

Consolidated Financial Results for the First Quarter for Fiscal Year Ending March 31, 2020 [JGAAP]

July 30, 2019

Listed company name: ZOZO, Inc.	Listed stock exchanges: Tokyo	
Code-number: 3092	URL: https://corp.zozo.com/en	
Representative: President and Representative Director	Yusaku Maezawa	
Contact Person: Executive Vice President and CFO	Koji Yanagisawa	(TEL) 043(213)5171
Scheduled date to file quarterly securities report: August 14, 2019	Scheduled date of commencement of dividend payment	-

Preparation of supplementary materials for quarterly financial results : Yes

Quarterly results briefing : Yes (For analysts and institutional investors)

(Rounded down to million yen)

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to June 30, 2019)

(1) Consolidated Business Results (Cumulative) (Percentages indicate YoY changes.)

	Net sales		Operating profit		Ordinary profit		Net profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Quarter of Fiscal Year Ending March 31, 2020	28,197	6.2	7,786	32.6	7,618	30.0	5,326	27.9
First Quarter of Fiscal Year Ended March 31, 2019	26,552	23.8	5,874	-26.4	5,859	-26.7	4,163	-24.7

(NOTE) Comprehensive income	First Quarter of Fiscal Year Ending March 31, 2020	5,307 Million yen	(27.2%)
	First Quarter of Fiscal Year Ended March 31, 2019	4,171 Million yen	(-25.6%)

	Net profit per share	Fully diluted net profit per share
	Yen	Yen
First Quarter of Fiscal Year Ending March 31, 2020	17.45	-
First Quarter of Fiscal Year Ended March 31, 2019	13.48	-

(NOTE) Diluted net profit per share for the first quarter of the fiscal year ending March 31, 2020 is not presented because there are no dilutive potential shares.
Fully diluted profit per share for the first quarter of the fiscal year ended March 31, 2019 is not presented because there were no dilutive shares.

(2) Consolidated Financial Position

	Total asset	Net asset	Equity Ratio
	Million yen	Million yen	%
First Quarter of Fiscal Year Ending March 31, 2020	79,414	24,902	31.2
Fiscal year ended March 31, 2019	78,961	22,656	28.6

(Reference) Equities	First Quarter of Fiscal Year Ending March 31, 2020	24,798 Million yen	
	Fiscal year ended March 31, 2019	22,546 Million yen	

2. Dividend payment

	Annual dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	-	14.00	-	10.00	24.00
Fiscal Year Ended March 31, 2020	-				
Fiscal Year Ending March 31, 2020 (Forecast)		12.00	-	18.00	30.00

(NOTE) Revisions to the most recently announced dividend forecast : None

Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(Percentages indicate YoY changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	136,000	14.9	32,000	24.7	32,000	24.4	22,500	40.8	73.70

(NOTE) Revisions to consolidated earnings forecasts most recently announced : None

* Notes

(1) Changes of important subsidiaries during the period : None

(Changes in specified subsidiaries resulting in changes in the scope of consolidation)

New — (Company name) , Exclusion — (Company name)

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements : None

(3) Changes in accounting policies and changes or restatement of accounting estimates

① Changes in accounting policies caused by revision of accounting standards : None

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatements : None

(4) Number of shares outstanding (common stock)

① Number of shares outstanding at the end of the period (including treasury stock)

1Q for fiscal year ending March 31, 2020	311,644,285 Shares	Fiscal year ended March 31, 2019	311,644,285 Shares
--	--------------------	----------------------------------	--------------------

② Treasury stock at the end of period

1Q for fiscal year ending March 31, 2020	6,349,103 Shares	Fiscal year ended March 31, 2019	6,349,103 Shares
--	------------------	----------------------------------	------------------

③ Average number of shares during the period (cumulative from the beginning of the fiscal year)

1Q for fiscal year ending March 31, 2020	305,295,182 Shares	1Q for the fiscal year ended March 31, 2019	308,952,819 Shares
--	--------------------	---	--------------------

* Quarterly financial report is not subject to quarterly review by a certified public accountant or an auditing firm.

* Explanations and other special notes concerning the appropriate use of business performance forecasts

- The earnings forecasts and other statements related to the future contained in this material are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual results may differ materially from these forecasts due to various factors. Please refer to "Explanation of Consolidated Financial Forecasts and Other Future Prospects" on page 10 for the assumptions underlying the forecasts and cautionary statements regarding the use of the forecasts.

- The Company is scheduling to hold a financial result briefing for institutional investors and analysts on July 30, 2019. The Company plans to post the content of the briefing and the briefing materials used on the day on its website promptly after the briefing.

○Table of Contents of Appendix

1. Qualitative Information on Results for the First Quarter Ended June 30, 2019	5
(1) Explanation of business results	5
(2) Explanation of Financial Position	9
(3) Explanation of Consolidated Financial Forecasts and Other Future Prospects	10
2. Quarterly Consolidated Financial Statements and Major Notes	11
(1) Quarterly Consolidated Balance Sheets	11
(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income	13
(3) Notes to Quarterly Consolidated Financial Statements	15
(Notes on the Going Concern Assumption)	15
(Notes on Substantial Changes in the Amount of Shareholders' Equity)	15

1. Qualitative Information on Results for the First Quarter Ended June 30, 2019

(1) Explanation of business results

(Business Results for this Fiscal Year)

[Table 1] Year-on-year change

(Million yen)

	Consolidated cumulative first quarter of previous fiscal year (April 1, 2018 to June 30, 2018)		Consolidated cumulative first quarter of current fiscal year (April 1, 2019 to June 30, 2019)		YoY
Gross merchandise value	70,406	(100.0%)	79,237	(100.0%)	12.5%
Net sales	26,552	(37.7%)	28,197	(35.6%)	6.2%
Gross profit	24,251	(34.4%)	26,270	(33.2%)	8.3%
Operating profit	5,874	(8.3%)	7,786	(9.8%)	32.6%
Ordinary profit	5,859	(8.3%)	7,618	(9.6%)	30.0%
Net profit attributable to owners of parent	4,163	(5.9%)	5,326	(6.7%)	27.9%

Figures in parentheses are percentages of the gross merchandise value

Under the corporate philosophy of "Make the World a better place, bring smiles to the World. Be unique. Be equal.", ZOZO, Inc. (hereinafter, referred to as the "Company") group mainly operates the following businesses: Japan's largest fashion e-commerce website "ZOZOTOWN", the private brand "ZOZO" and a fashion media website "WEAR".

In the consolidated cumulative first quarter of the current fiscal year, the Company group focused on creating "ZOZOTOWN" more attractive to both users and brands in order to expand the number of unique users and improve the conversion rate (purchasing rate of unique users). Specifically, the Company proactively welcomed new brands in a wide range of genres to meet the diversifying needs of users, and as in the previous fiscal year, continued to hold spring sales events such as "ZOZOWEEK". "ZOZOARIGATO Membership", the paid-membership service that began on December 25, 2018, ended on May 30, 2019, taking into account the fact that the number of registered members did not increase as much as originally anticipated. As part of the measures to retain members in the future following the termination of this service, the company renewed ZOZOCARD (the Company's branded credit card issued by POCKET CARD CO., LTD.) on the same date, and increased the reward points rate from 2% to 5% if the card is used for ZOZOTOWN shopping.

On June 12, 2019, the Company updated the private brand ZOZO to a multi-size UI sales method for casual items, such as T-shirts and denim pants, using only height and weight information to estimate the user's body shape and provide the best-size products. Prior to the full-scale development of the MSP (Multi-Size Platform) business, which is scheduled to be launched this fall, the Company will strive to increase user awareness of multi-size UI. For formal items such as business suits, those will be continued to deliver based on made-to-order production from body measurement data using "ZOZOSUIT".

On June 24, 2019, the Company began accepting preorders for "ZOZOMAT" (scheduled to be shipped from fall and winter of 2019) to enable the measurement of a plurality of parts required for shoe selection, by converting the 3D data of the shape of the foot into data. In addition to aiming to expand sales of shoe categories in "ZOZOTOWN", the Company will strive to provide a new purchasing experience that enables users to select shoes that are comfortable and convenient.

As a result, in the consolidated cumulative first quarter of the current fiscal year, gross merchandise value stood at 79,237 million (up 12.5% YoY), net sales stood at 28,197 million (up 6.2% YoY), and gross profit stood at 26,270 million (up 8.3% YoY). Effective from the third quarter consolidated accounting period of the previous fiscal year, the gross merchandise value is represented in the amount before the deduction of the discount attributable to the paid-membership service. On the other hand, since the amount of net sales are the amount after the said deduction, consequently the consignment sales commission rate declined on calculation basis. The gross profit margin (towards the gross merchandise value) was 33.2% (down 1.2% YoY). This was due to the negative impact of the discount attributable to the paid-membership service, which was more than the increase in shipping revenue and advertising business sales.

Selling, general and administrative expenses amounted to 18,483 million, up 0.6% from the previous fiscal year, and the ratio of selling, general and administrative expenses to the gross merchandise value was 23.3%, down 2.8% from the same period of the previous fiscal year. The main reasons for the decline were the need to distribute a large volume of "ZOZOSUIT" is no longer necessary due to a change in the policy of the PB business, a decline in the advertising expense ratio due to the absence of major promotional initiatives, a decline in the personnel expense ratio due to the impact of the change in the bonus payment policy implemented in the previous fiscal year have settled in

the consolidated cumulative first quarter of the current fiscal year, and a decline in the packing and delivery expense ratio due to the increase in the average order value and the decrease in the number of “ZOZOSUIT” distributions.

As a result, operating profit for the consolidated cumulative first quarter of the current fiscal year was 7,786 million yen (up 32.6% YoY), and the operating profit margin was 9.8% of the gross merchandise value, an increase of 1.5 % from the same period of the previous fiscal year. Ordinary profit was 7,618 million yen (up 30.0% YoY) and profit attributable to owners of parent was 5,326 million yen (up 27.9% YoY).

Since the Company Group is a single segment of the EC business, information by segment is omitted. However, the performance of each business segment within the single segment is shown below.

Results by business segment are as follows.

[Table 2] Year-on-year change by business segment

Business segment	Consolidated cumulative first quarter of previous fiscal year (April 1, 2018 to June 30, 2018)			Consolidated cumulative first quarter of current fiscal year (April 1, 2019 to June 30, 2019)			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)	64,263	91.2	18,976	72,622	91.7	19,892	13.0	4.8
(Purchased stock)	44	0.1	44	103	0.1	99	132.7	123.7
(ZOZOUSUED)	4,005	5.7	3,968	3,574	4.5	3,294	-10.8	-17.0
Sub-total	68,313	97.0	22,990	76,300	96.3	23,286	11.7	1.3
PB business	113	0.2	113	462	0.6	452	306.7	298.6
BtoB business	1,980	2.8	460	2,474	3.1	533	25.0	16.0
Advertisement business	-	-	45	-	-	584	-	-
Other	-	-	2,942	-	-	3,340	-	13.5
Total	70,406	100.0	26,552	79,237	100.0	28,197	12.5	6.2

① ZOZOTOWN business

The ZOZOTOWN Business consists of three business forms: consignment shop, purchased stock shop, and ZOZOUSUED. "Consignment Shop" handles consignment inventory of products from each brand and sell them on a consignment basis. "Purchased stock shop" purchases fashion merchandise from each brand and sell it as in-house inventory. "ZOZOUSUED" mainly buys and sells used fashion-related merchandise from individual users.

The Company believes that increasing the number of buyers and increasing the rate of ZOZOTOWN use in fashion-related spending are key factors in the sustainable growth of the ZOZOTOWN business. To this end, the Company is working to create websites that are attractive to both users and brands.

Key KPIs for ZOZOTOWN business are as follows.

(Number of shops, etc.)

[Table 3] Number of Shops and Brands

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Shops on ZOZOTOWN (Note) 1	1,139	1,183	1,255	1,245	1,297	-	-	-
Purchased stock shop	5	5	5	5	5	-	-	-
Consignment shop	1,134	1,178	1,250	1,240	1,292	-	-	-
Brands (Note) 1, 2	6,820	6,957	7,115	7,056	7,349	-	-	-

(NOTE) 1 Numerical values as of the end of quarter accounting period are used.

2 Private brand “ZOZO” is not included.

The number of new shops opened during the consolidated cumulative first quarter of the current fiscal year was 68 (a net increase of 52 shops). Major new shops are “Murasaki Sports” a major sporting goods retailer, “ANYA HINDMARCH” a designer brand originating in the United Kingdom, and “CROCS”, a major sport sandal brand. In the consolidated cumulative first quarter of the current fiscal year, the number of shops that closed due to "ZOZOARIGATO membership" was 1 shop, and the trend toward shop closures that started with this service has been converging.

(Annual number of buyers)

[Table 4] Annual Number of Buyers

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of annual buyers	7,392,126	7,769,546	8,073,672	8,126,524	8,121,663	-	-	-
(YoY)	657,386	805,560	867,895	903,297	729,537	-	-	-
(QoQ)	168,899	377,420	304,126	52,852	-4,861	-	-	-
Number of active members	5,458,643	5,782,227	6,156,837	6,450,686	6,557,144	-	-	-
(YoY)	1,276,770	1,191,210	1,198,976	1,337,825	1,098,501	-	-	-
(QoQ)	345,782	323,584	374,610	293,849	106,458	-	-	-
Number of guest buyers	1,933,483	1,987,319	1,916,835	1,675,838	1,564,519	-	-	-
(YoY)	-619,384	-385,650	-331,081	-434,528	-368,964	-	-	-
(QoQ)	-176,883	53,836	-70,484	-240,997	-111,319	-	-	-

(NOTE) The calculating period is the latest one year before the last day of the accounting period.

During the consolidated cumulative first quarter of the current fiscal year, the pace of acquiring new members slowed due to the absence of special promotions. As a result, the number of annual buyers turned downward compared with the previous quarter. The number of active members increased from the previous quarter due to impact from the enhancement of services for members such as the change in the brand coupon issuance to one brand coupon per shop from October 2018 and the implementation of “ZOZOARIGATO Membership” (Until May 30, 2019), while the number of guest buyers decreased from the previous quarter from the above-mentioned impact.

(Annual Purchase Amount and Annual Purchase Pieces)

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

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Annual Purchase Amount (Total) (NOTE) 1, 2, 3	46,870	46,120	46,009	46,315	46,934	-	-	-
(YoY)	-0.5%	-1.5%	-1.5%	-2.8%	0.1%	-	-	-
(QoQ)	-1.7%	-1.6%	-0.2%	0.7%	1.3%	-	-	-
Annual Purchase Pieces (Note) 1, 2	11.3	11.2	11.1	11.1	11.3	-	-	-
(YoY)	5.8%	3.0%	1.4%	-2.9%	-0.4%	-	-	-
(QoQ)	-0.5%	-1.0%	-0.7%	-0.6%	2.0%	-	-	-
Annual purchase amount (existing members) (NOTE) 1, 2, 3	59,569	57,563	56,304	55,792	59,569	-	-	-
(YoY)	-5.5%	-10.5%	-10.3%	-8.7%	0.0%	-	-	-
(QoQ)	-2.5%	-3.4%	-2.2%	-0.9%	6.8%	-	-	-
Annual Purchase Pieces (Note) 1, 2	14.2	13.8	13.6	13.4	14.2	-	-	-
(YoY)	0.6%	-5.5%	-6.2%	-6.8%	0.0%	-	-	-
(QoQ)	-1.4%	-3.0%	-1.5%	-1.1%	5.8%	-	-	-

(NOTE) 1 The calculating period is the latest one year before the last day of the accounting period.

2 This is an index for each active member.

3 The amount is in yen.

During the consolidated cumulative first quarter of the current fiscal year, the total annual purchase amount increased slightly year on year, but this was due to an increase in the percentage of existing members as a result of the slowdown in the pace of acquiring new members. In addition, the total annual purchase amount increased compared with the previous quarter, due to an increase in the percentage of "ZOZOARIGATO membership" members who tend to purchase items from shops with higher-than-usual prices. The decline in the annual purchase amount of existing members compared to the same period of the previous fiscal year and the previous quarter, was due to an increase in the percentage of existing active members who have a short membership history (due to factors such as the conversion of new members acquired in the first quarter of the previous fiscal year to existing members as a result of the large-scale distribution of the marker-type "ZOSUIT". The annual purchase amount tends to increase according to the length of membership).

(Average retail price, etc.)

[Table 6] Transition of Average retail price, average order value, and number of shipments

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Average retail price (Note) 1, 2 (YoY)	3,953 -3.6%	3,655 -0.2%	4,759 -2.0%	4,364 3.8%	3,877 -1.9%	-	-	-
Average order value (Note) 1, 2 (YoY)	8,122 -4.8%	7,777 -5.0%	9,560 5.7%	9,454 9.8%	8,335 2.6%	-	-	-
Purchase pieces per order (Note) 1 (YoY)	2.05 -1.3%	2.13 -4.8%	2.01 7.9%	2.17 5.7%	2.05 0.0%	-	-	-
Number of shipments (Note) 1 (YoY)	8,425,033 24.1%	8,865,330 24.0%	9,512,052 14.6%	9,065,816 9.3%	9,209,344 9.3%	-	-	-

(NOTE) 1 Use figures for quarter accounting period.

2 The amount is in yen.

The average retail price decreased compared with the same period of the previous consolidated fiscal year. The main factors behind this increase were a decline in the full price of new products and an increase in the sales ratio due to the implementation of various sales events. Meanwhile, the average order value increased compared with the same period of the previous consolidated fiscal year due to an increase in the purchase pieces per order from the impact of "ZOZOARIGATO membership".

Results for the ZOZOTOWN businesses (consignment shop, purchased stock shop, and ZOZOUSED) are as follows.

a. Consignment shop

During the consolidated cumulative first quarter of the current fiscal year, merchandise value amounted to 72,622 million yen (up 13.0% YoY), accounting for 91.7% of the gross merchandise value (91.2% in the same period of the previous fiscal year). Net sales (consignment sales commissions) were 19,892 million yen (up 4.8% YoY). As of the end of June 2019, the number of consignment shops is 1,292 (1,240 at the end of March 2019).

b. Purchased stock shop

During the consolidated cumulative first quarter of the current fiscal year, merchandise value amounted to 103 million yen (up 132.7% YoY), accounting for 0.1% of the gross merchandise value (0.1% in the same period of the previous fiscal year). Net sales were 99 million yen (up 123.7% YoY). As of the end of June 2019, the number of purchased stock shop is 5 (5 at the end of March 2019).

c. ZOZOUSED

During the consolidated cumulative first quarter of the current fiscal year, merchandise value amounted to 3,574 million yen (down 10.8% YoY), accounting for 4.5% of the gross merchandise value (5.7% in the same period of the previous fiscal year). Net sales were 3,294 million yen (down 17.0% YoY).

② PB business

In the PB business, the Company sells in-house designed apparel products tailored to the individual bodies of users. In the consolidated cumulative first quarter of the current fiscal year, merchandise value amounted to 462 million yen (up 306.7% YoY) and its ratio to the gross merchandise value was 0.6% (0.2% in the same period of the previous fiscal year). Net sales were 452 million yen (up 298.6% YoY).

③ BtoB business

In the BtoB business, the Company is commissioned to build and operate brands' own e-commerce sites. In the consolidated cumulative first quarter of the current fiscal year, merchandise value amounted to 2,474 million yen (up 25.0% YoY) and its ratio to the gross merchandise value was 3.1% (2.8% in the same period of the previous fiscal year). Net sales (consignment sales commissions) were 533 million yen (up 16.0% YoY). As of the end of June 2019, the number of consigned sites was 25 (23 as of the end of March 2019).

④ Advertisement business

The advertisement business is a business model that generates advertising revenue by providing advertising space to client brands and advertising agencies by utilizing the user reach platform of "ZOZOTOWN" and "WEAR". Net sales for the consolidated cumulative first quarter of the current fiscal year were 584 million yen. As for "WEAR", the Company Group will continue to expand the number of users and content, while working to make it profitable through advertising. As of the end of June 2019, the number of app downloads exceeded 13 million, and the number of monthly active users is growing steadily.

⑤ Other

Other includes revenues from businesses associated with the ZOZOTOWN business (such as shipping income, settlement commission, and paid-membership income), and other revenues of consolidated subsidiaries. Net sales of other for the consolidated cumulative first quarter of the current fiscal year were 3,340 million yen (up 13.5% YoY).

(2) Explanation of Financial Position

	(Million yen)		
	Previous consolidated fiscal year	Consolidated cumulative first quarter of current fiscal year	% change
Total assets	78,961	79,414	0.6%
Liabilities	56,304	54,512	-3.2%
Net assets	22,656	24,902	9.9%

(Total assets)

Total assets amounted to 79,414 million yen, an increase of 453 million yen from the end of the previous consolidated fiscal year (up 0.6%). Current assets amounted to 50,697 million yen, a decrease of 708 million yen (down 1.2%). Major increasing/decreasing factors are a decrease of 2,586 million yen in cash and deposits, an increase of 417 million yen in merchandise and finished products, an increase of 1,341 million yen in accounts receivable, and a decrease of 81 million yen in raw materials and supplies. Non-current assets amounted to 22,219 million yen, an increase of 1,162 million yen (up 5.5%). Major increasing/decreasing factors are an increase of 1,658 million yen in property, plant and equipment etc.

(Liability)

Liabilities amounted to 54,512 million yen, a decrease of 1,791 million yen from the end of the previous consolidated fiscal year (down 3.2%). Current liabilities amounted to 50,697 million yen, a decrease of 1,547 million yen (down 3.0%). Major increasing/decreasing factors are a decrease of 1,577 million yen in income taxes payable etc. Non-current liabilities amounted to 3,815 million yen, a decrease of 244 million yen (down 6.0%). Major increasing/decreasing factors are a decrease of 578 million yen in provision for loss on business liquidation and an increase of 274 million yen in asset retirement obligations.

(Net assets)

Net assets amounted to 24,902 million yen, an increase of 2,245 million yen from the end of previous consolidated fiscal year (up 9.9%). Major increasing/decreasing factors are an increase of 5,326 million yen due to the recording of profit attributable to owners of parent and a decrease of 3,052 million yen due to dividends of surplus.

(3) Explanation of Consolidated Earnings Forecasts and Other Future Prospects

There is no change in the consolidated financial forecast announced on April 25, 2019.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2019)	Consolidated cumulative first quarter of current fiscal year (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	21,560	18,974
Accounts receivable	27,404	28,746
Merchandise and finished products	4,533	4,950
Raw materials and supplies	1,352	1,271
Other	3,053	3,253
Total current assets	57,904	57,195
Noncurrent assets		
Property, plant and equipment	6,318	7,976
Intangible assets		
Goodwill	2,291	2,480
Other	820	797
Total intangible assets	3,112	3,277
Investments and other assets	11,626	10,964
Total noncurrent assets	21,056	22,219
Total assets	78,961	79,414
Liabilities		
Current liabilities		
Accounts payable	1,693	1,414
Deposits received for consignment sales	16,310	16,473
Short-term borrowings	22,000	22,000
Income taxes payable	3,671	2,093
Provision for bonuses	395	496
Provision for point certificates	1,343	1,352
Reserve for sales returns	92	66
Other	6,739	6,800
Total current liabilities	52,245	50,697
Noncurrent liabilities		
Retirement benefit liability	1,730	1,801
Asset retirement obligations	1,028	1,302
Provision for loss on business liquidation	812	233
Other	488	478
Total noncurrent liabilities	4,059	3,815
Total liabilities	56,304	54,512

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2019)	Consolidated cumulative first quarter of current fiscal year (As of June 30, 2019)
Net assets		
Shareholders' equity		
Share Capital	1,359	1,359
Capital surplus	1,328	1,328
Retained earnings	44,252	46,525
Treasury stock	-24,412	-24,412
Total shareholders' equity	22,528	24,801
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	77	54
Foreign currency translation adjustment	18	15
Remeasurements of defined benefit plans	-77	-73
Total other accumulated comprehensive income	17	-3
Stock acquisition rights	110	103
Total net assets	22,656	24,902
Total liabilities and net assets	78,961	79,414

(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income

Consolidated income statement for the quarter

Consolidated cumulative first quarter

(Million yen)

	Consolidated cumulative first quarter of previous fiscal year (April 1, 2018 to June 30, 2018)	Consolidated cumulative first quarter of current fiscal year (April 1, 2019 to June 30, 2019)
Net Sales	26,552	28,197
Cost of sales	2,318	1,953
Gross profit	24,234	26,244
Reversal of reserve for sales returns	106	92
Provision for reserve for sales returns	89	66
Gross profit – net	24,251	26,270
Selling, general and administrative expenses	18,376	18,483
Operating profit	5,874	7,786
Non-operating income		
Interest income	0	0
Rent income	1	-
Foreign exchange gain	13	-
Business support fee	-	34
Income from recycling	7	10
Gain on forfeiture of points	11	13
Other	7	15
Total non-operating income	40	74
Non-operating expense		
Interest expense	23	23
Commission paid	-	1
Rent expenses	1	-
Foreign exchange loss	-	33
Loss on investments in partnerships	30	-
Provision for allowance for doubtful accounts	-	183
Total non-operating expenses	55	242
Ordinary profit	5,859	7,618
Extraordinary income		
Gain on sales of non-current assets	0	-
Total extraordinary income	0	-
Extraordinary loss		
Loss on disposal of fixed assets	0	0
Loss on valuation of investment securities	85	-
Total extraordinary loss	85	0
Profit before income taxes	5,774	7,618
Income taxes – current	1,742	1,975
Income taxes - deferred	-131	315
Total income taxes	1,611	2,291
Net profit	4,163	5,326
Net profit attributable to owners of parent	4,163	5,326

Quarterly Consolidated Statements of Comprehensive Income

Consolidated cumulative first quarter

(Million yen)

	Consolidated cumulative first quarter of previous fiscal year (April 1, 2018 to June 30, 2018)	Consolidated cumulative first quarter of current fiscal year (April 1, 2019 to June 30, 2019)
Profit	4,163	5,326
Other comprehensive income		
Valuation difference on available-for-sale securities	1	-22
Foreign currency translation adjustment	1	-0
Remeasurements of defined benefit plans, net of tax	4	4
Other comprehensive income	8	-18
Comprehensive income	4,171	5,307
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,171	5,307

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

DISCLAIMER:

This document is summary translation of Japanese version. All readers are recommended to refer the original Japanese version for complete information. In the event of any discrepancy, errors and/or omissions, the Japanese version shall prevail.