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Cookpad Inc.

Consolidated Earnings Results for the Three Months ended March 31, 2020 [IFRS], unaudited

May 8, 2020

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: May 11, 2020
 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, 2020 (January 1, 2020 - March 31, 2020)

(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, 2020	2,751	(6.3)	191	(35.7)	212	(29.1)	50	(48.5)	138	(35.4)	(500)	—
March 31, 2019	2,937	(1.2)	298	(64.1)	300	(57.5)	98	(67.1)	213	(28.6)	366	57.6

	EPS (Basic)	EPS (Diluted)
For the three months ended	Yen	Yen
March 31, 2020	1.28	—
March 31, 2019	1.99	—

(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, 2020	26,452	24,325	22,954	86.8
As of December 31, 2019	27,205	24,821	23,363	85.9

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, 2019	—	0.00	—	0.00	0.00
December 31, 2020	—				
December 31, 2020 (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, 2020 – December 31, 2020)

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, 2020. Thus, the Company has omitted the consolidated earnings forecast for fiscal 2020.

*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: No

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, 2020: 107,429,400 shares

As of December 31, 2019: 107,429,400 shares

2) Number of treasury shares

As of March 31, 2020: 4,011 shares

As of December 31, 2019: 3,961 shares

3) Number of average shares during the period

Three months ended March 31, 2020: 107,425,438 shares

Three months ended March 31, 2019: 107,425,439 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, 2020 – December 31, 2020).”

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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, 2020 are as follows:

(Millions of yen)

	Three months ended March 31, 2019 (Jan. 1 - Mar. 31, 2019)	Three months ended March 31, 2020 (Jan. 1 - Mar. 31, 2020)	YoY change
Sales revenue	2,937	2,751	-6.3%
Operating income	298	191	-35.7%
Profit before tax	300	212	-29.1%
Profit attributable to shareholders of Cookpad Inc.	213	138	-35.4%

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 who enjoy 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.

Capitalism and its prioritisation of economic growth has had a huge impact on the world: extreme poverty is declining and, in general, life expectancy is increasing. However, we’ve started to realize how much we are sacrificing our own personal health and the health of our planet. Our diet is contributing to ‘lifestyle’ diseases, the biggest cause of deaths around the world. The food value chain is one of the largest sources of carbon dioxide emissions, contributing to global warming as well as threatening the world’s biodiversity.

At the very moment we need to be more conscious of these issues and change our behaviour, we are actually becoming more ignorant of them. Why? Because we’re outsourcing cooking. We’re outsourcing it to processed food, delivery services and restaurants. This act of outsourcing makes us less aware of what is going on with our food and everything connected to it.

We believe that we are at the point of no return: our food system must change. We need to find and act on solutions now. What we eat has an enormous impact on our world. So cooking can help make our own health and the health of both society and the planet better.

How do we make a positive impact on our society and planet through home cooking? By increasing the number of creators. Because once you become a creator, you become more aware. Creators think, they are curious, they are engaged. And they tend to make conscious, informed choices as a result. Choices that can change the world.

We believe that if cooking is more enjoyable, then more people will cook more often. Some people are motivated by learning new skills, some by the creativity and others by being part of the community. Whatever their motivation, we will help make cooking enjoyable for everyone who wants to cook. Of the 7 billion people on our planet, there are many who already enjoy cooking. We will create a community where the passion and wisdom of these people helps and inspires others. We will achieve the health of our planet, people and society by “Make everyday cooking fun!.”

Sales revenue was 2,751 million yen (down 6.3% year on year) for the three months ended March 31, 2020. This was due primarily to declines in sales revenues from the recipe service and advertising business in Japan, and also as a result of a fall in sales derived from a revenue-sharing agreement with telecom carriers, which is recorded in other sales. SG&A expenses were 2,459 million yen (down 5.4%

year on year), as a result of the decline in personnel in Japan and accompanying expenses associated with it. In addition, profit before tax came to 212 million yen (down 29.1% year on year), while profit attributable to shareholders of Cookpad Inc. came to 138 million yen (down 35.4% year on year) in addition to book the cost of income taxes, due to the occurrence of a loss attributable to non-controlling interests in connection with CookpadTV Inc.

The Cookpad Group has a single segment, “Make everyday cooking fun!,” and a breakdown of sales revenue is provided below.

(Millions of yen)

Reportable Segment	Three months ended March 31, 2019 (Jan. 1 - Mar. 31, 2019)	Three months ended March 31, 2020 (Jan. 1 - Mar. 31, 2020)	YoY change
Make everyday cooking fun!	2,937	2,751	-6.3%
Domestic recipe service membership sales	1,827	1,813	-0.8%
Domestic recipe service advertising sales	759	659	-13.1%
Other sales	351	278	-20.6%

Domestic recipe service membership sales were 1,813 million yen (down 0.8% year on year) for the three months ended March 31, 2020. This was due primarily to a year-on-year decline in the number of Premium Service members of 43 thousand.

Domestic recipe service advertising sales were 659 million yen (down 13.1% year on year) for the three months ended March 31, 2020. This was due primarily a decrease in the unit price for network advertising.

Other sales were 278 million yen (down 20.6% year on year) for the three months ended March 31, 2020. 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, 2020, total assets were 26,452 million yen, down 752 million yen as compared with the previous fiscal year-end. Current assets were 24,768 million yen, down 643 million yen, and non-current assets were 1,683 million yen, down 109 million yen.

The main factor behind the change in current assets was the currency effect of the stronger yen, which caused cash and cash equivalents to decrease by 795 million yen.

(Liabilities)

As of March 31, 2020, total liabilities were 2,127 million yen, down 256 million yen as compared with the previous fiscal year-end. Current liabilities were 1,295 million yen, down 133 million yen, and non-current liabilities were 831 million yen, down 123 million yen.

The main factor behind the change in current liabilities was a 106 million yen decrease in trade and other payables. Non-current liabilities decreased due mainly to a decline in lease obligations of 122 million yen, caused by the repayment of lease obligations.

(Equity)

As of March 31, 2020, total equity was 24,325 million yen, down 496 million yen as compared with the previous fiscal year-end.

The main reasons for this decline were a decrease of 547 million yen in other components of equity caused by the currency impact of the stronger yen, a decrease of 87 million yen in non-controlling interests and an increase of 138 million yen in retained earnings.

2) Cash Flows

As of March 31, 2020, the balance of cash and cash equivalents (“funds”) was 22,309 million yen, down 795 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 3 million yen. This is mainly due to profit before tax of 212 million yen and depreciation and amortization of 134 million yen, while there were income taxes paid of 73 million yen.

(Cash flows from investing activities)

Funds used in investing activities totaled 96 million yen. This is due mainly to payments of 53 million yen for the purchase of subsidiaries.

(Cash flows from financing activities)

Funds used in financing activities totaled 98 million yen. This is mainly due to 98 million yen in repayments of lease obligations.

(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, 2020. Thus, the Company has not disclosed its consolidated earnings forecast for fiscal 2020.

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

(Thousands of yen)

	As of December 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	23,105,395	22,309,444
Trade and other receivables	1,820,744	2,043,862
Other financial assets	26,560	11,051
Inventories	24,641	19,515
Other current assets	434,718	384,912
Total current assets	25,412,057	24,768,784
Non-current assets		
Property, plant and equipment	923,150	851,052
Goodwill	140,920	140,920
Intangible assets	334,869	317,516
Other financial assets	314,692	299,914
Deferred tax assets	49,780	49,286
Other non-current assets	29,961	25,035
Total non-current assets	1,793,372	1,683,723
Total assets	27,205,429	26,452,506

(Thousands of yen)

	As of December 31, 2019	As of March 31, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Lease obligations	385,151	381,871
Trade and other payables	715,170	608,519
Other financial liabilities	51,765	41,173
Income tax payable	6,015	10,079
Other current liabilities	270,647	253,851
Total current liabilities	1,428,749	1,295,493
Non-current liabilities		
Long-term debt	40,000	40,000
Lease obligations	721,624	599,374
Other non-current liabilities	15,726	14,613
Provisions	173,022	173,093
Deferred tax liabilities	4,787	4,787
Total non-current liabilities	955,159	831,867
Total liabilities	2,383,908	2,127,359
Equity		
Capital stock	5,286,015	5,286,015
Capital surplus	7,194,224	7,194,224
Retained earnings	11,112,155	11,250,344
Treasury stock	(2,008)	(2,022)
Other components of equity	(227,190)	(774,390)
Equity attributable to shareholders of Cookpad Inc.	23,363,196	22,954,171
Non-controlling interests	1,458,326	1,370,976
Total equity	24,821,521	24,325,147
Total equity and liabilities	27,205,429	26,452,506

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

Condensed Consolidated Income Statements

The First Three Months of FY2019 and FY2020

(Thousands of yen)

	Three months ended March 31, 2019 (Jan. 1 - Mar. 31, 2019)	Three months ended March 31, 2020 (Jan. 1 - Mar. 31, 2020)
Sales revenue	2,937,854	2,751,967
Cost of sales	(20,661)	(104,855)
Gross profit	2,917,193	2,647,112
Selling, general and administrative expenses	(2,600,472)	(2,459,768)
Other income	242	4,816
Other expense	(18,787)	(430)
Operating income	298,176	191,730
Financial income	4,147	22,991
Financial expense	(2,093)	(1,732)
Profit before tax	300,229	212,989
Income tax expense	(201,534)	(162,149)
Net profit	98,695	50,840
Profit attributable to:		
Shareholders of Cookpad Inc.	213,875	138,190
Non-controlling interests	(115,180)	(87,349)
Net profit	98,695	50,840
Earnings per share		
Basic earnings per share (yen)	1.99	1.28
Diluted earnings per share (yen)	—	—

Condensed Consolidated Statements of Comprehensive Income

The First Three Months of FY2019 and FY2020

(Thousands of yen)

	Three months ended March 31, 2019 (Jan. 1 - Mar. 31, 2019)	Three months ended March 31, 2020 (Jan. 1 - Mar. 31, 2020)
Net profit	98,695	50,840
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	267,765	(551,521)
Total items that may be reclassified subsequently to profit or loss	267,765	(551,521)
Other comprehensive income, net of tax	267,765	(551,521)
Comprehensive income	366,460	(500,681)
Comprehensive income attributable to:		
Shareholders of Cookpad Inc.	481,640	(413,331)
Non-controlling interests	(115,180)	(87,349)
Comprehensive income	366,460	(500,681)

(3) Condensed Consolidated Statements of Changes in Equity

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
Purchase of treasury stock	—	—	—	—	—	—	—	—
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

The First Three Months ended March 31, 2020 (January 1 - March 31, 2020)

(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, 2020	5,286,015	7,194,224	11,112,155	(2,008)	(227,190)	23,363,196	1,458,326	24,821,521
Impact of changes in accounting policies	—	—	—	—	—	—	—	—
Balance after restatement as of January 1, 2020	5,286,015	7,194,224	11,112,155	(2,008)	(227,190)	23,363,196	1,458,326	24,821,521
Net profit	—	—	138,190	—	—	138,190	(87,349)	50,840
Other comprehensive income	—	—	—	—	(551,521)	(551,521)	—	(551,521)
Total comprehensive income	—	—	138,190	—	(551,521)	(413,331)	(87,349)	(500,681)
Share-based payment transaction	—	—	—	—	4,320	4,320	—	4,320
Purchase of treasury stock	—	—	—	(14)	—	(14)	—	(14)
Total transactions with shareholders	—	—	—	(14)	4,320	4,306	—	4,306
Balance as of March 31, 2020	5,286,015	7,194,224	11,250,344	(2,022)	(774,390)	22,954,171	1,370,976	24,325,147

(4) Condensed Consolidated Statements of Cash Flows

	(Thousands of yen)	
	Three months ended March 31, 2019 (Jan. 1 - Mar. 31, 2019)	Three months ended March 31, 2020 (Jan. 1 - Mar. 31, 2020)
Cash flows from operating activities		
Profit before tax	300,229	212,989
Impairment loss	18,589	12,402
Depreciation and amortization	160,224	134,483
Financial (income) expense	28,025	47,456
Net (increase) decrease of trade and other receivables	(44,000)	(258,991)
Net increase (decrease) of trade and other payables	(21,553)	(42,220)
Other	283,842	(40,170)
Subtotal	725,357	65,950
Interest and dividend income received	2,784	5,079
Interest expenses paid	(3,901)	(1,660)
Income taxes paid	(735,807)	(73,195)
Cash flows from operating activities	(11,568)	(3,827)
Cash flows from investing activities		
Purchase of property, plant and equipment	(29,029)	(50,597)
Purchase of intangible assets	(9,957)	(2,362)
Purchase of subsidiaries	—	(53,282)
Payments for transfer of business	(45,226)	—
Other	12,500	9,291
Cash flows from investing activities	(71,712)	(96,951)

	(Thousands of yen)	
	Three months ended March 31, 2019 (Jan. 1 - Mar. 31, 2019)	Three months ended March 31, 2020 (Jan. 1 - Mar. 31, 2020)
Cash flows from financing activities		
Repayments of lease obligations	(112,556)	(98,576)
Purchase of treasury stock	—	(14)
Cash flows from financing activities	(112,556)	(98,590)
Net increase (decrease) in cash and cash equivalents	(195,836)	(199,368)
Cash and cash equivalents at beginning of period	22,756,245	23,105,395
Effect of exchange rate change on cash and cash equivalents	30,063	(596,583)
Cash and cash equivalents at end of period	22,590,471	22,309,444