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Cookpad Inc.

Consolidated Earnings Results for the Nine Months ended September 30, 2018 [IFRS], unaudited

November 9, 2018

Stock listed: Tokyo Stock Exchange

Securities code: 2193

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

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Scheduled dates

Filing of the quarterly securities report: November 12, 2018

Dividend payout: -

Supplementary materials for earnings results: Yes

Holding of earnings results briefing: No

(Amounts rounded down to the nearest million yen)

1. Consolidated Results for the Nine Months ended September 30, 2018 (January 1, 2018 - September 30, 2018)

(1) Operational Results

(% represents year-on-year changes)

	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	%
For the nine months ended												
September 30, 2018	8,810	(13.4)	2,055	(50.4)	2,053	(54.8)	648	(73.1)	698	(71.1)	477	(80.4)
September 30, 2017	10,179	(17.3)	4,140	(32.5)	4,539	(26.0)	2,413	(36.4)	2,415	(34.9)	2,441	(22.5)

	EPS (Basic)	EPS (Diluted)
For the nine months ended	Yen	Yen
September 30, 2018	6.50	6.50
September 30, 2017	22.53	22.47

(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 September 30, 2018	28,813	27,128	25,049	86.9
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: As announced in "Notice of Revision of Dividend Policy" of September 28, 2018, Cookpad Inc. will not use retained earnings to pay dividends.

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 September 30, 2018: | 107,429,400 shares |
| As of December 31, 2017: | 107,386,200 shares |
| 2) Number of treasury shares | |
| As of September 30, 2018: | 3,956 shares |
| As of December 31, 2017: | 3,956 shares |
| 3) Number of average shares during the period | |
| Nine months ended September 30, 2018: | 107,414,209 shares |
| Nine months ended September 30, 2017: | 107,177,873 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

The consolidated results for the nine months ended September 30, 2018 are as follows:

(Millions of yen)

	Nine months ended September 30, 2017 (Jan. 1 – Sept. 30, 2017)	Nine months ended September 30, 2018 (Jan. 1 – Sept. 30, 2018)	YoY change
Sales revenue	10,179	8,810	-13.4%
Operating income	4,140	2,055	-50.4%
Profit before tax	4,539	2,053	-54.8%
Profit attributable to shareholders of Cookpad Inc.	2,415	698	-71.1%

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 third quarter of fiscal 2018, the average number of monthly “Cookpad” users in Japan declined by 1.16 million from the previous quarter (April – June 2018) to 54.42 million (monthly average of visitors calculated for each browser and device). The number of posted recipes increased 47 thousand to 3.00 million compared with the end of the previous quarter.

The average number of monthly overseas users totaled 38.09 million (monthly average calculated with Google Analytics), up 1.76 million from the previous quarter (April – June 2018). This is due primarily to the addition of the Russian recipe website to the global platform in January 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 1.85 million, up 0.2 million from the end of the previous quarter.

The Company has been actively investing in acquisition of talents, in Japan and elsewhere, who would drive forward its service development, such as engineers and designers, critical to solve cooking-related problems by leveraging technology, the Company’s strength. It has also been investing in new businesses. In particular, the Company entered the cooking video business in earnest in 2017, and for the business it established CookpadTV Inc. through an incorporation-type company split in April 2018. In August 2018 this company concluded an alliance with Mitsubishi Corporation by carrying out a capital increase through a 4,000 million yen third-party allocation of shares to Mitsubishi Corporation, with a view to developing not only in Japan but also overseas, and with the goal of further accelerating the cookpad storeTV business. The Company will continue to strive for enhancing its corporate value over the long term.

As a result, sales revenue was 8,810 million yen (down 13.4% year-on-year) for the nine months ended September 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 6,714 million yen (up 37.1% year-on-year). Operating income for the nine months was 2,055 million yen (down 50.4% 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 increase of employees. In addition, due to foreign exchange losses, profit before tax came to 2,053 million yen (down 54.8% year on year). Profit attributable to shareholders of Cookpad Inc. increased by 49 million yen as a result of the occurrence of a loss attributable to non-controlling interests in relation to a consolidated subsidiary’s capital increase through a third-party allocation of shares, but due to an increase in the proportion of income tax expense, final profit attributable to shareholders of Cookpad Inc. came in at 698 million yen (down 71.1% year on year).

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

(Millions of yen)

Reportable Segment		Nine months ended September 30, 2017 (Jan. 1 – Sept. 30, 2017)	Nine months ended September 30, 2018 (Jan. 1 – Sept. 30, 2018)	YoY change
Internet/Media		10,041	8,810	-12.3%
Recipe services	Premium Services	6,703	6,364	-5.0%
	Advertising	3,002	2,359	-21.4%
	Other	105	74	-29.0%
Other Internet/Media		230	11	-95.0%
Other Businesses		138	—	-100.0%
Total		10,179	8,810	-13.4%

Sales revenue from the Premium Services business was 6,364 million yen (down 5.0% year-on-year) for the nine months ended September 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 2,359 million yen (down 21.4% year-on-year) for the nine months ended September 30, 2018. This is attributable primarily to internal factors such as constraints on advertising space available for sale caused by the higher priority given to service development and changes to the sales organization structure. In addition, external factors also played a part, such as the slowdown in the market for home meals, and the resulting shift of advertising resources to TV commercials and in-store promotions, as well as changes in the market environment for network advertising.

Moreover, revenue for the Other Internet/Media business in the nine months ended September 30, 2018 declined as a result of the divestiture of the business during the previous fiscal year. Revenue for the Other business ceased following the sale of the shares in the business during the previous fiscal year.

(2) Analysis of Financial Position

1) Assets, Liabilities, and Equity

(Assets)

As of September 30, 2018, total assets were 28,813 million yen, up 3,915 million yen as compared with the previous fiscal year-end. Current assets were 25,515 million yen, up 3,358 million yen, and non-current assets were 3,298 million yen, up 556 million yen. The main reason for the increase in current assets is a 3,417 million yen increase in cash and cash equivalents. Non-current assets increased due mainly to a 215 million yen rise in property, plant and equipment.

(Liabilities)

As of September 30, 2018, total liabilities were 1,685 million yen, up 306 million yen as compared with the previous fiscal year-end. Current liabilities were 1,248 million yen, up 312 million yen, and non-current liabilities were 436 million yen, down 5 million yen. The main reason for the increase in current liabilities was a rise of 311 million yen in income tax payable.

(Equity)

As of September 30, 2018, total equity was 27,128 million yen, up 3,608 million yen as compared with the previous fiscal year-end. The main reasons for this rise were an increase of 2,079 million yen in non-controlling interests, and an increase in capital surplus of 1,859 million yen.

2) Cash Flows

As of September 30, 2018, the balance of cash and cash equivalents (“funds”) was 23,040 million yen, up 3,417 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 1,062 million yen. This is primarily attributable to recording of profit before tax of 2,053 million yen.

(Cash flows from investing activities)

Funds used in investing activities totaled 666 million yen. This is mainly due to an expenditure of 307 million yen for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Funds provided by financing activities totaled 3,129 million yen. The main factors here were proceeds from non-controlling shareholders of 3,986 million yen, and cash dividends paid of 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 September 30, 2018
Assets		
Current assets		
Cash and cash equivalents	19,622,598	23,040,196
Trade and other receivables	2,273,771	2,029,639
Other financial assets	71,957	55,956
Inventories	1,279	6,260
Other current assets	187,210	383,397
Total current assets	22,156,814	25,515,448
Non-current assets		
Property, plant and equipment	368,717	584,609
Goodwill	1,154,072	1,227,649
Intangible assets	383,690	500,602
Other financial assets	344,297	387,051
Deferred tax assets	476,103	471,682
Other non-current assets	14,569	135,415
Total non-current assets	2,741,447	3,298,006
Total assets	24,898,261	28,813,454

(Thousands of yen)

	As of December 31, 2017	As of September 30, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	628,743	569,147
Other financial liabilities	64,472	106,757
Income tax payable	210,015	521,812
Other current liabilities	32,547	50,757
Total current liabilities	935,777	1,248,473
Non-current liabilities		
Short-term debt	—	40,000
Other non-current liabilities	39,523	38,633
Other financial liabilities	241,658	174,068
Provisions	161,350	184,011
Total non-current liabilities	442,531	436,712
Total liabilities	1,378,308	1,685,185
Equity		
Capital stock	5,284,568	5,286,015
Capital surplus	5,334,553	7,194,224
Retained earnings	12,880,771	12,719,989
Treasury stock	(2,006)	(2,006)
Other components of equity	22,069	(149,044)
Equity attributable to shareholders of Cookpad Inc.	23,519,954	25,049,177
Non-controlling interests	—	2,079,092
Total equity	23,519,954	27,128,269
Total equity and liabilities	24,898,261	28,813,454

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

Condensed Consolidated Income Statements

The First Nine Months of FY2017 and FY2018

(Thousands of yen)

	Nine months ended September 30, 2017 (Jan. 1 - Sept. 30, 2017)	Nine months ended September 30, 2018 (Jan. 1 - Sept. 30, 2018)
Sales revenue	10,179,683	8,810,992
Cost of sales	(263,865)	(99,904)
Gross profit	9,915,818	8,711,088
Selling, general and administrative expenses	(4,897,535)	(6,714,075)
Other income	4,501	66,386
Other expense	(882,163)	(8,379)
Operating income	4,140,621	2,055,020
Financial income	570,415	12,922
Financial expense	(171,088)	(14,799)
Profit before tax	4,539,947	2,053,144
Income tax expense	(2,126,795)	(1,404,677)
Net profit	2,413,152	648,467
Profit attributable to:		
Shareholders of Cookpad Inc.	2,415,366	698,275
Non-controlling interests	(2,213)	(49,809)
Net profit	2,413,152	648,467
Earnings per share		
Basic earnings per share (yen)	22.53	6.50
Diluted earnings per share (yen)	22.47	6.50

The Third Quarter of FY2017 and FY2018

(Thousands of yen)

	Three months ended September 30, 2017 (July 1 - Sept. 30, 2017)	Three months ended September 30, 2018 (July 1 - Sept. 30, 2018)
Sales revenue	3,063,517	2,872,013
Cost of sales	(61,683)	(37,201)
Gross profit	3,001,834	2,834,812
Selling, general and administrative expenses	(1,687,137)	(2,361,990)
Other income	1,139	4,217
Other expense	(877,953)	(5,411)
Operating income	437,883	471,628
Financial income	29,121	50,836
Financial expense	(203)	(200)
Profit before tax	466,801	522,264
Income tax expense	(561,820)	(480,833)
Net profit (loss)	(95,019)	41,430
Profit (loss) attributable to:		
Shareholders of Cookpad Inc.	(93,179)	91,239
Non-controlling interests	(1,841)	(49,809)
Net profit (loss)	(95,019)	41,430
Earnings per share		
Basic earnings (loss) per share (yen)	(0.86)	0.84
Diluted earnings (loss) per share (yen)	(0.86)	—

Condensed Consolidated Statements of Comprehensive Income

The First Nine Months of FY2017 and FY2018

(Thousands of yen)

	Nine months ended September 30, 2017 (Jan. 1 - Sept. 30, 2017)	Nine months ended September 30, 2018 (Jan. 1 - Sept. 30, 2018)
Net profit	2,413,152	648,467
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	28,266	(170,960)
Total items that may be reclassified subsequently to profit or loss	28,266	(170,960)
Other comprehensive income, net of tax	28,296	(170,960)
Comprehensive income	2,441,448	477,506
Comprehensive income attributable to:		
Shareholders of Cookpad Inc.	2,443,662	527,315
Non-controlling interests	(2,213)	(49,809)
Comprehensive income	2,441,448	477,506

The Third Quarter of FY2017 and FY2018

	(Thousands of yen)	
	Three months ended September 30, 2017 (July 1 - Sept. 30, 2017)	Three months ended September 30, 2018 (July 1 - Sept. 30, 2018)
Net profit (loss)	(95,019)	41,430
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	32,758	126,126
Total items that may be reclassified subsequently to profit or loss	32,758	126,126
Other comprehensive income, net of tax	32,758	126,126
Comprehensive income	<u>(62,261)</u>	<u>167,556</u>
Comprehensive income attributable to:		
Shareholders of Cookpad Inc.	(60,420)	217,365
Non-controlling interests	(1,841)	(49,809)
Comprehensive income	<u>(62,261)</u>	<u>167,556</u>

(3) Condensed Consolidated Statements of Changes in Equity

Nine months ended September 30, 2017 (January 1 – September 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	—	—	2,415,366	—	—	2,415,366	(2,213)	2,413,152
Other comprehensive income	—	—	—	—	28,296	28,296	—	28,296
Total comprehensive income	—	—	2,415,366	—	28,296	2,443,662	(2,213)	2,441,448
Issuance of new shares	4,691	4,691	—	—	—	9,382	—	9,382
Share-based payment transaction	—	4,775	—	—	(32,329)	(27,554)	32,579	5,025
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)	32,579	(1,038,009)
Balance as of September 30, 2017	5,272,174	5,292,617	11,804,662	(2,006)	(52,819)	22,314,627	28,789	22,343,416

Nine months ended September 30, 2018 (January 1 – September 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	—	—	698,275	—	—	698,275	(49,809)	648,467
Other comprehensive income	—	—	—	—	(170,960)	(170,960)	—	(170,960)
Total comprehensive income	—	—	698,275	—	(170,960)	527,315	(49,809)	477,506
Issuance of new shares	1,447	1,447	—	—	—	2,894	—	2,894
Share-based payment transaction	—	1,092	—	—	(152)	940	—	940
Dividends to shareholders	—	—	(859,058)	—	—	(859,058)	—	(859,058)
Changes in ownership interests in subsidiaries that do not result in loss of control	—	1,857,132	—	—	—	1,857,132	2,128,900	3,986,032
Total transactions with shareholders	1,447	1,859,671	(859,058)	—	(152)	1,001,908	2,128,900	3,130,809
Balance as of September 30, 2018	5,286,015	7,194,224	12,719,989	(2,006)	(149,044)	25,049,177	2,079,092	27,128,269

(4) Condensed Consolidated Statements of Cash Flows

	(Thousands of yen)	
	Nine months ended September 30, 2017 (Jan. 1 - Sept. 30, 2017)	Nine months ended September 30, 2018 (Jan. 1 - Sept. 30, 2018)
Cash flows from operating activities		
Profit before tax	4,539,947	2,053,144
Impairment loss	877,076	—
Depreciation and amortization	89,304	182,055
Financial (income) expense	(462,985)	(20,031)
Net (increase) decrease of trade and other receivables	460,329	245,354
Net increase (decrease) of trade and other payables	(209,793)	(37,726)
Other	(234,908)	(335,988)
Subtotal	5,058,970	2,086,808
Interest and dividend income received	10,187	12,922
Interest expenses paid	(1,018)	(55)
Income taxes paid	(3,661,321)	(1,036,718)
Cash flows from operating activities	1,406,818	1,062,958
Cash flows from investing activities		
Purchase of property, plant and equipment	(45,283)	(307,915)
Purchase of intangible assets	(205,286)	(216,213)
Proceeds from sales of investments	623,777	—
Purchase of subsidiaries	(571,915)	(103,458)
Payments for sales of subsidiaries	(3,971)	—
Proceeds from sales of affiliates' shares	2,047,000	—
Payments for transfer of business	(185,584)	—
Other	(70,450)	(39,353)
Cash flows from investing activities	1,588,289	(666,940)

	(Thousands of yen)	
	Nine months ended September 30, 2017 (Jan. 1 - Sept. 30, 2017)	Nine months ended September 30, 2018 (Jan. 1 - Sept. 30, 2018)
Cash flows from financing activities		
Repayments of long-term debt	(26,635)	—
Proceeds from issuance of new shares	7,298	2,894
Cash dividends paid	(1,071,536)	(859,058)
Proceeds from non-controlling shareholders	—	3,986,032
Other	(2,147)	—
Cash flows from financing activities	(1,093,020)	3,129,869
Net increase (decrease) in cash and cash equivalents	1,902,087	3,525,886
Cash and cash equivalents at beginning of period	16,543,220	19,622,598
Effect of exchange rate change on cash and cash equivalents	(6,543)	(108,289)
Cash and cash equivalents at end of period	18,438,764	23,040,196