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Cookpad Inc.

Consolidated Earnings Results for the Fiscal Year ended December 31, 2018 [IFRS], unaudited

February 8, 2019

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 26, 2019
 Dividend payout: -
 Filing of the statutory financial report: March 27, 2019
 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, 2018 (January 1, 2018 – December 31, 2018)

(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, 2018	11,876	(11.4)	1,664	(69.1)	1,449	(74.3)	120	(96.5)	407	(88.3)	(338)	-
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

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, 2018	3.78	3.78	1.7	5.5	14.0
December 31, 2017	32.57	32.40	15.7	22.9	40.2

(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, 2018	28,209	26,315	24,472	86.8	227.76
As of December 31, 2017	24,898	23,519	23,519	94.5	219.00

(3) Cash Flow Position

Fiscal year ended	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
December 31, 2018	1,136	(810)	3,129	22,756
December 31, 2017	2,474	1,719	(1,072)	19,622

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, 2017	-	0.00	-	8.00	8.00	859	24.6	3.9
December 31, 2018	-	0.00	-	0.00	0.00	-	-	-
December 31, 2019 (Forecast)	-	0.00	-	0.00	0.00		-	

3. Full Year Forecast of Consolidated Earnings (January 1, 2019 – December 31, 2019)

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 changes in business environment, it is difficult to reasonably estimate the consolidated earnings for the fiscal year ending December 31, 2019. Thus, the Company has omitted the consolidated earnings forecast for fiscal 2019.

*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: Yes
 - 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, 2018: 107,429,400 shares
 - As of December 31, 2017: 107,386,200 shares
 - 2) Number of treasury shares
 - As of December 31, 2018: 3,961 shares
 - As of December 31, 2017: 3,956 shares
 - 3) Number of average shares during the period
 - Year ended December 31, 2018: 107,417,041 shares
 - Year ended December 31, 2017: 107,187,957 shares

(Reference)

1. Non-consolidated Results for the Fiscal year ended December 31, 2018 (January 1, 2018 – December 31, 2018)

(1) Operations Results

(% represents 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, 2018	12,158	(9.7)	5,150	(33.1)	4,992	(35.3)	2,992	193.1
December 31, 2017	13,466	(6.8)	7,701	(17.0)	7,712	(14.5)	1,020	(63.6)

Fiscal year ended	EPS	Diluted EPS
	yen	yen
December 31, 2018	27.86	27.85
December 31, 2017	9.52	9.47

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of December 31, 2018	27,153	25,518	94.0	237.49
As of December 31, 2017	24,324	23,378	96.1	217.69

(Reference) Total equity: As of December 31, 2018: 25,512 million yen
As of December 31, 2017: 23,376 million yen

* This report is exempt from audit by certified public accountants or auditing firms.

* Appropriate use of earnings forecasts and other special notes

The Company omits the earnings forecast for the reasons stated in the summary information “3. Full Year Forecast of Consolidated Earnings (January 1, 2019 – December 31, 2019).”

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

The consolidated results for the fiscal year ended December 31, 2018 (January 1, 2018 – December 31, 2018) are as follows:

(Millions of yen)

	Fiscal 2017 (Jan. 1 – Dec. 31, 2017)	Fiscal 2018 (Jan. 1 – Dec. 31, 2018)	YoY change
Sales revenue	13,408	11,876	-11.4%
Operating income	5,391	1,664	-69.1%
Profit before tax	5,637	1,449	-74.3%
Profit attributable to shareholders of Cookpad Inc.	3,491	407	-88.3%

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 fourth quarter of fiscal 2018 (October-December 2018), the average number of monthly “Cookpad” users in Japan was 54.62 million (monthly average of visitors calculated for each browser and device). The number of posted recipes in Japan now stands at 3.05 million, up 0.22 million from the end of the previous fiscal year. The average number of monthly overseas users totaled 40.21 million for the period from October to December 2018 (monthly average calculated with Google Analytics) mainly due to the addition of a Russian recipe website to the global platform in January 2018. The number of countries where we offer the service was 71 countries, where the recipes are offered in 26 languages including Japanese, and the number of recipes posted overseas now stands at 2.12 million, up 0.93 million from the end of the previous fiscal year. The Cookpad Group has been acquiring service development talent such as engineers and designers, critical to solve cooking-related problems by leveraging technology. It has also been actively investing in new businesses. In particular, CookpadTV Inc., which conducts a cooking video business, accepted a capital increase through a 4,000 million yen third-party allocation of shares to Mitsubishi Corporation in August 2018, and aims to further accelerate the food video business with a view to developing not only in Japan but also overseas through the capital alliance. The Cookpad Group will continue to make effort to enhance its corporate value over the long term. As a result, sales revenue was 11,876 million yen (down 11.4% year-on-year) for the fiscal 2018. This is mainly due to a decline in sales revenue of the revenue sharing within the “Cookpad” Premium Service business in Japan as well as a decline in sales revenue of the Advertising business. SG&A expenses were 9,544 million yen (up 37.3% year-on-year). Operating income was 1,664 million yen (down 69.1% year-on-year). This is mainly attributable to increases in personnel expenses, business consignment expenses, advertising expenses and rent, in addition to impairment losses of 637 million yen on goodwill and fixed assets for business use. In addition, due to foreign exchange losses, profit before tax came to 1,449 million yen (down 74.3% year-on-year). Profit attributable to shareholders of Cookpad Inc. amounted to 407 million yen (down 88.3% year-on-year) due to a loss of 286 million yen attributable to non-controlling interests incurred as a result of the third-party allocation of shares of consolidated subsidiary CookpadTV Inc., although there was 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		Fiscal year ended December 31, 2017 (Jan. 1 – Dec. 31, 2017)	Fiscal year ended December 31, 2018 (Jan. 1 – Dec. 31, 2018)	YoY change
Internet/Media		13,270	11,876	-10.5%
Recipe services	Premium Services	8,784	8,471	-3.6%
	Advertising	4,058	3,267	-19.5%
	Other	130	114	-12.1%
Other Internet/Media		296	22	-92.4%
Other Businesses		138	—	—%
Total		13,408	11,876	-11.4%

Sales revenue from the Premium Services business was 8,471 million yen (down 3.6% year-on-year) in fiscal 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 3,267 million yen (down 19.5% year-on-year) in fiscal 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 in the sales structure. In addition, external factors also played a part, such as a shift of advertising resources in the food industry to TV commercials and in-store promotions.

Sales revenue for the Other Internet/Media business in fiscal 2018 declined due to sale of its business during the previous fiscal year. Revenue for the Other businesses ceased following the sale of shares during the previous fiscal year.

(2) Analysis of Financial Position

(Assets)

As of December 31, 2018, total assets were 28,209 million yen, up 3,310 million yen as compared with the previous fiscal year-end. Current assets were 25,316 million yen, up 3,159 million yen, and non-current assets were 2,892 million yen, up 151 million yen.

The main reason for the increase in current assets is a 3,133 million yen increase in cash and cash equivalents.

The main reasons for the increase in non-current assets are a 311 million yen increase in deferred tax assets and a 275 million yen decrease in goodwill.

(Liabilities)

As of December 31, 2018, total liabilities were 1,893 million yen, up 515 million yen as compared with the previous fiscal year-end. Current liabilities were 1,546 million yen, up 610 million yen, and non-current liabilities were 347 million yen, down 94 million yen.

The main reason for the increase in current liabilities was an increase of 566 million yen in income tax payable, and that for the decrease in non-current liabilities was a 163 million yen decrease in other financial liabilities.

(Equity)

As of December 31, 2018, total equity was 26,315 million yen, up 2,795 million yen as compared with the previous fiscal year-end.

The main reasons for this rise were an increase of 1,859 million yen in capital surplus, and an increase of 1,842 million yen in non-controlling interests.

(3) Analysis of Cash Flows

As of December 31, 2018, the balance of cash and cash equivalents (“funds”) was 22,756 million yen, up 3,133 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 1,136 million yen. This is mainly due to profit before tax of 1,449 million yen and impairment losses of 637 million yen, while there were income taxes paid of 1,040 million yen.

(Cash flows from investing activities)

Funds used in investing activities totaled 810 million yen. This is mainly due to an expenditure of 396 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 share issuance to non-controlling shareholders of 3,986 million yen, and cash dividends paid of 859 million yen.

Reference: Trends in cash flow-related management indicators

	Fiscal 2017	Fiscal 2018
Ratio of equity attributable to owners of the parent (%)	94.5	86.8
Ratio of equity attributable to owners of the parent (%) (market value basis)	261.8	113.5
Cash flow to interest-bearing debt ratio (%)	0.0	3.5
Interest coverage ratio (x)	1,862.0	9,499.8

Notes: 1. Calculation of all indicators are based on consolidated financial data.
2. Market capitalization is based on the number of shares issued excluding treasury shares.
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

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 changes in business environment, it is difficult to reasonably estimate the consolidated earnings for the fiscal year ending December 31, 2019. Thus, the Company has not disclosed its consolidated earnings forecast for fiscal 2019.

(5) Basic Policy for Profit Distribution

The Company set 10 years starting in 2017 as an “investment phase” to refocus on building business foundation for further growth. Accordingly, the Company’s policy is not to make dividend distribution in order to put a priority on allocating funds obtained through its business operations for investments in service development, user base acquisition and brand establishment with a goal of expanding businesses.

2. Basic Policy on Selection of Accounting Standards

Based on the mission of “Make everyday cooking fun!” the Company is expanding its service worldwide by providing a service that enhances the enjoyment of international cuisines for consumers in Japan and around the world. In this context, the Company has adopted International Financial Reporting Standards (IFRS) 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, 2017	As of December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	19,622,598	22,756,245
Trade and other receivables	2,273,771	2,068,754
Other financial assets	71,957	66,627
Inventories	1,279	20,636
Other current assets	187,210	404,282
Total current assets	22,156,814	25,316,545
Non-current assets		
Property, plant and equipment	368,717	342,809
Goodwill	1,154,072	878,838
Intangible assets	383,690	410,723
Other financial assets	344,297	356,308
Deferred tax assets	476,103	787,850
Other non-current assets	14,569	116,184
Total non-current assets	2,741,447	2,892,711
Total assets	24,898,261	28,209,255

(Thousands of yen)

	As of December 31, 2017	As of December 31, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	628,743	625,200
Other financial liabilities	64,472	69,839
Income tax payable	210,015	776,771
Other current liabilities	32,547	74,214
Total current liabilities	935,777	1,546,024
Non-current liabilities		
Long-term debt	—	40,000
Other non-current liabilities	39,523	36,567
Other financial liabilities	241,658	77,695
Provisions	161,350	184,089
Deferred tax liabilities	—	9,515
Total non-current liabilities	442,531	347,865
Total liabilities	1,378,308	1,893,889
Equity		
Capital stock	5,284,568	5,286,015
Capital surplus	5,334,553	7,194,224
Retained earnings	12,880,771	12,428,820
Treasury stock	(2,006)	(2,008)
Other components of equity	22,069	(434,304)
Equity attributable to shareholders of Cookpad Inc.	23,519,954	24,472,747
Non-controlling interests	—	1,842,619
Total equity	23,519,954	26,315,367
Total equity and liabilities	24,898,261	28,209,255

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

(Thousands of yen)

	Fiscal year ended December 31, 2017 (Jan. 1 – Dec. 31, 2017)	Fiscal year ended December 31, 2018 (Jan. 1 – Dec 31, 2018)
Sales revenue	13,408,060	11,876,170
Cost of sales	(324,934)	(125,942)
Gross profit	13,083,126	11,750,229
Selling, general and administrative expenses	(6,950,941)	(9,544,028)
Other income	143,481	111,942
Other expense	(884,475)	(653,588)
Operating income	5,391,192	1,664,555
Financial income	548,505	15,569
Financial expense	(302,413)	(230,269)
Profit before tax	5,637,284	1,449,855
Income tax expense	(2,148,022)	(1,329,029)
Net profit	3,489,262	120,826
Profit attributable to:		
Shareholders of Cookpad Inc.	3,491,476	407,107
Non-controlling interests	(2,213)	(286,281)
Net profit	3,489,262	120,826
Earnings per share		
Basic earnings per share (yen)	32.57	3.78
Diluted earnings per share (yen)	32.40	3.78

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Fiscal year ended December 31, 2017 (Jan. 1 – Dec. 31, 2017)	Fiscal year ended December 31, 2018 (Jan. 1 – Dec. 31, 2018)
Net profit	3,489,262	120,826
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	103,122	(459,060)
Total items that may be reclassified subsequently to profit or loss	103,122	(459,060)
Other comprehensive income, net of tax	103,152	(459,060)
Comprehensive income	3,592,414	(338,234)
Comprehensive income attributable to:		
Shareholders of Cookpad Inc.	3,594,628	(51,953)
Non-controlling interests	(2,213)	(286,281)
Comprehensive income	3,592,414	(338,234)

(3) Consolidated Statements of Changes in Equity

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

FY2018 (January 1 – December 31, 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	—	—	407,107	—	—	407,107	(286,281)	120,826
Other comprehensive income	—	—	—	—	(459,060)	(459,060)	—	(459,060)
Total comprehensive income	—	—	407,107	—	(459,060)	(51,953)	(286,281)	(338,234)
Issuance of new shares	1,447	1,447	—	—	—	2,894	—	2,894
Share-based payment transaction	—	1,092	—	—	2,688	3,780	—	3,780
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
Purchase of treasury stock	—	—	—	(2)	—	(2)	—	(2)
Total transactions with shareholders	1,447	1,859,671	(859,058)	(2)	2,688	1,004,746	2,128,900	3,133,647
Balance as of December 31, 2018	5,286,015	7,194,224	12,428,820	(2,008)	(434,304)	24,472,747	1,842,619	26,315,367

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended December 31, 2017 (Jan. 1 – Dec. 31, 2017)	Fiscal year ended December 31, 2018 (Jan. 1 – Dec. 31, 2018)
Cash flows from operating activities		
Profit before tax	5,637,284	1,449,855
Impairment loss	877,076	637,789
Depreciation and amortization	129,794	260,218
Financial (income) expense	(316,561)	12,947
(Gain) Loss on transfer of business	(130,005)	—
Net (increase) decrease of trade and other receivables	315,065	203,129
Net increase (decrease) of trade and other payables	(135,241)	18,314
Net (increase) decrease of long-term prepaid expenses	15,357	(107,235)
Other	(266,501)	(313,184)
Subtotal	6,126,266	2,161,833
Interest and dividend income received	12,608	15,569
Interest expenses paid	(1,329)	(120)
Income taxes paid	(3,662,947)	(1,040,771)
Cash flows from operating activities	2,474,598	1,136,511
Cash flows from investing activities		
Purchase of property, plant and equipment	(153,138)	(396,088)
Purchase of intangible assets	(302,444)	(233,467)
Proceeds from sales of investments	860,328	—
Purchase of subsidiaries	(571,915)	(160,968)
Payments for sales of subsidiaries	(3,971)	—
Proceeds from sales of affiliates' shares	2,047,000	—
Payments for transfer of business	(185,584)	—
Proceeds from transfer of business	118,800	—
Other	(89,946)	(19,551)
Cash flows from investing activities	1,719,129	(810,074)

(Thousands of yen)

	Fiscal Year ended December 31, 2017 (Jan. 1 – Dec. 31, 2017)	Fiscal Year ended December 31, 2018 (Jan. 1 – Dec. 31, 2018)
Cash flows from financing activities		
Repayments of long-term debt	(29,793)	—
Proceeds from issuance of new shares	29,036	2,894
Cash dividends paid	(1,071,536)	(859,058)
Purchase of treasury stock	—	(2)
Proceeds from non-controlling shareholders	—	3,986,032
Other	(158)	—
Cash flows from financing activities	(1,072,451)	3,129,867
Net increase (decrease) in cash and cash equivalents	3,121,277	3,456,305
Cash and cash equivalents at beginning of period	16,543,220	19,622,598
Effect of exchange rate change on cash and cash equivalents	(41,899)	(322,658)
Cash and cash equivalents at end of period	19,622,598	22,756,245

(5) Notes on the Going Concern Assumption

Not applicable

(6) Changes in Accounting Estimates

The material changes in accounting estimates in the consolidated financial statements are as follows.

(Impairment losses)

As a result of reviewing the earnings plans for the Company's consolidated subsidiaries Cookpad Taiwan Co. (Taiwan) and ORYOKI M.I.K.E. (Greece), we forecast that the initially estimated earnings plans will not be achieved. The Company performed an impairment test based on IFRS and conservatively examined their future collectability. As a result, we recorded an impairment loss of 289,549 thousand yen on goodwill recognized at the time of acquisition of these companies. In addition, for overseas businesses, we have set 10 years starting in 2017 as an "investment phase" to refocus on building business foundation under the mission to "Make everyday cooking fun!". In order to conduct business activities aimed at long-term growth, we also conservatively examined future collectability of non-current assets for business use in overseas businesses. As a result, an impairment loss of 348,240 thousand yen was recorded.