towards the gross merchandise value).

SG&A stood at 60,426 million yen (+43.8% YoY) and the ratio towards the gross merchandise value rose by 4.4p YoY to 25.7%. Factors of the rise are increases in 1) advertising expenses from free of charge distribution of ZOZOSUIT, 2) shipping cost derived from the delivery fee hike of the carrier, and 3) other expenses: development cost of marker method ZOZOSUIT, temporary cost such as donation of the torrential rain and floods in western Japan, communication expenses for the system replacement etc.

Consequently, operating profit for this consolidated cumulative 3rd quarter period stood at 20,630 million yen (-12.4% YoY) and the operating profit margin towards the gross merchandise value was 8.8% which was -3.2p YoY. Ordinary profit stood at 20,685 million yen (-12.4% YoY) and profit attributable to owners of parent stood at 13,665 million yen (-16.1%).

Since the group operates a single segment of e-commerce business, description of each segment is omitted. Business performance of each of the business units within the single segment are described below:

[Table 2] Previous Year Comparison by Business Unit

Business Unit	Previous Third Quarter (April 1, 2017 to December 31, 2017)			Current Third Quarter (April 1, 2018 to December 31, 2018)			Merchandise Value YoY (%)	Net Sales YoY (%)
	Merchandise Value (million yen)	Ratio (%)	Net Sales (million yen)	Merchandise Value (million yen)	Ratio (%)	Net Sales (million yen)		
ZOZOTOWN								
(Consignment)	180,002	91.4	51,712	213,337	90.7	63,078	18.5	22.0
(Purchased Stock)	129	0.1	129	128	0.1	128	-0.5	-0.5
(ZOZOUSED)	11,370	5.8	11,370	12,647	5.4	12,427	11.2	9.3
Subtotal	191,502	97.3	63,212	226,113	96.2	75,634	18.1	19.7
Private Brand	—	—	—	2,260	1.0	2,260	—	—
BtoB	5,398	2.7	1,161	6,656	2.8	1,516	23.3	30.6
ZOZOFURIMA	86	0.0	—	—	—	—	-100.0	—
Advertisement	—	—	—	—	—	857	—	—
Others	—	—	6,541	—	—	9,506	—	45.3
Total	196,987	100.0	70,915	235,030	100.0	89,774	19.3	26.6

① ZOZOTOWN Business

ZOZOTOWN business consists of 3 business forms: consignment shop, purchased stock shop and ZOZOUSED. The consignment shop is a business form which each brand's products are stocked in the Company's logistics bases as consigned inventory and sell them at ZOZOTOWN in consignment basis. The purchased stock shop is a business form where the Company purchases fashion products from multiple brands as own inventory and sell them at shops at ZOZOTOWN. ZOZOUSED is a business form purchases second-hand fashion products mainly from individual users and a subsidiary of the Company sells the products at ZOZOTOWN.

The Company recognizes that "increasing the number of buyers" and "raising usage ratio of ZOZOTOWN in fashion related consumption" are significant factors to grow ZOZOTOWN business continuously. For this reason, the Company is working to make ZOZOTOWN more attractive e-commerce site for both users and brands.

KPI performances of ZOZOTOWN Business are as follows:

[Table 3] Number of Shops and Brands

	Previous Fiscal Year				Current Fiscal Year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of Shops on ZOZOTOWN (*1)	987	1,016	1,094	1,111	1,139	1,183	1,255	—
Purchased Stock Shop	8	7	6	6	5	5	5	—
Consignment Shop	979	1,009	1,088	1,105	1,134	1,178	1,250	—
Number of Brands (*1,2)	5,859	6,032	6,346	6,443	6,820	6,957	7,115	—

(Note)

1 Numbers are as at the end of each quarter period

2 Private brand “ZOZO” is not included

The number of newly opened shop in this 3rd quarter consolidated accounting period was 79 (net increase of 72). Noteworthy shops are “MICHAEL KORS” a luxury brand from the United States, a well-known watch brand “CITIZEN”, and “BUNNY apartment” which handles “ANDGEEBEE” a brand produced by Sae Murase, who is a member of a Japanese idol group NMB48.

[Table 4] Transition of Total Annual Buyers

	Previous Fiscal Year				Current Fiscal Year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of total buyers	6,734,740	6,963,986	7,205,777	7,223,227	7,392,126	7,769,546	8,073,672	—
YoY difference	1,902,182	1,711,445	1,422,396	899,194	657,386	805,560	867,895	—
QoQ difference	410,707	229,246	241,791	17,450	168,899	377,420	304,126	—
Active member	4,181,873	4,591,017	4,957,861	5,112,861	5,458,643	5,782,227	6,156,837	—
YoY difference	1,337,702	1,531,026	1,536,421	1,219,705	1,276,770	1,191,210	1,198,976	—
QoQ difference	288,717	409,144	366,844	155,000	345,782	323,584	374,610	—
Guest Buyer	2,552,867	2,372,969	2,247,916	2,110,366	1,933,483	1,987,319	1,916,835	—
YoY difference	564,480	180,419	-114,025	-320,511	-619,384	-385,650	-331,081	—
QoQ difference	121,990	-179,898	-125,053	-137,550	-176,883	53,836	-70,484	—

(Note)

Data is based on 12 months period prior to the quarter end

In this 3rd quarter consolidated accounting period, the company implemented enrichment of services for registered members from October 2018 (changing the function of how brand coupons works, where an individual shop can issue their original coupon) and as a result, the number of active members increased compared to its previous quarter. To the contrary, the number of guest buyers decreased from the abovementioned change.

[Table 5] Transition of Annual Purchase Amount and Annual Purchase Pieces

	Previous Fiscal Year				Current Fiscal Year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Annual purchase amount (all members) (*1, 2, 3)	47,119	46,818	46,707	47,661	46,870	46,120	46,009	—
YoY %	-3.1%	-3.6%	-3.2%	2.7%	-0.5%	-1.5%	-1.5%	—
QoQ %	1.5%	-0.6%	-0.2%	2.0%	-1.7%	-1.6%	-0.2%	—
Annual purchase pieces (*1, 2)	10.7	10.9	11.0	11.4	11.3	11.2	11.1	—
YoY %	8.2%	4.5%	4.9%	10.8%	5.8%	3.0%	1.4%	—
QoQ %	4.1%	1.7%	0.9%	3.7%	-0.5%	-1.0%	-0.7%	—
Annual purchase amount (existing active members) (*1, 2, 3)	63,004	64,290	62,761	61,098	59,569	57,563	56,304	—
YoY %	6.9%	7.0%	3.0%	-1.1%	-5.5%	-10.5%	-10.3%	—
QoQ %	2.0%	2.0%	-2.4%	-2.7%	-2.5%	-3.4%	-2.2%	—
Annual purchase pieces (*1, 2)	14.1	14.6	14.5	14.4	14.2	13.8	13.6	—
YoY %	19.2%	15.7%	10.5%	6.1%	0.6%	-5.5%	-6.2%	—
QoQ %	4.0%	3.2%	-0.7%	-0.4%	-1.4%	-3.0%	-1.5%	—

(Note)

*1 Data is based on 12 months period prior to the quarter end

*2 Indicators are per active user basis

*3 Japanese yen basis

In this 3rd quarter consolidated accounting period, the main reason behind the decrease in the annual purchase amount (all members) compared to its previous quarter and the same quarter of the previous fiscal year, is an increase in the ratio of light users. Furthermore, the annual purchase amount for active members is also decreasing, due to an increase in the proportion of short-term registered existing members (there is a trend that annual purchase amount of a registered member gets higher as the period after the registration gets longer).

[Table 6] Transition of Average Retail Price, Average Purchase Amount per Shipment and Number of Shipment

	Previous Fiscal Year				Current Fiscal Year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Average Retail Price (*1, 2)	4,099	3,664	4,858	4,203	3,953	3,655	4,759	—
YoY%	-8.3%	-5.0%	-7.2%	-6.1%	-3.6%	-0.2%	-2.0%	—
Average Purchase Amount per Shipment (*1, 2)	8,530	8,186	9,043	8,611	8,122	7,777	9,560	—
YoY%	-1.7%	3.1%	-10.9%	-3.8%	-4.8%	-5.0%	5.7%	—
Average Purchase Pieces per Order (*1)	2.08	2.23	1.86	2.05	2.05	2.13	2.01	—
YoY%	7.1%	8.5%	-3.9%	2.4%	-1.3%	-4.8%	7.9%	—
Number of Shipment (*1)	6,787,599	7,148,647	8,303,595	8,293,761	8,425,033	8,865,330	9,512,052	—
YoY%	45.9%	32.6%	41.1%	19.7%	24.1%	24.0%	14.6%	—

(Note)

*1 Data is based on 12 months period prior to the quarter end

*2 Japanese yen basis

The average retail price decreased slightly compared to the same quarter of the previous fiscal year. The downward trend from an increase in the proportion of new shops with relatively low price point to the gross merchandise value, is now showing signs of having bottomed out at certain level. On the other hand, as for the average purchase amount per shipment, it has turned around and increased when compared to the same quarter of the previous fiscal year. In the 3rd quarter consolidated accounting period of the last fiscal year, the average purchase pieces per order dropped because of the implementation of measure where users freely determine any amount of shipping fee in October 2017, and then it was amended to the shipping fee policy to 200 yen flat from November 1 of the same year, leading to a significant drop of the purchase amount per shipment. Since certain time has passed from this amendment and penetration among users reached to a decent level, the average purchase pieces per order of this 3rd quarter consolidated accounting period increased and consequently, the average purchase amount per shipment increased as well.

Business results of consignment shop, purchased stock shop and ZOZOUSED are as follows:

a. Consignment Shop

The merchandise value of consignment shop for the consolidated cumulative 3rd quarter of the current fiscal year stood at 213,337 million yen (+18.5% YoY), constituting 90.7% of the gross merchandise value (91.4% for the same quarter of the previous fiscal year). Net sales (consignment sales commission) stood at 63,078 million yen (+22.0% YoY). The number of consignment shop at the end of December 2018 was 1,250 (1,178 at the end of September 2018).

b. Purchased Stock Shop

The merchandise value of purchased stock shop for the consolidated cumulative 3rd quarter of the current fiscal year stood at 128 million yen (-0.5% YoY), constituting 0.1% of the gross merchandise value (0.1% for the same quarter of the previous fiscal year). Net sales stood at 128 million yen (-0.5% YoY). The number of purchased stock shop at the end of December 2018 was 5 (5 at the end of September 2018).

c. ZOZOUSED

The merchandise value of ZOZOUSED for the consolidated cumulative 3rd quarter of the current fiscal year stood at 12,647 million yen (+11.2% YoY), constituting 5.4% of the gross merchandise value (5.8% for the same

quarter of the previous fiscal year). Net sales stood at 12,427 million yen (+9.3% YoY).

② Private Brand Business

The private brand ZOZO sells in-house designed apparel which are manufactured based on individual user's body measurement. ZOZO realizes to offer best-fit sized items for any individual based on measurement results provided from users, who received the body measurement suit ZOZOSUIT the Company developed. The merchandise value for the consolidated cumulative 3rd quarter of the current fiscal year stood at 2,260 million yen, constituting 1.0 % of the gross merchandising value and its net sales stood at 2,260 million yen.

③ BtoB Business

BtoB is a business form where the Company is entrusted from brands for configuration and operation of their own e-commerce websites. The merchandise value for the consolidated cumulative 3rd quarter of the current fiscal year stood at 6,656 million yen (+23.3% YoY), constituting 2.8% of the gross merchandise value (2.7% for the same quarter of the previous fiscal year). The net sales (consignment sales commission) stood at 1,516 million yen (+30.6% YoY). At the end of December 2018, the number of consigned e-commerce sites was 18 (12 at the end of September 2018).

④ Advertisement Business

Utilizing strong users reach basis of ZOZOTOWN and WEAR, the Company gain advertisement income by providing spaces on the platforms for partnering brands and ad agencies. The net sales of the consolidated cumulative 3rd quarter of the current fiscal year stood at 857 million yen.

As for WEAR, it continues to aim for monetization from advertisement in addition to expand its user base and to make contents more interesting. At the end of December 2018, the number of cumulative app downloads exceeded 12 million and the number of monthly active users are showing healthy growth as well.

⑤ Others

Within the others segment, net sales generated from businesses related to ZOZOTOWN (shipping income, settlement commission, paid-membership program etc.), other revenues from wholly-owned subsidiaries etc. are recorded. Net sales of the consolidated cumulative 3rd quarter of the current fiscal year stood at 9,506 million yen (+45.3% YoY).

(2) Overview of Financial Position for the Current Quarter

① Overview of Total Assets, Liabilities and Net Assets

(Unit: million yen)

	Previous Fiscal Year (As at March 31, 2018)	Current Third Quarter (As at December 31, 2018)	Increase/ decrease rate
Total Assets	70,712	76,441	8.1 %
Liabilities	29,902	56,238	88.1 %
Net Assets	40,810	20,203	-50.5 %

(Total Assets)

The balance of total assets was 76,411 million yen, increased by 5,728 million yen (+8.1%) from the previous fiscal year end. The balance of current assets was 56,489 million yen, increased by 2,914 million yen (+5.4%) from the previous fiscal year end. This was mainly due to an increase of 13,414 million yen in accounts receivable, a decrease of 16,336 million yen in cash and deposit and an increase of 2,874 million yen of merchandise and finished products. The balance of non-current assets was 19,952 million yen, increased by 2,813 million yen (+16.4%) from the previous fiscal year end. This was mainly due to an increase in investment and other assets of 1,684 million yen.

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No.28 February 17, 2018) has been applied from the beginning of the 1st quarter consolidated accounting period the current fiscal year ending March 31, 2019. Deferred tax assets are presented in investment and other assets, and deferred tax liabilities are presented in non-current liabilities respectively. This amendment is applied retroactively to the accounting standards for the previous fiscal year as well.

(Liabilities)

The balance of liabilities was 56,238 million yen, increased by 26,335 million yen (+88.1%) from the previous fiscal year end. The balance of current liabilities was 52,942 million yen, increased by 25,698 million yen (+94.3%) from the previous fiscal year end. This was mainly due to an increase in short-term borrowings of 22,000 million yen. The balance of non-current liabilities was 3,295 million yen, increased by 636 million yen (+23.9%) from the previous fiscal year end. This was mainly due to an increase in asset retirement obligations of 417 million yen.

(Net Assets)

The balance of the net assets was 20,203 million yen, decreased by 20,606 million yen (-50.5%) from the previous fiscal year end. This was mainly due to an increase by 24,412 million yen from the acquisition of treasury stock.

(3) Future Prospects such as Consolidated Business Forecast

For the consolidated business forecast for the year ending March 31, 2019, the Company revised its original forecast which was announced on April 27, 2018. For detail, please refer to today's press release of "Notice Concerning Revision of Consolidated Business Forecast and Year-end Dividend".

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: million yen)

	Previous Fiscal Year (As at March 31, 2018)	Current Third Quarter (As at December 31, 2018)
Assets		
Current assets		
Cash and deposits	24,571	8,234
Accounts receivable	25,382	38,797
Merchandise and finished products	2,194	5,068
Raw materials and supplies	195	1,303
Other	1,230	3,084
Total current assets	53,574	56,489
Non-current assets		
Property, plant and equipment	5,668	6,673
Intangible assets		
Goodwill	2,769	2,411
Other	453	934
Total intangible assets	3,222	3,346
Investments and other assets	8,247	9,932
Total non-current assets	17,138	19,952
Total assets	70,712	76,441
Liabilities		
Current liabilities		
Accounts payable	25	812
Deposits received for consignment sales	13,671	19,263
Short-term borrowings	—	22,000
Income taxes payable	6,479	1,484
Provision for bonuses	25	224
Provision for directors' bonuses	10	—
Provision for point certificates	1,123	1,398
Provision for sales returns	106	97
Other	5,800	7,661
Total current liabilities	27,243	52,942
Non-current liabilities		
Net defined benefit liability	1,566	1,784
Asset retirement obligations	603	1,021
Other	488	488
Total non-current liabilities	2,659	3,295
Total liabilities	29,902	56,238

(Unit: million yen)

	Previous Fiscal Year (As at March 31, 2018)	Current Third Quarter (As at December 31, 2018)
Net Assets		
Shareholders' equity		
Capital stock	1,359	1,359
Capital surplus	1,328	1,328
Retained earnings	38,204	41,932
Treasury Stocks	—	-24,412
Total shareholders' equity	40,892	20,208
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	91	62
Foreign currency translation adjustment	—	10
Remeasurements of defined benefit plans	-173	-158
Total accumulated other comprehensive income	-81	-85
Share acquisition rights	—	80
Total net assets	40,810	20,203
Total liabilities and net assets	70,712	76,441

(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income
Quarterly Consolidated Statements of Income
Consolidated Cumulative 3rd Quarter

(Unit: million yen)

	Previous Third Quarter (April 1, 2017 to December 31, 2017)	Current Third Quarter (April 1, 2018 to December 31, 2018)
Net sales	70,915	89,774
Cost of sales	5,330	8,726
Gross profit	65,584	81,048
Reversal of provision for sales returns	85	106
Provision for sales returns	95	97
Gross profit - net	65,575	81,057
Selling, general and administrative expenses	42,023	60,426
Operating profit	23,551	20,630
Non-operating income		
Interest income	0	0
Receipt rent	4	4
Income from recycling	25	42
Operations support fee	—	56
Gain on unused point	30	38
Other	39	23
Total non-operating income	100	165
Non-operating expenses		
Interest expenses	2	52
Rent expense	4	4
Foreign exchange losses	8	22
Loss on investments in partnership	35	30
Total non-operating expenses	50	110
Ordinary profit	23,600	20,685
Extraordinary income		
Gain on sales of non-current assets	0	8
Gain on transfer of business	—	169
Total extraordinary income	0	178
Extraordinary losses		
Loss on sales and retirement of non-current assets	5	16
Loss on valuation of investment securities	—	85
Loss on reversal of foreign currency translation adjustments	56	—
Impairment loss	—	1,176
Total extraordinary losses	61	1,278
Profit before income taxes	23,539	19,585
Income taxes - current	7,401	6,494
Income taxes - deferred	-147	-574
Total income taxes	7,254	5,919
Net Income	16,285	13,665
Net Income attributable to non-controlling interests	0	—
Net Income attributable to owners of parent	16,285	13,665

Quarterly Consolidated Statements of Comprehensive Income
 Consolidated Cumulative 3rd Quarter

(Unit: million yen)

	Previous Third Quarter (April 1, 2017 to December 31, 2017)	Current Third Quarter (April 1, 2018 to December 31, 2018)
Net Income	16,285	13,665
Other comprehensive income		
Valuation difference on available-for-sale securities	84	-28
Foreign currency translation adjustment	73	7
Remeasurements of defined benefit plans, net of tax	6	14
Total other comprehensive income	164	-6
Comprehensive income	16,449	13,659
(Breakdown)		
Comprehensive income attributable to owners of parent	16,408	13,659
Comprehensive income attributable to non-controlling interests	41	—

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

None

(Notes on significant changes in shareholders' equity)

Acquisition of Treasury Stock

The company acquired 6,349,100 shares of common stock of the company through ToSTNeT-2 Off-Hours Trading System on May 23, 2018. Consequently, treasury stock increased by 24,412 million yen in this consolidated cumulative 3rd quarter.