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Cookpad Inc.

Consolidated Earnings Results for the Six Months ended June 30, 2019

[IFRS], unaudited

August 9, 2019

Stock listed: Tokyo Stock Exchange

Securities code: 2193

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

Representative:

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Scheduled dates

Filing of the quarterly securities report:

August 13, 2019

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, 2019 (January 1, 2019 - June 30, 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 six months ended												
June 30, 2019	5,786	(2.6)	456	(71.2)	429	(71.9)	61	(89.8)	289	(52.3)	(130)	—
June 30, 2018	5,938	(16.5)	1,583	(57.2)	1,530	(62.4)	607	(75.8)	607	(75.8)	309	(87.6)

	EPS (Basic)	EPS (Diluted)
For the six months ended	Yen	Yen
June 30, 2019	2.69	—
June 30, 2018	5.65	5.65

(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, 2019	28,664	25,842	24,228	84.5
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	—	0.00			
December 31, 2019 (Forecast)			—	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 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 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 June 30, 2019: 107,429,400 shares

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

2) Number of treasury shares

As of June 30, 2019: 3,961 shares

As of December 31, 2018: 3,961 shares

3) Number of average shares during the period

Six months ended June 30, 2019: 107,425,439 shares

Six months ended June 30, 2018: 107,408,498 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, 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 six months ended June 30, 2019 are as follows:

(Millions of yen)

	Six months ended June 30, 2018 (Jan. 1 - Jun. 30, 2018)	Six months ended June 30, 2019 (Jan. 1 - Jun. 30, 2019)	YoY change
Sales revenue	5,938	5,786	-2.6%
Operating income	1,583	456	-71.2%
Profit before tax	1,530	429	-71.9%
Profit attributable to shareholders of Cookpad Inc.	607	289	-52.3%

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. 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 second quarter of fiscal 2019, the average number of monthly “Cookpad” users in Japan declined by 0.81 million from the previous quarter (January – March 2019) to 54.83 million (monthly average of visitors calculated for each browser and device). The number of posted recipes increased 0.05 million to 3.15 million compared with the end of the previous quarter.

The average number of monthly overseas users totaled 38.64 million (monthly average calculated using data provided by Google Analytics), down 2.40 million from the previous quarter (January – March 2019). Starting with the business year 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 72 countries, where the recipes are offered in 29 languages excluding Japanese, and the number of posted recipes now stands at 2.86 million, up 0.45 million from the end of the previous quarter.

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 5,786 million yen (down 2.6% year on year) for the six months ended June 30, 2019. This is mainly due to declines in sales revenues from the recipe service and advertising business in Japan. SG&A expenses were 5,210 million yen (up 19.7% year on year). Operating income for the six months was 456 million yen (down 71.2% 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 429 million yen (down 71.9% year on year), while profit attributable to shareholders of Cookpad Inc. came to 289 million yen (down 52.3% year on year) due to the recognition of income taxes, in addition 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 current business year. As such, the figures from the same period of the previous year have been adjusted accordingly.

(Millions of yen)

Reportable Segment	Six months ended June 30, 2018 (Jan. 1 - Jun. 30, 2018)	Six months ended June 30, 2019 (Jan. 1 - Jun. 30, 2019)	YoY change
Make everyday cooking fun!	5,938	5,786	-2.6%
Domestic recipe service membership sales	3,542	3,683	+4.0%
Domestic recipe service advertising sales	1,629	1,399	-14.1%
Other sales	767	703	-8.3%

Domestic recipe service membership sales were 3,683 million yen (up 4.0% year on year) for the six months ended June 30, 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 1,399 million yen (down 14.1% year on year) for the six months ended June 30, 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 703 million yen (down 8.3% year on year) for the six months ended June 30, 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 June 30, 2019, total assets were 28,664 million yen, up 455 million yen as compared with the previous fiscal year-end. Current assets were 24,969 million yen, down 347 million yen, and non-current assets were 3,695 million yen, up 802 million yen.

The main reason for the increase in non-current assets was a 771 million yen increase in property, plant and equipment, resulting from the application of IFRS 16 - Leases.

(Liabilities)

As of June 30, 2019, total liabilities were 2,821 million yen, up 927 million yen as compared with the previous fiscal year-end. Current liabilities were 1,632 million yen, up 86 million yen, and non-current liabilities were 1,189 million yen, up 841 million yen.

The main reason for the increase in current liabilities was a decrease of 377 million yen in income tax payable and an increase of 388 million yen in lease obligations. Non-current liabilities increased due mainly to an 889 million yen increase in lease obligations.

(Equity)

As of June 30, 2019, total equity was 25,842 million yen, down 472 million yen as compared with the previous fiscal year-end. The main reasons for this decline were a decrease of 186 million yen in other components of equity, a decrease of 228 million yen in non-controlling interests and a decrease of 58 million yen in retained earnings.

2) Cash Flows

As of June 30, 2019, the balance of cash and cash equivalents (“funds”) was 22,490 million yen, down 265 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 115 million yen. This is mainly due to profit before tax of 429 million yen and depreciation and amortization of 322 million yen, while there were income taxes paid of 735 million yen.

(Cash flows from investing activities)

Funds used in investing activities totaled 136 million yen. This is mainly due to an expenditure of 61 million yen for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Funds used in financing activities totaled 221 million yen. This is due to 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 June 30, 2019
Assets		
Current assets		
Cash and cash equivalents	22,756,245	22,490,790
Trade and other receivables	2,068,754	2,064,454
Other financial assets	66,627	32,744
Inventories	20,636	16,359
Other current assets	404,282	364,831
Total current assets	25,316,545	24,969,178
Non-current assets		
Property, plant and equipment	342,809	1,114,480
Goodwill	878,838	904,605
Intangible assets	410,723	372,920
Other financial assets	356,308	314,493
Deferred tax assets	787,850	918,464
Other non-current assets	116,184	70,602
Total non-current assets	2,892,711	3,695,563
Total assets	28,209,255	28,664,742

(Thousands of yen)

	As of December 31, 2018	As of June 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Lease obligations	—	388,756
Trade and other payables	625,200	597,940
Other financial liabilities	69,839	83,750
Income tax payable	776,771	399,069
Other current liabilities	74,214	163,040
Total current liabilities	1,546,024	1,632,555
Non-current liabilities		
Long-term debt	40,000	40,000
Lease obligations	—	889,621
Other non-current liabilities	36,567	35,554
Other financial liabilities	77,695	32,555
Provisions	184,089	183,880
Deferred tax liabilities	9,515	7,653
Total non-current liabilities	347,865	1,189,263
Total liabilities	1,893,889	2,821,818
Equity		
Capital stock	5,286,015	5,286,015
Capital surplus	7,194,224	7,194,224
Retained earnings	12,428,820	12,370,604
Treasury stock	(2,008)	(2,008)
Other components of equity	(434,304)	(620,502)
Equity attributable to shareholders of Cookpad Inc.	24,472,747	24,228,333
Non-controlling interests	1,842,619	1,614,591
Total equity	26,315,367	25,842,924
Total equity and liabilities	28,209,255	28,664,742

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

Condensed Consolidated Income Statements

The First Six Months of FY2018 and FY2019

(Thousands of yen)

	Six months ended June 30, 2018 (Jan. 1 - Jun. 30, 2018)	Six months ended June 30, 2019 (Jan. 1 - Jun. 30, 2019)
Sales revenue	5,938,979	5,786,658
Cost of sales	(62,702)	(40,956)
Gross profit	5,876,277	5,745,702
Selling, general and administrative expenses	(4,352,085)	(5,210,335)
Other income	62,169	10,410
Other expense	(2,968)	(89,014)
Operating income	1,583,392	456,763
Financial income	8,190	2,941
Financial expense	(60,702)	(30,034)
Profit before tax	1,530,880	429,669
Income tax expense	(923,843)	(367,972)
Net profit	607,037	61,697
Profit attributable to:		
Shareholders of Cookpad Inc.	607,037	289,725
Non-controlling interests	—	(228,029)
Net profit	607,037	61,697
Earnings per share		
Basic earnings per share (yen)	5.65	2.69
Diluted earnings per share (yen)	5.65	—

The Second Quarter of FY2018 and FY2019

(Thousands of yen)

	Three months ended June 30, 2018 (Apr. 1 - Jun. 30, 2018)	Three months ended June 30, 2019 (Apr. 1 - Jun. 30, 2019)
Sales revenue	2,964,127	2,848,803
Cost of sales	(26,900)	(20,295)
Gross profit	2,937,228	2,828,509
Selling, general and administrative expenses	(2,237,560)	(2,609,863)
Other income	55,405	10,168
Other expense	(2,958)	(70,227)
Operating income	752,114	158,587
Financial income	71,812	157
Financial expense	(151)	(29,304)
Profit before tax	823,775	129,439
Income tax expense	(516,468)	(166,438)
Net profit (loss)	307,306	(36,999)
Profit (loss) attributable to:		
Shareholders of Cookpad Inc.	307,306	75,850
Non-controlling interests	—	(112,849)
Net profit (loss)	307,306	(36,999)
Earnings per share		
Basic earnings per share (yen)	2.86	0.70
Diluted earnings per share (yen)	—	—

Condensed Consolidated Statements of Comprehensive Income

The First Six Months of FY2018 and FY2019

(Thousands of yen)

	Six months ended June 30, 2018 (Jan. 1 - Jun. 30, 2018)	Six months ended June 30, 2019 (Jan. 1 - Jun. 30, 2019)
Net profit	607,037	61,697
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(297,087)	(191,887)
Total items that may be reclassified subsequently to profit or loss	(297,087)	(191,887)
Other comprehensive income, net of tax	(297,087)	(191,887)
Comprehensive income	309,950	(130,190)
Comprehensive income attributable to:		
Shareholders of Cookpad Inc.	309,950	97,839
Non-controlling interests	—	(228,029)
Comprehensive income	309,950	(130,190)

The Second Quarter of FY2018 and FY2019

	(Thousands of yen)	
	Three months ended June 30, 2018 (Apr. 1 - Jun. 30, 2018)	Three months ended June 30, 2019 (Apr. 1 - Jun. 30, 2019)
Net profit (loss)	307,306	(36,999)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(229,870)	(459,652)
Total items that may be reclassified subsequently to profit or loss	(229,870)	(459,652)
Other comprehensive income, net of tax	(229,870)	(459,652)
Comprehensive income	77,436	(496,650)
Comprehensive income attributable to:		
Shareholders of Cookpad Inc.	77,436	(383,802)
Non-controlling interests	—	(112,849)
Comprehensive income	77,436	(496,650)

(3) Condensed Consolidated Statements of Changes in Equity

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

Six months ended June 30, 2019 (January 1 - June 30, 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	—	—	289,725	—	—	289,725	(228,029)	61,697
Other comprehensive income	—	—	—	—	(191,887)	(191,887)	—	(191,887)
Total comprehensive income	—	—	289,725	—	(191,887)	97,839	(228,029)	(130,190)
Share-based payment transaction	—	—	—	—	5,688	5,688	—	5,688
Total transactions with shareholders	—	—	—	—	5,688	5,688	—	5,688
Balance as of June 30, 2019	5,286,015	7,194,224	12,370,604	(2,008)	(620,502)	24,228,333	1,614,591	25,842,924

(4) Condensed Consolidated Statements of Cash Flows

	(Thousands of yen)	
	Six months ended June 30, 2018 (Jan. 1 - Jun. 30, 2018)	Six months ended June 30, 2019 (Jan. 1 - Jun. 30, 2019)
Cash flows from operating activities		
Profit before tax	1,530,880	429,669
Impairment loss	—	86,223
Depreciation and amortization	112,001	322,331
Financial (income) expense	28,466	34,874
Net (increase) decrease of trade and other receivables	154,255	(1,051)
Net increase (decrease) of trade and other payables	(37,504)	6,881
Other	(285,909)	(26,379)
Subtotal	1,502,189	852,548
Interest and dividend income received	8,055	2,941
Interest expenses paid	—	(3,893)
Income taxes paid	(152,188)	(735,807)
Cash flows from operating activities	1,358,056	115,788
Cash flows from investing activities		
Purchase of property, plant and equipment	(176,600)	(61,813)
Purchase of intangible assets	(164,826)	(42,763)
Payments for transfer of business	—	(44,829)
Other	(50,758)	12,948
Cash flows from investing activities	(392,184)	(136,457)

(Thousands of yen)		
	Six months ended June 30, 2018 (Jan. 1 - Jun. 30, 2018)	Six months ended June 30, 2019 (Jan. 1 - Jun. 30, 2019)
Cash flows from financing activities		
Proceeds from issuance of new shares	2,894	—
Cash dividends paid	(859,058)	—
Repayments of lease obligations	—	(221,073)
Cash flows from financing activities	(856,164)	(221,073)
Net increase (decrease) in cash and cash equivalents	109,708	(241,742)
Cash and cash equivalents at beginning of period	19,622,598	22,756,245
Effect of exchange rate change on cash and cash equivalents	(239,484)	(23,713)
Cash and cash equivalents at end of period	19,492,823	22,490,790