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Cookpad Inc.

Consolidated Earnings Results for the Three Months ended March 31, 2019 [IFRS], unaudited

May 10, 2019

Stock listed: Tokyo Stock Exchange
 Securities code: 2193 URL: <https://www.cookpadteam.com>
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Scheduled dates
 Filing of the quarterly securities report: May 13, 2019
 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 Three Months ended March 31, 2019 (January 1, 2019 - March 31, 2019)

(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 three months ended												
March 31, 2019	2,937	(1.2)	298	(64.1)	300	(57.5)	98	(67.1)	213	(28.6)	366	57.6
March 31, 2018	2,974	(18.7)	831	(57.8)	707	(70.9)	299	(80.2)	299	(80.3)	232	(84.1)

	EPS (Basic)	EPS (Diluted)
For the three months ended	Yen	Yen
March 31, 2019	1.99	—
March 31, 2018	2.79	2.79

(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 March 31, 2019	29,199	26,336	24,609	84.3
As of December 31, 2018	28,209	26,315	24,472	86.8

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, 2018	—	0.00	—	0.00	0.00
December 31, 2019	—				
December 31, 2019 (Forecast)		0.00	—	0.00	0.00

Note: Revisions to most recently announced dividend forecast: No

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

(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 March 31, 2019: 107,429,400 shares

As of December 31, 2018: 107,429,400 shares

2) Number of treasury shares

As of March 31, 2019: 3,961 shares

As of December 31, 2018: 3,961 shares

3) Number of average shares during the period

Three months ended March 31, 2019: 107,425,439 shares

Three months ended March 31, 2018: 107,391,364 shares

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

*Appropriate use of earnings forecast 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, 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 three months ended March 31, 2019 are as follows:

(Millions of yen)

	Three months ended March 31, 2018 (Jan. 1 - Mar. 31, 2018)	Three months ended March 31, 2019 (Jan. 1 - Mar. 31, 2019)	YoY change
Sales revenue	2,974	2,937	-1.2%
Operating income	831	298	-64.1%
Profit before tax	707	300	-57.5%
Profit attributable to shareholders of Cookpad Inc.	299	213	-28.6%

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. 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” to our Articles of Incorporation to clearly spell out our goal and mission. 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 first quarter of fiscal 2019, the average number of monthly “Cookpad” users in Japan increased by 1.02 million from the previous quarter (October – December 2018) to 55.64 million (monthly average of visitors calculated for each browser and device). The number of posted recipes increased 50,000 to 3.10 million compared with the end of the previous fiscal year.

The average number of monthly overseas users totaled 41.04 million (monthly average calculated using data provided by Google Analytics), up 0.83 million from the previous quarter (October – December 2018). Starting with the fiscal period under review, users in all countries where the “Cookpad” service is offered are aggregated by language. The number of countries where we offer the service was 71 countries, where the recipes are offered in 28 languages excluding Japanese, and the number of posted recipes now stands at 2.41 million, up 290,000 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. The Company will continue to strive for enhancing its corporate value over the long term.

As a result, sales revenue was 2,937 million yen (down 1.2% year on year) for the three months ended March 31, 2019. This is mainly due to declines in sales revenues from the recipe service and advertising business in Japan. SG&A expenses were 2,600 million yen (up 23.0% year on year). Operating income for the first three months was 298 million yen (down 64.1% year on year). This is mainly due to the increases of personnel and accompanying expenses associated with beefed up hiring activities in Japan and other countries and expenses related to new businesses such as CookpadTV. In addition, profit before tax came to 300 million yen (down 57.5% year on year), while profit attributable to shareholders of Cookpad Inc. came to 213 million yen (down 28.6% year on year) due to the occurrence of a loss attributable to non-controlling interests incurred as a result of the third-party allocation of shares of CookpadTV Inc. conducted in August 2018.

The Cookpad Group has a single segment, “Make everyday cooking fun!,” and a breakdown of sales revenue is provided below. The segment name and classification of disclosure have been changed as of the three-month ended March 31, 2019. As such, the figures from the same period of the previous year have been adjusted accordingly.

(Millions of yen)

Reportable Segment	Three months ended March 31, 2018 (Jan. 1 - Mar. 31, 2018)	Three months ended March 31, 2019 (Jan. 1 - Mar. 31, 2019)	YoY change
Make everyday cooking fun!	2,974	2,937	-1.2%
Domestic recipe service membership sales	1,752	1,827	+4.3%
Domestic recipe service advertising sales	837	759	-9.3%
Other sales	384	351	-8.7%

Domestic recipe service membership sales were 1,827 million yen (up 4.3% year on year) for the three months ended March 31, 2019. This is mainly due to increased sales revenue from a rise in Premium Membership subscriptions as a result of improved usability thanks to increased charging routes for the Premium Services and review of charging flows.

Domestic recipe service advertising sales were 759 million yen (down 9.3% year on year) for the three months ended March 31, 2019. This is attributable primarily to a shift of advertising resources in the food industry to TV commercials and in-store promotions.

Other sales were 351 million yen (down 8.7% year on year) for the three months ended March 31, 2019. This is mainly due to a decline in sales revenue shared from telecom carriers.

(2) Analysis of Financial Position

1) Assets, Liabilities, and Equity

(Assets)

As of March 31, 2019, total assets were 29,199 million yen, up 990 million yen as compared with the previous fiscal year-end. Current assets were 25,243 million yen, down 73 million yen, and non-current assets were 3,956 million yen, up 1,063 million yen.

The main reason for the increase in non-current assets was a 934 million yen increase in property, plant and equipment, resulting from the application of IFRS 16 - Leases.

(Liabilities)

As of March 31, 2019, total liabilities were 2,862 million yen, up 968 million yen as compared with the previous fiscal year-end. Current liabilities were 1,510 million yen, down 35 million yen, and non-current liabilities were 1,352 million yen, up 1,004 million yen.

The main reason for the decrease in current liabilities was a decrease of 553 million yen in income tax payable and an increase of 374 million yen in lease obligations. Non-current liabilities increased due mainly to a 1,042 million yen increase in lease obligations.

(Equity)

As of March 31, 2019, total equity was 26,336 million yen, up 21 million yen as compared with the previous fiscal year-end.

The main reasons for this rise were an increase of 270 million yen in other components of equity, a decrease of 115 million yen in non-controlling interests and a decrease of 134 million yen in retained earnings.

2) Cash Flows

As of March 31, 2019, the balance of cash and cash equivalents (“Funds”) was 22,590 million yen, down 165 million yen compared with the previous fiscal year-end, primarily due to the following factors.

(Cash flows from operating activities)

Funds used in operating activities totaled 11 million yen. This is mainly due to profit before tax of 300 million yen and depreciation and amortization of 160 million yen, while there were income taxes paid of 735 million yen.

(Cash flows from investing activities)

Funds used in investing activities totaled 71 million yen. This is mainly due to payments for transfer of businesses totaling 45 million yen.

(Cash flows from financing activities)

Funds used in financing activities totaled 112 million yen. This is due to 112 million yen in repayments of lease obligations associated with application of IFRS 16 - Leases.

(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, 2019. Thus, the Company has not disclosed its consolidated earnings forecast for fiscal 2019.

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

(Thousands of yen)

	As of December 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and cash equivalents	22,756,245	22,590,471
Trade and other receivables	2,068,754	2,153,373
Other financial assets	66,627	57,312
Inventories	20,636	14,672
Other current assets	404,282	427,250
Total current assets	25,316,545	25,243,079
Non-current assets		
Property, plant and equipment	342,809	1,277,366
Goodwill	878,838	920,103
Intangible assets	410,723	392,526
Other financial assets	356,308	317,533
Deferred tax assets	787,850	943,343
Other non-current assets	116,184	105,586
Total non-current assets	2,892,711	3,956,458
Total assets	28,209,255	29,199,537

(Thousands of yen)

	As of December 31, 2018	As of March 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Lease obligations	—	374,533
Trade and other payables	625,200	594,953
Other financial liabilities	69,839	92,623
Income tax payable	776,771	223,192
Other current liabilities	74,214	225,057
Total current liabilities	1,546,024	1,510,357
Non-current liabilities		
Long-term debt	40,000	40,000
Lease obligations	—	1,042,232
Other non-current liabilities	36,567	37,744
Other financial liabilities	77,695	34,560
Provisions	184,089	188,559
Deferred tax liabilities	9,515	9,355
Total non-current liabilities	347,865	1,352,450
Total liabilities	1,893,889	2,862,807
Equity		
Capital stock	5,286,015	5,286,015
Capital surplus	7,194,224	7,194,224
Retained earnings	12,428,820	12,294,754
Treasury stock	(2,008)	(2,008)
Other components of equity	(434,304)	(163,695)
Equity attributable to shareholders of Cookpad Inc.	24,472,747	24,609,290
Non-controlling interests	1,842,619	1,727,440
Total equity	26,315,367	26,336,730
Total equity and liabilities	28,209,255	29,199,537

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

Condensed Consolidated Income Statements

The First Three Months of FY2018 and FY2019

(Thousands of yen)

	Three months ended March 31, 2018 (Jan. 1 - Mar. 31, 2018)	Three months ended March 31, 2019 (Jan. 1 - Mar. 31, 2019)
Sales revenue	2,974,852	2,937,854
Cost of sales	(35,803)	(20,661)
Gross profit	2,939,049	2,917,193
Selling, general and administrative expenses	(2,114,525)	(2,600,472)
Other income	6,764	242
Other expense	(10)	(18,787)
Operating income	831,278	298,176
Financial income	5,739	4,147
Financial expense	(129,912)	(2,093)
Profit before tax	707,105	300,229
Income tax expense	(407,375)	(201,534)
Net profit	299,730	98,695
Profit attributable to:		
Shareholders of Cookpad Inc.	299,730	213,875
Non-controlling interests	—	(115,180)
Net profit	299,730	98,695
Earnings per share		
Basic earnings per share (yen)	2.79	1.99
Diluted earnings per share (yen)	2.79	—

Condensed Consolidated Statements of Comprehensive Income

The First Three Months of FY2018 and FY2019

(Thousands of yen)

	Three months ended March 31, 2018 (Jan. 1 - Mar. 31, 2018)	Three months ended March 31, 2019 (Jan. 1 - Mar. 31, 2019)
Net profit	299,730	98,695
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(67,217)	267,765
Total items that may be reclassified subsequently to profit or loss	(67,217)	267,765
Other comprehensive income, net of tax	(67,217)	267,765
Comprehensive income	232,514	366,460
Comprehensive income attributable to:		
Shareholders of Cookpad Inc.	232,514	481,640
Non-controlling interests	—	(115,180)
Comprehensive income	232,514	366,460

(3) Condensed Consolidated Statements of Changes in Equity

The First Three Months ended March 31, 2018 (January 1 - March 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	—	—	299,730	—	—	299,730	—	299,730
Other comprehensive income	—	—	—	—	(67,217)	(67,217)	—	(67,217)
Total comprehensive income	—	—	299,730	—	(67,217)	232,514	—	232,514
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 March 31, 2018	5,286,015	5,337,092	12,321,444	(2,006)	(46,240)	22,896,304	—	22,896,304

The First Three Months ended March 31, 2019 (January 1 - March 31, 2019)

(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, 2019	5,286,015	7,194,224	12,428,820	(2,008)	(434,304)	24,472,747	1,842,619	26,315,367
Impact of changes in accounting policies	—	—	(347,941)	—	—	(347,941)	—	(347,941)
Balance after restatement as of January 1, 2019	5,286,015	7,194,224	12,080,879	(2,008)	(434,304)	24,124,806	1,842,619	25,967,426
Net profit	—	—	213,875	—	—	213,875	(115,180)	98,695
Other comprehensive income	—	—	—	—	267,765	267,765	—	267,765
Total comprehensive income	—	—	213,875	—	267,765	481,640	(115,180)	366,460
Share-based payment transaction	—	—	—	—	2,844	2,844	—	2,844
Total transactions with shareholders	—	—	—	—	2,844	2,844	—	2,844
Balance as of March 31, 2019	5,286,015	7,194,224	12,294,754	(2,008)	(163,695)	24,609,290	1,727,440	26,336,730

(4) Condensed Consolidated Statements of Cash Flows

	(Thousands of yen)	
	Three months ended March 31, 2018 (Jan. 1 - Mar. 31, 2018)	Three months ended March 31, 2019 (Jan. 1 - Mar. 31, 2019)
Cash flows from operating activities		
Profit before tax	707,105	300,229
Impairment loss	—	18,589
Depreciation and amortization	52,868	160,224
Financial (income) expense	99,739	28,025
Net (increase) decrease of trade and other receivables	112,559	(44,000)
Net increase (decrease) of trade and other payables	58,797	(21,553)
Other	69,809	283,842
Subtotal	1,100,877	725,357
Interest and dividend income received	5,739	2,784
Interest expenses paid	(139)	(3,901)
Income taxes paid	(152,188)	(735,807)
Cash flows from operating activities	954,289	(11,568)
Cash flows from investing activities		
Purchase of property, plant and equipment	(27,336)	(29,029)
Purchase of intangible assets	(110,480)	(9,957)
Payments for transfer of business	—	(45,226)
Other	(64,824)	12,500
Cash flows from investing activities	(202,641)	(71,712)

	(Thousands of yen)	
	Three months ended March 31, 2018 (Jan. 1 - Mar. 31, 2018)	Three months ended March 31, 2019 (Jan. 1 - Mar. 31, 2019)
Cash flows from financing activities		
Proceeds from issuance of new shares	2,894	—
Cash dividends paid	(859,058)	—
Repayments of lease obligations	—	(112,556)
Cash flows from financing activities	(856,164)	(112,556)
Net increase (decrease) in cash and cash equivalents	(104,515)	(195,836)
Cash and cash equivalents at beginning of period	19,622,598	22,756,245
Effect of exchange rate change on cash and cash equivalents	(121,967)	30,063
Cash and cash equivalents at end of period	19,396,116	22,590,471