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Cookpad Inc.

Consolidated Earnings Results for the Six Months ended June 30, 2018

[IFRS], unaudited

August 9, 2018

Stock listed: Tokyo Stock Exchange

Securities code: 2193

URL: <https://info.cookpad.com/en>

Representative:

Rimpei Iwata, CEO

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Scheduled dates

Filing of the quarterly securities report:

August 10, 2018

Dividend payout:

-

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 Six Months ended June 30, 2018 (January 1, 2018 - June 30, 2018)

(1) Operational Results

(% represents year-on-year changes)

	Net sales		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	%
For the six months ended												
June 30, 2018	5,938	(16.5)	1,583	(57.2)	1,530	(62.4)	607	(75.8)	607	(75.8)	309	(87.6)
June 30, 2017	7,116	(13.3)	3,702	(9.7)	4,073	8.0	2,508	6.7	2,508	9.3	2,503	43.6

	EPS (Basic)	EPS (Diluted)
For the six months ended	Yen	Yen
June 30, 2018	5.65	5.65
June 30, 2017	23.40	23.33

(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
	million yen	million yen	million yen	%
As of June 30, 2018	25,018	22,973	22,973	91.8
As of December 31, 2017	24,898	23,519	23,519	94.5

2. Dividends

	Dividends per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
Fiscal year ended / ending	Yen	Yen	Yen	Yen	Yen
December 31, 2017	—	0.00	—	8.00	8.00
December 31, 2018	—	0.00			
December 31, 2018 (Forecast)			—	—	—

Note: 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)

To fulfill the corporate mission of “Make everyday cooking fun!” the Cookpad Group is aggressively pursuing investment opportunities to provide recipe services to the people worldwide. As the timing and the scale of investment should be decided in an agile manner taking consideration of change in business environment, it is difficult to reasonably estimate the consolidated earnings for the fiscal year ending December 31, 2018. Thus, the Company has omitted the consolidated earnings forecast for fiscal 2018.

*Notes

- | | |
|---|--------------------|
| (1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries resulting in changes in scope of consolidation): | No |
| (2) Changes in accounting policies and accounting estimates | |
| 1) Changes in accounting policies required for the adoption of IFRS: | Yes |
| 2) Changes in accounting policies other than 1): | No |
| 3) Changes in accounting estimates: | No |
| (3) Number of shares issued (common stocks) | |
| 1) Number of shares issued (including treasury shares) | |
| As of June 30, 2018: | 107,429,400 shares |
| As of December 31, 2017: | 107,386,200 shares |
| 2) Number of treasury shares | |
| As of June 30, 2018: | 3,956 shares |
| As of December 31, 2017: | 3,956 shares |
| 3) Number of average shares during the period | |
| Six months ended June 30, 2018: | 107,408,498 shares |
| Six months ended June 30, 2017: | 107,174,329 shares |

*This report is exempt from the quarterly review by certified public accountants or auditing firms.

*Appropriate use of earnings forecasts and other special notes

The Company omits the earnings forecast and dividend forecast for the reasons stated in the summary information “3. Full Year Forecast of Consolidated Earnings (January 1, 2018 – December 31, 2018).”

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

1) Overview of operating results

The consolidated results for the six months ended June 30, 2018 are as follows:

(Millions of yen)

	Six months ended June 30, 2017 (Jan. 1 - Jun. 30, 2017)	Six months ended June 30, 2018 (Jan. 1 - Jun. 30, 2018)	YoY change
Sales revenue (from continuing operations)	7,116	5,938	-16.5%
Operating income (from continuing operations)	3,702	1,583	-57.2%
Profit before tax (from continuing operations)	4,073	1,530	-62.4%
Profit attributable to shareholders of Cookpad Inc. (from all operations)	2,508	607	-75.8%

To achieve our mission “Make everyday cooking fun!”, the Cookpad Group is making active investments to solve various cooking-related problems to increase the number of people enjoys the cooking around the world. At the shareholders’ meeting held in March 2018, we made partial amendments to its Articles of Incorporation to clearly spell out our goal and mission. We added “Our Company exists to ‘Make everyday cooking fun!,’ and this is our mission” and “When everyone on the planet enjoys everyday cooking, our company will dissolve”. It is our mission to build a better world in the coming era by solving the various issues faced by individuals, the society and the earth through the cooking.

In the second quarter of fiscal 2018, the average number of monthly “Cookpad” users in Japan declined by 0.94 million from the previous quarter (January – March 2018) to 55.59 million (monthly average of visitors calculated for each browser and device). While there was an increase in smartphone website and application users, the users on PC declined, suggesting the users’ shift towards mobile phones. The number of posted recipes increased 60,000 to 2.95 million compared with the end of the previous quarter.

The average number of monthly overseas users totaled 36.33 million (monthly average calculated with Google Analytics), up 60,000 from the previous quarter (January – March 2018). The number of countries where we offer the service was 67 countries, where the recipes are offered in 22 languages excluding Japanese, and the number of posted recipes now stands at 1.65 million, up 200,000 from the end of the previous quarter.

The Company has been actively investing in acquisition of human resources, in Japan and elsewhere, who would drive forward its service development, such as engineers and designers, crucial to solving cooking-related problems by leveraging technology, the Company’s strength. It has also been investing in new businesses led by the cooking video business, in which the Company made a full entry in 2017. The Company will continue to strive for enhancing its corporate value over the long term.

As a result, sales revenue was 5,938 million yen (down 16.5% year-on-year) for the six months ended June 30, 2018. This is mainly due to declines in sales revenues of the “Cookpad” Premium Service business in Japan as well as the Advertising business. SG&A expenses were 4,352 million yen (up 35.6% year-on-year). Operating income for the six months was 1,583 million yen (down 57.2% year-on-year). This is mainly attributable to an increase in rents as the Company opened a cooking video studio in addition to higher personal expenses and business consignment expenses due to human resource expansion. Moreover, financial expense increased due to the recording of foreign exchange losses, and profit before tax came to 1,530 million yen (down 62.4% year-on year) and profit attributable to shareholders of Cookpad Inc. was 607 million yen (down 75.8% year-on-year) due to an increase in the proportion of income tax expense.

The Cookpad Group has a single segment, Internet/Media, and its sales revenue by field is as follows.

(Millions of yen)

Reportable Segment		Six months ended June 30, 2017 (Jan. 1 - Jun. 30, 2017)	Six months ended June 30, 2018 (Jan. 1 - Jun. 30, 2018)	YoY change
Internet/Media		6,978	5,938	-14.9%
Recipe services	Premium Services	4,548	4,242	-6.7%
	Advertising	2,193	1,639	-25.3%
	Other	78	47	-39.1%
Other Internet/Media		157	9	-93.8%
Other Businesses		138	0	-100%
Total		7,116	5,938	

Sales revenue from the Premium Services business was 4,242 million yen (down 6.7% year-on-year) for the six months ended June 30, 2018. While usability improved thanks to increased charging routes for the Premium Services and review of charging flows and the Premium Services sales increased reflecting the rise in the Premium Membership subscription, revenue shared from telecom carriers such as NTT DOCOMO's "dgourmet" service declined.

Sales revenue of the Advertising business was 1,639 million yen (down 25.3% year-on-year) for the six months ended June 30, 2018. 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 intensified competition with other companies' services centering on video service and changes to the market environment of network ads.

Sales revenue of the Other businesses ceased following the sale of shares in the previous fiscal year.

(2) Analysis of Financial Position

1) Assets, Liabilities, and Equity

(Assets)

As of June 30, 2018, total assets were 25,018 million yen, up 120 million yen as compared with the previous fiscal year-end. Current assets were 21,960 million yen, down 196 million yen, and non-current assets were 3,058 million yen, up 316 million yen.

The main reason for the decrease in current assets is a 129 million yen decline in cash and cash equivalents. Non-current assets increased due to a 132 million yen rise in property, plant and equipment and a 137 million yen increase in other non-current assets.

(Liabilities)

As of June 30, 2018, total liabilities were 2,044 million yen, up 666 million yen as compared with the previous fiscal year-end. Current liabilities were 1,654 million yen, up 718 million yen, and non-current liabilities were 390 million yen, down 52 million yen.

The main reason for the increase in current liabilities was a rise of 745 million yen in income tax payable.

(Equity)

As of June 30, 2018, total equity was 22,973 million yen, down 546 million yen as compared with the previous fiscal year-end. This was due primarily to a decrease in retained earnings of 252 million yen.

2) Cash Flows

As of June 30, 2018, the balance of cash and cash equivalents (“funds”) was 19,492 million yen, down 129 million yen compared with the previous fiscal year-end, primarily due to the following factors.

(Cash flows from operating activities)

Funds provided by operating activities totaled 1,358 million yen. This is primarily attributable to recording of profit before tax of 1,530 million yen.

(Cash flows from investing activities)

Funds used in investing activities totaled 392 million yen. This is mainly due to an expenditure of 176 million yen for the purchase of property, plant and equipment, and an expenditure of 164 million yen for the purchase of intangible assets.

(Cash flows from financing activities)

Funds used in financing activities totaled 856 million yen, mainly attributable to cash dividends paid totaling 859 million yen.

(3) Consolidated Earnings Forecasts and Other Forward-Looking Information

To fulfill the corporate mission of “Make everyday cooking fun!” the Cookpad Group is aggressively pursuing investment opportunities to provide recipe services to the people worldwide. As the timing and the scale of investment should be decided in an agile manner taking consideration of change in business environment, it is difficult to reasonably estimate the consolidated earnings for the fiscal year ending December 31, 2018. Thus, the Company has not disclosed its consolidated earnings forecast for fiscal 2018.

2. Condensed Consolidated Financial Statements
(1) Condensed Consolidated Statements of Financial Position

(Thousands of yen)

	As of December 31, 2017	As of June 30, 2018
Assets		
Current assets		
Cash and cash equivalents	19,622,598	19,492,823
Trade and other receivables	2,273,771	2,115,221
Other financial assets	71,957	56,712
Inventories	1,279	1,642
Other current assets	187,210	293,859
Total current assets	22,156,814	21,960,256
Non-current assets		
Property, plant and equipment	368,717	501,592
Goodwill	1,154,072	1,068,145
Intangible assets	383,690	471,773
Other financial assets	344,297	388,578
Deferred tax assets	476,103	475,614
Other non-current assets	14,569	152,527
Total non-current assets	2,741,447	3,058,229
Total assets	24,898,261	25,018,486

(Thousands of yen)

	As of December 31, 2017	As of June 30, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	628,743	563,023
Other financial liabilities	64,472	84,079
Income tax payable	210,015	955,980
Other current liabilities	32,547	51,257
Total current liabilities	935,777	1,654,339
Non-current liabilities		
Other non-current liabilities	39,523	37,608
Other financial liabilities	241,658	168,865
Provisions	161,350	183,933
Total non-current liabilities	442,531	390,406
Total liabilities	1,378,308	2,044,745
Equity		
Capital stock	5,284,568	5,286,015
Capital surplus	5,334,553	5,337,092
Retained earnings	12,880,771	12,628,750
Treasury stock	(2,006)	(2,006)
Other components of equity	22,069	(276,110)
Equity attributable to shareholders of Cookpad Inc.	23,519,954	22,973,740
Non-controlling interests	—	—
Total equity	23,519,954	22,973,740
Total equity and liabilities	24,898,261	25,018,486

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

Condensed Consolidated Income Statements

The First Six Months of FY2017 and FY2018

(Thousands of yen)

	Six months ended June 30, 2017 (Jan. 1 - Jun. 30, 2017)	Six months ended June 30, 2018 (Jan. 1 - Jun. 30, 2018)
Sales revenue	7,116,166	5,938,979
Cost of sales	(202,182)	(62,702)
Gross profit	6,913,984	5,876,277
Selling, general and administrative expenses	(3,210,398)	(4,352,085)
Other income	3,362	62,169
Other expense	(4,211)	(2,968)
Operating income	3,702,737	1,583,392
Financial income	541,295	8,190
Financial expense	(170,885)	(60,702)
Profit before tax	4,073,147	1,530,880
Income tax expense	(1,564,975)	(923,843)
Net profit	2,508,172	607,037
Profit attributable to:		
Shareholders of Cookpad Inc.	2,508,544	607,037
Non-controlling interests	(373)	—
Net profit	2,508,172	607,037
Earnings per share		
Basic earnings per share (yen)	23.40	5.65
Diluted earnings per share (yen)	23.33	5.65

The Second Quarter of FY2017 and FY2018

(Thousands of yen)

	Three months ended June 30, 2017 (Apr. 1 - Jun. 30, 2017)	Three months ended June 30, 2018 (Apr. 1 - Jun. 30, 2018)
Sales revenue	3,455,377	2,964,127
Cost of sales	(93,511)	(26,900)
Gross profit	3,361,866	2,937,228
Selling, general and administrative expenses	(1,632,265)	(2,237,560)
Other income	2,630	55,405
Other expense	(1,592)	(2,958)
Operating income	1,730,639	752,114
Financial income	1,948	71,812
Financial expense	(88,430)	(151)
Profit before tax	1,644,157	823,775
Income tax expense	(653,509)	(516,468)
Net profit	990,648	307,306
Profit attributable to:		
Shareholders of Cookpad Inc.	990,747	307,306
Non-controlling interests	(99)	—
Net profit	990,648	307,306
Earnings per share		
Basic earnings per share (yen)	9.24	2.86
Diluted earnings per share (yen)	9.21	2.86

Condensed Consolidated Statements of Comprehensive Income

The First Six Months of FY2017 and FY2018

(Thousands of yen)

	Six months ended June 30, 2017 (Jan. 1 - Jun. 30, 2017)	Six months ended June 30, 2018 (Jan. 1 - Jun. 30, 2018)
Net profit	2,508,172	607,037
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	30	—
Total items that will not be reclassified subsequently to profit or loss	30	—
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(4,492)	(297,087)
Total items that may be reclassified subsequently to profit or loss	(4,492)	(297,087)
Other comprehensive income, net of tax	(4,463)	(297,087)
Comprehensive income	<u>2,503,709</u>	<u>309,950</u>
Comprehensive income attributable to:		
Shareholders of Cookpad Inc.	2,504,082	309,950
Non-controlling interests	(373)	—
Comprehensive income	<u><u>2,503,709</u></u>	<u><u>309,950</u></u>

The Second Quarter of FY2017 and FY2018

	(Thousands of yen)	
	Three months ended June 30, 2017 (Apr. 1 - Jun. 30, 2017)	Three months ended June 30, 2018 (Apr. 1 - Jun. 30, 2018)
Net profit	990,648	307,306
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	30	—
Total items that will not be reclassified subsequently to profit or loss	30	—
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	50,405	(229,870)
Total items that may be reclassified subsequently to profit or loss	50,405	(229,870)
Other comprehensive income, net of tax	50,435	(229,870)
Comprehensive income	1,041,083	77,436
Comprehensive income attributable to:		
Shareholders of Cookpad Inc.	1,041,182	77,436
Non-controlling interests	(99)	—
Comprehensive income	1,041,083	77,436

(3) Condensed Consolidated Statements of Changes in Equity

Six months ended June 30, 2017 (January 1 - June 30, 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	—	—	2,508,544	—	—	2,508,544	(373)	2,508,172
Other comprehensive income	—	—	—	—	(4,463)	(4,463)	—	(4,463)
Total comprehensive income	—	—	2,508,544	—	(4,463)	2,504,082	(373)	2,503,709
Issuance of new shares	4,691	4,691	—	—	—	9,382	—	9,382
Share-based payment transaction	—	4,775	—	—	(32,329)	(27,554)	30,734	3,181
Dividends to shareholders	—	—	(1,071,536)	—	—	(1,071,536)	—	(1,071,536)
Changes that result in 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	4,691	28,587	(1,077,486)	—	(26,380)	(1,070,588)	30,734	(1,039,854)
Balance as of June 30, 2017	5,272,174	5,292,617	11,897,840	(2,006)	(85,577)	22,375,048	28,784	22,403,832

Six months ended June 30, 2018 (January 1 - June 30, 2018)

(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, 2018	5,284,568	5,334,553	12,880,771	(2,006)	22,069	23,519,954	—	23,519,954
Net profit	—	—	607,037	—	—	607,037	—	607,037
Other comprehensive income	—	—	—	—	(297,087)	(297,087)	—	(297,087)
Total comprehensive income	—	—	607,037	—	(297,087)	309,950	—	309,950
Issuance of new shares	1,447	1,447	—	—	—	2,894	—	2,894
Share-based payment transaction	—	1,092	—	—	(1,092)	—	—	—
Dividends to shareholders	—	—	(859,058)	—	—	(859,058)	—	(859,058)
Total transactions with shareholders	1,447	2,539	(859,058)	—	(1,092)	(856,164)	—	(856,164)
Balance as of June 30, 2018	5,286,015	5,337,092	12,628,750	(2,006)	(276,110)	22,973,740	—	22,973,740

(4) Condensed Consolidated Statements of Cash Flows

	(Thousands of yen)	
	Six months ended June 30, 2017 (Jan. 1 - Jun. 30, 2017)	Six months ended June 30, 2018 (Jan. 1 - Jun. 30, 2018)
Cash flows from operating activities		
Profit before tax	4,073,147	1,530,880
Depreciation and amortization	56,280	112,001
Financial (income) expense ^(Note)	(450,799)	28,466
Net (increase) decrease of trade and other receivables	212,705	91,348
Net increase (decrease) of trade and other payables	(54,826)	(37,504)
Other	(132,051)	(223,002)
Subtotal	3,704,455	1,502,189
Interest and dividend income received	5,397	8,190
Interest expenses paid	(891)	(135)
Income taxes paid	(2,009,025)	(152,188)
Cash flows from operating activities	1,699,937	1,358,056
Cash flows from investing activities		
Purchase of property, plant and equipment	(36,812)	(176,600)
Purchase of intangible assets	(123,614)	(164,826)
Proceeds from sales of investments	623,777	—
Purchase of subsidiaries	(579,280)	1,094
Payments for sales of subsidiaries	(3,971)	—
Proceeds from sales of affiliates' shares	2,047,000	—
Payments for transfer of business	(143,290)	—
Other	(24,726)	(51,853)
Cash flows from investing activities	1,759,085	(392,184)

	(Thousands of yen)	
	Six months ended June 30, 2017 (Jan. 1 - Jun. 30, 2017)	Six months ended June 30, 2018 (Jan. 1 - Jun. 30, 2018)
Cash flows from financing activities		
Repayments of long-term debt	(25,353)	—
Proceeds from issuance of new shares	7,298	2,894
Cash dividends paid	(1,071,536)	(859,058)
Other	(2,147)	—
Cash flows from financing activities	(1,091,738)	(856,164)
Net increase (decrease) in cash and cash equivalents	2,367,283	109,708
Cash and cash equivalents at beginning of period	16,543,220	19,622,598
Effect of exchange rate change on cash and cash equivalents	(40,868)	(239,484)
Cash and cash equivalents at end of period	18,869,636	19,492,823