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Cookpad Inc.

Consolidated Earnings Results for the Fiscal Year ended December 31, 2017 [IFRS], unaudited

February 8, 2018

Stock listed: Tokyo Stock Exchange
 Securities code: 2193 URL: <https://info.cookpad.com/en>
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Scheduled dates
 Annual shareholder's meeting: March 27, 2018
 Dividend payout: March 28, 2018
 Filing of the statutory financial report: March 28, 2018
 Supplementary materials for earnings results: Yes
 Holding of earnings results briefing: Yes (for institutional investors and analysts)

(Amounts rounded down to the nearest million yen)

1. Consolidated Results for the Fiscal Year ended December 31, 2017 (January 1, 2017 – December 31, 2017)

(1) Operational Results (% represents year-on-year changes)

Fiscal year ended	Sales revenue		Operating income		Profit before tax		Net profit		Profit attributable to shareholders of Cookpad Inc.		Total comprehensive income	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2017	13,408	(20.4)	5,391	7.5	5,637	35.8	3,489	236.7	3,491	274.1	3,592	310.3
December 31, 2016	16,845	26.3	5,012	(21.6)	4,151	(36.2)	1,036	(74.8)	933	(77.2)	875	(78.1)

Fiscal year ended	EPS (Basic)	EPS (Diluted)	ROE attributable to shareholders of Cookpad Inc.	Ratio of profit before tax to total assets	Ratio of Operating Margin
December 31, 2017	yen 32.57	yen 32.40	% 15.7	% 22.9	% 40.2
December 31, 2016	yen 8.71	yen 8.63	% 4.4	% 16.0	% 29.8

(Reference) Equity in earnings of non-consolidated subsidiaries and affiliates

Fiscal year ended December 31, 2017: - million yen

Fiscal year ended December 31, 2016: (1) million yen

Note: During the fiscal year ended December 31, 2016, Cookpad Inc. (the "Company") sold all the shares in a consolidated subsidiary SELECTURE Inc., which was consequently excluded from the scope of consolidation. In line with this, the Cookpad Group ceased to operate EC business and reclassified it into discontinued operation for the fiscal year ended December 31, 2016 and earlier. The financial statements have been adjusted so that sales revenue, operating income and profit before tax do not include those from the discontinued EC business.

(2) Financial Position

	Total assets	Total equity	Total equity attributable to shareholders of Cookpad Inc.	Ratio of total equity attributable to shareholders of Cookpad Inc. to total assets	Equity attributable to shareholders of Cookpad Inc. per share
As of December 31, 2017	million yen 24,898	million yen 23,519	million yen 23,519	% 94.5	yen 219.00
As of December 31, 2016	24,419	20,939	20,941	85.8	195.10

(3) Consolidated Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
Fiscal year ended	million yen	million yen	million yen	million yen
December 31, 2017	2,474	1,719	(1,072)	19,622
December 31, 2016	5,248	(693)	(1,167)	16,543

2. Dividends

	Dividends per Share					Total dividends paid (full year)	Dividend Payout ratio (consolidated)	Dividend on equity attributable to shareholders of Cookpad Inc. (consolidated)
	End-Q1	End-Q2	End-Q3	Year-end	Total			
Fiscal year ended/ending	Yen	Yen	Yen	Yen	Yen	million yen	%	%
December 31, 2016	-	0.00	-	10.00	10.00	1,071	114.8	5.1
December 31, 2017	-	0.00	-	8.00	8.00	859	24.6	3.9
December 31, 2018 (Forecast)	-	-	-	-	-		-	

Notes: Dividends per share for the fiscal year ending December 31, 2018 has yet to be determined.

3. Full Year Forecast of Consolidated Earnings (January 1, 2018 – December 31, 2018)

Cookpad Group is pursuing aggressive investments to provide services to deliver “Make everyday cooking fun!” to the people worldwide. Since we need to make decisions on timing and scale of the investments in an agile manner due to the business environment, we believe it is difficult to reasonably estimate the consolidated earnings for the fiscal year ending December 31, 2018.

*Notes

- (1) Changes in significant subsidiaries during the period: No
- (2) Changes in accounting policies and changes in accounting estimates
- 1) Changes required for the adoption of IFRS: No
 - 2) Changes other than 1): No
 - 3) Changes in accounting estimates: Yes
- (3) Number of shares issued (common stocks)
- 1) Number of shares issued (including treasury shares)
 - As of December 31, 2017: 107,386,200 shares
 - As of December 31, 2016: 107,157,600 shares
 - 2) Number of treasury shares
 - As of December 31, 2017: 3,956 shares
 - As of December 31, 2016: 3,956 shares
 - 3) Number of average shares during the period
 - Year ended December 31, 2017: 107,187,957 shares
 - Year ended December 31, 2016: 107,108,125 shares

(Reference)

1. Non-consolidated Results for the Fiscal year ended December 31, 2017 (January 1, 2017 – December 31, 2017)

(1) Non-consolidated Operations Results

(% as year-on-year changes)

Fiscal year ended	Net Sales		Operating Income		Ordinary Income		Net Income	
	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2017	13,466	(6.8)	7,701	(17.0)	7,712	(14.5)	1,020	(63.6)
December 31, 2016	14,450	25.0	9,274	34.9	9,018	31.7	2,805	(22.7)

Fiscal year ended	EPS	Diluted EPS
	yen	yen
December 31, 2017	9.52	9.47
December 31, 2016	26.19	25.96

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio*	Net assets per share
	million yen	million yen	%	yen
As of December 31, 2017	24,324	23,378	96.1	217.69
As of December 31, 2016	26,598	23,405	88.0	218.33

(Reference) Total equity:

As of December 31, 2017: 23,376 million yen

As of December 31, 2016: 23,395 million yen

* Audit Procedures

This report is exempt from an audit of accounts requirements of Japan's Financial Instruments and Exchange Act. As of this report's publication, an audit of the consolidated financial statements in accordance with Financial Instruments and Exchange Act of Japan had not been completed.

* Appropriate Use of Earnings Results and Other Special Notes

The above forecasts, which constitute forward-looking statements, are based on information available to the Company and the assumptions of management as of the release date of this document. Actual results may differ materially from the above forecasts due to a range of factors. For the assumptions underlying the forecasts herein and other information on the use of earnings forecasts, please refer to "(4) Future Outlook" in "1. Analysis of Operating Results and Financial Position" on page 6 in the Accompanying Materials.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

1) Overview of consolidated results

The consolidated results for full-year fiscal 2017 (January 1, 2017 – December 31, 2017) are as follows:

	(Millions of yen)		
	Fiscal 2016 (Jan. 1 – Dec. 31, 2016)	Fiscal 2017 (Jan. 1 – Dec. 31, 2017)	YoY change
Sales revenue (from continuing operations)	16,845	13,408	-20.4%
Operating income (from continuing operations)	5,012	5,391	+7.5%
Profit before tax (from continuing operations)	4,151	5,637	+35.8%
Profit attributable to shareholders of Cookpad Inc. (from all operations)	933	3,491	+274.1%

Ever since its founding, the Cookpad Group has been addressing the challenge of deciding “what to cook today” faced by those preparing food throughout Japan. In 2016, we held a series of discussions about our long-term growth as a business, what would be achievable for us in terms of corporate social responsibility, and the business fields that we should aim for as a company whose mission is to “Make everyday cooking fun!” We concluded that we should go back to our origins by leveraging our outstanding strengths and know-how in the Cookpad Group’s “Cookpad” recipe service and making the most of our user base so that our business focuses even more on solving all kinds of “cooking” related problems faced by those who prepare food not only in Japan but also around the world. We believe that this strategy will enhance our corporate value over the long term. In line with this, we sold group companies, etc. that did not match the future policy of the Group, thereby building an environment where we can focus on the “cooking” related business. Moreover, we set the current period as the investment phase, where we once again focus on building the business foundation to achieve strong growth, and decided to actively invest in service development, user base acquisition and brand building. We believe that it is the mission of Cookpad to bring about prosperity worthy of the coming era by using cooking as a means to identify, think of and solve the various issues faced by individuals, the society and the earth.

In the fourth quarter of fiscal 2017 (October-December 2017), the average number of monthly “Cookpad” users in Japan declined 7.51 million from the same period of the previous fiscal year to 56.65 million (monthly average of visitors calculated for each browser and device). The main cause of the decline in the monthly user numbers is the changes in algorithms of major search engines that have occurred in February 2017. Compared with the July – September period, which is summer, the average number of monthly users increased by 1.37 million, as the October – December period had many festivals and events such as Halloween and Christmas, during which people enjoy cooking.

A high percentage of the Japanese population is already “Cookpad” monthly users, and we will continue to focus on developing the service to increase the core users, who use the service frequently. The number of posted recipes in Japan has been steadily increasing, and now stands at 2.83 million, up 250,000 from the end of the previous fiscal year.

The average number of monthly overseas users totaled 34.2 million for the period from October to December 2017 (monthly average calculated with Google Analytics), up 1.6 million compared with the same period a year earlier. While the overseas business, like in Japan, was affected by the changes in the algorithms of major search engines. However, the number of

overseas users increased as the Indonesian-speaking communities became even more active and Taiwan, Hungary and Greece newly joined our global platform. The number of recipes posted overseas stood at 1.19 million, up 160,000 compared with the end of September 2017, when we started disclosing the number of recipes posted overseas. We actively pursued overseas expansion primarily with the initiatives by Cookpad Ltd. (company name changed from Cookpad International Ltd. in July 2017) in the U.K., which we have positioned as our second headquarters in 2016, and began offering the service in Europe and Africa. As a result, the number of countries where we offer the service increased to 68, up 10 countries compared with the end of the previous fiscal year. In Google Play's Best of 2017, which introduces popular contents of Google Play of the year, the "Cookpad" application was selected in seven regions including Indonesia and Spain. We will continue focusing on service development and increasing the number of users so as to become No. 1 in 100 countries.

As a result, sales revenue was 13,408 million yen (down 20.4% year-on-year) for the fiscal year ended December 31, 2017. This is mainly due to the sale of a consolidated subsidiary Minnano Wedding Co., Ltd. and decline in sales revenue of the Advertising business.

SG&A expenses were 6,950 million yen (down 7.1% year-on-year). While personnel expenses and outsourcing expenses increased along with acceleration of hiring in Japan and elsewhere, SG&A expenses as a whole declined due to changes to the scope of consolidation that occurred in the previous fiscal year and the decline in the number of subsidiaries resulting from sales of shares. Operating income for the fiscal year was 5,391 million yen (up 7.5% year-on-year), as the review of business plan in association with a resolution to merger a consolidated subsidiary in Japan resulted in recording of 877 million yen in impairment loss on goodwill (in the previous fiscal year, we recorded impairment loss on goodwill of 3,583 million yen).

Financial income increased due to the sale of Minnano Wedding Co., Ltd. and others and profit before tax came to 5,637 million yen (up 35.8% year-on-year) and profit attributable to shareholders of Cookpad Inc. was 3,491 million yen (up 274.1% year-on-year).

In the previous fiscal year, the Company sold all the shares in a consolidated subsidiary SELECTURE Inc., which was consequently excluded from the scope of consolidation. In line with this, the Cookpad Group ceased to operate EC business and reclassified it into discontinued operation for the previous fiscal year. The financial statements have been adjusted so that sales revenue, operating income and profit before tax do not include those from the discontinued EC business.

2) Segment results

Sales revenue for each segment is as follows.

(Millions of yen)

Reportable Segment		Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	YoY change
Internet/Media		16,625	13,270	-20.2%
Recipe services	Premium Services	8,901	8,784	-1.3%
	Advertising	5,089	4,058	-20.2%
	Shopping Information	296	—	-100.0%
	Other	111	130	+16.6%
Other Internet/Media		2,227	296	-86.7%
Other businesses		220	138	-37.3%
Total		16,845	13,408	-20.4%

Internet/Media

Sales revenue from the Internet/Media segment was 13,270 million yen (down 20.2% year-on-year), and segment profit was 6,136 million yen (down 29.4% year-on-year) in full-year fiscal 2017.

(Recipe Services)

This segment includes sales revenue from the Premium Services business of the “Cookpad” recipe service in Japan and overseas and the Advertising business.

Sales revenue from the Premium Services business was 8,784 million yen (down 1.3% year-on-year) in full-year fiscal 2017, as the Premium Services sales increased reflecting the rise in Premium Membership subscription of “Cookpad,” while revenue shared from telecom carriers such as NTT DOCOMO’s “dgourmet” service declined. Sales revenue of the Advertising business was 4,058 million yen (down 20.2% year-on-year) in full-year fiscal 2017. This is attributable primarily to internal factors such as the limited advertising space on offer in order to give priority to service development and the changes to the sales structure as well as external factors such as demand for products and changes to the market environment of network ads. The Company ended the Shopping Information business with the sale of shares.

(Other Internet/Media)

Minnano Wedding Co., Ltd., which was a consolidated subsidiary, was excluded from the scope of consolidation as of the end of the previous fiscal year. This resulted in sales revenue of 296 million yen (down 86.7% year-on-year) in full-year fiscal 2017.

(2) Overview of Financial Position

(Assets)

As of December 31, 2017, total assets were 24,898 million yen, up 478 million yen as compared with the previous fiscal year-end. Current assets were 22,156 million yen, up 1,092 million yen, and non-current assets were 2,741 million yen, down 613 million yen.

The main reason for the increase in current assets is a 415 million yen decline in trade and other receivables and a 1,645 million yen decline in assets held for sale in spite of a 3,079 million yen increase in cash and cash equivalents. The main reason for the decrease in non-current assets is a 771 million yen decrease in other financial assets.

(Liabilities)

As of December 31, 2017, total liabilities were 1,378 million yen, down 2,100 million yen as compared with the previous fiscal year-end. Current liabilities were 935 million yen, down 2,296 million yen, and non-current liabilities were 442 million yen, up 195 million yen.

The main reason for the decrease in current liabilities was a decrease of 1,824 million yen in income tax payable and a decrease of 300 million yen in other current liabilities, and that for the increase in non-current liabilities was a 184 million yen increase in other financial liabilities.

(Equity)

As of December 31, 2017, total equity was 23,519 million yen, up 2,579 million yen as compared with the previous fiscal year-end. This was due primarily to an increase in retained earnings of 2,413 million yen resulting from the recording of profit attributable to shareholders of Cookpad Inc.

(3) Overview of Cash Flows

As of December 31, 2017, the balance of cash and cash equivalents (“funds”) was 19,622 million yen, up 3,079 million yen as compared with the previous fiscal year-end, primarily due to the following factors.

(Cash flows from operating activities)

Funds provided by operating activities totaled 2,474 million yen. While profit before tax was 5,637 million yen, there were income taxes paid of 3,662 million yen.

(Cash flows from investing activities)

Funds provided by investing activities totaled 1,719 million yen. This is primarily attributable to 2,047 million yen of proceeds from sales of affiliates’ shares.

(Cash flows from financing activities)

Funds used in financing activities totaled 1,072 million yen, mainly attributable to cash dividends paid totaling 1,071 million yen.

Reference: Trends in cash flow-related management indicators

	Fiscal 2016	Fiscal 2017
Ratio of equity attributable to owners of the parent (%)	85.8	94.5
Ratio of equity attributable to owners of the parent (%) (market value basis)	471.7	261.8
Cash flow to interest-bearing debt ratio (%)	0.0	0.0
Interest coverage ratio (x)	1,905.9	1,862.0

Notes: 1. Calculation of all indicators are based on consolidated financial data.
 2. Market capitalization is based on the total number of outstanding shares excluding treasury stock.
 3. Operating cash flow is used for the calculation of cash flow indicators.
 4. Interest-bearing debt covers all debt recorded in consolidated statements of financial position on which interest is payable. Interest paid is the figure recorded in the consolidated statements of cash flows.

(4) Future Outlook

Cookpad Group is pursuing aggressive investments to provide services to deliver “Make everyday cooking fun!” to the people worldwide. Since we need to make decisions on timing and scale of the investments in an agile manner due to the business environment, we believe it is difficult to reasonably estimate the consolidated earnings for the fiscal year ending December 31, 2018.

(5) Basic Policy for Profit Distribution and Dividends in Fiscal 2017 and Fiscal 2018

The Company considers distribution of profits to shareholders to be a management priority. Regarding dividend of surplus, we have been flexibly considering profit distribution measures appropriate for the Company’s business performance and financial condition while taking into account retained earnings required for long-term business expansion.

The Company has set the year-end dividend at 8 yen per share (consolidated dividend payout ratio of 24.6%), in line with the consolidated dividend payout ratio target of 25%.

The Company has not set a dividend for fiscal 2018, but we plan to decide on a figure based on our dividend distribution policy that takes into consideration earnings performance, business conditions, and other factors. We will disclose the figure without delay after reaching a decision.

2. Basic Policy on Selection of Accounting Standard

In accordance with our mission of “Make everyday cooking fun!”, the Company is expanding the service to worldwide to deliver the enjoyment of cuisines around the world. In this context, the Company adopted International Financial Reporting Standards (IFRS) in place of Japanese Generally Accepted Accounting Principles (JGAAP) to facilitate international comparison of financial information and extend the scope of disclosure for the convenience of our stakeholders, including shareholders and investors in Japan and overseas.

3. Consolidated Financial Statements
(1) Consolidated Statements of Financial Position

(Thousands of yen)

	As of December 31, 2016	As of December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	16,543,220	19,622,598
Trade and other receivables	2,689,501	2,273,771
Other financial assets	14,921	71,957
Inventories	19,497	1,279
Other current assets	151,399	187,210
Assets held for sale	1,645,788	—
Total current assets	21,064,327	22,156,814
Non-current assets		
Property, plant and equipment	318,086	368,717
Goodwill	995,056	1,154,072
Intangible assets	74,114	383,690
Other financial assets	1,116,159	344,297
Deferred tax assets	821,519	476,103
Other non-current assets	29,999	14,569
Total non-current assets	3,354,934	2,741,447
Total assets	24,419,261	24,898,261

(Thousands of yen)

	As of December 31, 2016	As of December 31, 2017
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term debt	55,765	-
Trade and other payables	764,354	628,743
Other financial liabilities	44,663	64,472
Income tax payable	2,034,560	210,015
Other current liabilities	332,897	32,547
Total current liabilities	3,232,238	935,777
Non-current liabilities		
Long-term debt	44,219	-
Other non-current liabilities	-	39,523
Other financial liabilities	57,511	241,658
Provisions	145,317	161,350
Total non-current liabilities	247,047	442,531
Total liabilities	3,479,285	1,378,308
Equity		
Capital stock	5,267,483	5,284,568
Capital surplus	5,264,030	5,334,553
Retained earnings	10,466,781	12,880,771
Treasury stock	(2,006)	(2,006)
Other components of equity	(54,735)	22,069
Equity attributable to shareholders of Cookpad Inc.	20,941,554	23,519,954
Non-controlling interests	(1,577)	-
Total equity	20,939,977	23,519,954
Total equity and liabilities	24,419,261	24,898,261

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

(Thousands of yen)

	Fiscal Year ended December 31, 2016 (Jan. 1 – Dec. 31, 2016)	Fiscal Year ended December 31, 2017 (Jan. 1 – Dec 31, 2017)
Continuing operations		
Sales revenue	16,845,658	13,408,060
Cost of sales	(837,543)	(324,934)
Gross profit	16,008,114	13,083,126
Selling, general and administrative expenses	(7,485,674)	(6,950,941)
Other income	90,486	143,481
Other expense	(3,600,180)	(884,475)
Operating income	5,012,745	5,391,192
Financial income	1,099,313	548,505
Financial expense	(1,958,745)	(302,413)
Share of income (loss) of affiliates accounted for using equity method	(1,533)	—
Profit before tax	4,151,780	5,637,284
Income tax expense	(3,123,306)	(2,148,022)
Profit from continuing operations	1,028,474	3,489,262
Discontinued operations		
Profit from discontinued operations	7,764	—
Net profit	1,036,238	3,489,262
Profit attributable to:		
Shareholders of Cookpad Inc.	933,310	3,491,476
Non-controlling interests	102,928	(2,213)
Net profit	1,036,238	3,489,262
Earnings per share		
Basic earnings per share (yen)		
Continuing operations	8.64	32.57
Discontinued operations	0.07	—
Total basic earnings per share	8.71	32.57
Diluted earnings per share (yen)		
Continuing operations	8.56	32.40
Discontinued operations	0.07	—
Total diluted earnings per share	8.63	32.40

Statements of Comprehensive Income

(Thousands of yen)

	Fiscal Year ended December 31, 2016 (Jan. 1 – Dec. 31, 2016)	Fiscal Year ended December 31, 2017 (Jan. 1 – Dec. 31, 2017)
Net profit	1,036,238	3,489,262
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Net changes in financial assets at fair value through other comprehensive income	(779)	30
Total items that will not be reclassified subsequently to profit or loss	(779)	30
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(159,801)	103,122
Total items that may be reclassified subsequently to profit or loss	(159,801)	103,122
Other comprehensive income, net of tax	(160,580)	103,152
Comprehensive income	<u>875,658</u>	<u>3,592,414</u>
Comprehensive income attributable to:		
Shareholders of Cookpad Inc.	772,730	3,594,628
Non-controlling interests	102,928	(2,213)
Comprehensive income	<u>875,658</u>	<u>3,592,414</u>

(3) Consolidated Statements of Changes in Equity

FY2016 (January 1 – December 31, 2016)

(Thousands of yen)

	Equity attributable to shareholders of Cookpad Inc.						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Equity attributable to shareholders of Cookpad Inc.		
Balance as of January 1, 2016	5,230,172	5,106,560	10,597,299	(2,006)	146,254	21,078,279	2,317,861	23,396,140
Net profit	—	—	933,310	—	—	933,310	102,928	1,036,238
Other comprehensive income	—	—	—	—	(160,580)	(160,580)	—	(160,580)
Total comprehensive income	—	—	933,310	—	(160,580)	772,730	102,928	875,658
Issuance of new shares	37,311	37,311	—	—	—	74,622	—	74,622
Share-based payment transaction	—	(5,330)	—	—	(27,133)	(32,463)	—	(32,463)
Dividends to shareholders	—	—	(1,069,028)	—	—	(1,069,028)	—	(1,069,028)
Changes in ownership interests in subsidiaries that do not result in loss of control	—	(21,988)	—	—	—	(21,988)	13,773	(8,215)
Changes that resulted from loss of control	—	147,477	—	—	(8,076)	139,401	(2,436,138)	(2,296,737)
Transfer from other components of equity to retained earnings	—	—	5,200	—	(5,200)	—	—	—
Total transactions with shareholders	37,311	157,471	(1,063,828)	—	(40,409)	(909,455)	(2,422,365)	(3,331,821)
Balance as of December 31, 2016	5,267,483	5,264,030	10,466,781	(2,006)	(54,735)	20,941,554	(1,577)	20,939,977

FY2017 (January 1 – December 31, 2017)

(Thousands of yen)

	Equity attributable to shareholders of Cookpad Inc.						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Equity attributable to shareholders of Cookpad Inc.		
Balance as of January 1, 2017	5,267,483	5,264,030	10,466,781	(2,006)	(54,735)	20,941,554	(1,577)	20,939,977
Net profit	—	—	3,491,476	—	—	3,491,476	(2,213)	3,489,262
Other comprehensive income	—	—	—	—	103,152	103,152	—	103,152
Total comprehensive income	—	—	3,491,476	—	103,152	3,594,628	(2,213)	3,592,414
Issuance of new shares	17,085	17,085	—	—	—	34,169	—	34,169
Issuance of stock warrants	—	—	—	—	1,990	1,990	—	1,990
Share-based payment transaction	—	38,107	—	—	(34,287)	3,820	—	3,820
Dividends to shareholders	—	—	(1,071,536)	—	—	(1,071,536)	—	(1,071,536)
Changes in ownership interests in subsidiaries that do not result in loss of control	—	(3,790)	—	—	—	(3,790)	3,790	—
Changes that resulted from loss of control	—	19,121	—	—	—	19,121	—	19,121
Transfer from other components of equity to retained earnings	—	—	(5,949)	—	5,949	—	—	—
Total transactions with shareholders	17,085	70,522	(1,077,486)	—	(26,349)	(1,016,227)	3,790	(1,012,437)
Balance as of December 31, 2017	5,284,568	5,334,553	12,880,771	(2,006)	22,069	23,519,954	—	23,519,954

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal Year ended December 31, 2016 (Jan. 1 – Dec. 31, 2016)	Fiscal Year ended December 31, 2017 (Jan. 1 – Dec. 31, 2017)
Cash flows from operating activities		
Profit before tax	4,151,780	5,637,284
Profit before tax from discontinued operations	15,830	—
Impairment loss	3,583,331	877,076
Depreciation and amortization	253,629	129,794
Financial (income) expense ^(Note)	540,016	(316,561)
(Gain) Loss on transfer of business	—	(130,005)
Share of (income) loss of affiliates accounted for using equity method	1,533	—
Net (increase) decrease of trade and other receivables	85,405	315,065
Net increase (decrease) of trade and other payables	(172,768)	(135,241)
Other	(52,054)	(251,144)
Subtotal	8,406,703	6,126,266
Interest and dividend income received	9,758	12,608
Interest expenses paid	(2,754)	(1,329)
Income taxes paid	(3,164,872)	(3,662,947)
Cash flows from operating activities	5,248,835	2,474,598
Cash flows from investing activities		
Purchase of property, plant and equipment	(73,109)	(153,138)
Purchase of intangible assets	(156,201)	(302,444)
Purchase of investments	(386,017)	—
Proceeds from sales of investments	870,039	860,328
Purchase of subsidiaries	—	(571,915)
Proceeds from sales of subsidiaries	1,438,505	—
Payments for sales of subsidiaries	—	(3,971)
Decrease due to loss of control in subsidiaries	(2,656,856)	—
Proceeds from sales of affiliates' shares ^(Note)	105,500	2,047,000
Proceeds from transfer of business	—	118,800
Payments for transfer of business	—	(185,584)
Other	164,951	(89,946)
Cash flows from investing activities	(693,189)	1,719,129

(Thousands of yen)

	Fiscal Year ended December 31, 2016 (Jan. 1 – Dec. 31, 2016)	Fiscal Year ended December 31, 2017 (Jan. 1 – Dec. 31, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	10,000	—
Repayments of long-term debt	(110,682)	(29,793)
Proceeds from issuance of new shares	58,466	29,036
Repurchase of stock warrants	(36,866)	—
Cash dividends paid	(1,069,028)	(1,071,536)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(27,552)	—
Proceeds from non-controlling shareholders	13,500	—
Other	(5,078)	(158)
Net cash and cash equivalents used in financing activities	(1,167,240)	(1,072,451)
Net increase (decrease) in cash and cash equivalents	3,388,406	3,121,277
Cash and cash equivalents at beginning of period	13,048,498	16,543,220
Effect of exchange rate change on cash and cash equivalents	106,317	(41,899)
Cash and cash equivalents at end of period	16,543,220	19,622,598

Note: Gain on sales of assets held for sale and proceeds from the sales are included.

(5) Notes on the Going Concern Assumption

Not applicable

(6) Changes in Accounting Estimates

At the management meeting held on November 9, 2017, the Company decided to merge Coach United Inc., its consolidated subsidiary.

Conclusion of the merger agreement enables the Company to further propel the service operated by Coach United in synergy with the knowledge accumulated over years and the outstanding user base of Cookpad, the service operated by the Company, to achieve the corporate mission of “Make everyday cooking fun!”

The company revisited the business plan due to this merger, and recorded 877,076 thousand yen impairment loss on goodwill of the concerned business as other expense (operating expense) in fiscal 2017.