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Cookpad Inc.

Consolidated Earnings Results for the Six Months ended June 30, 2020 [IFRS], unaudited

August 7 2020

Stock listed: Tokyo Stock Exchange

Securities code: 2193

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

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Scheduled dates

Filing of the quarterly securities report: August 11, 2020

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, 2020 (January 1, 2020 - June 30, 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 six months ended												
June 30, 2020	5,401	(6.6)	282	(38.2)	288	(32.9)	(14)	—	179	(38.0)	(600)	—
June 30, 2019	5,786	(2.6)	456	(71.2)	429	(71.9)	61	(89.8)	289	(52.3)	(130)	—

	EPS (Basic)		EPS (Diluted)	
	Yen		Yen	
For the six months ended				
June 30, 2020	1.67		1.67	
June 30, 2019	2.69		—	

(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, 2020	26,581	24,230	22,966	86.4
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	—	0.00	—	—	—
December 31, 2020 (Forecast)	—	—	—	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 June 30, 2020: 107,429,400 shares
 - As of December 31, 2019: 107,429,400 shares
 - 2) Number of treasury shares
 - As of June 30, 2020: 4,011 shares
 - As of December 31, 2019: 3,961 shares
 - 3) Number of average shares during the period
 - Six months ended June 30, 2020: 107,425,414 shares
 - Six months ended June 30, 2019: 107,425,439 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, 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 six months ended June 30, 2020 are as follows:

(Millions of yen)

	Six months ended June 30, 2019 (Jan. 1 - Jun. 30, 2019)	Six months ended June 30, 2020 (Jan. 1 - Jun. 30, 2020)	YoY change
Sales revenue	5,786	5,401	-6.6%
Operating income	456	282	-38.2%
Profit before tax	429	288	-32.9%
Profit attributable to shareholders of Cookpad Inc.	289	179	-38.0%

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 5,401 million yen (down 6.6% year on year) for the six months ended June 30, 2020.

This was due mainly to a decline in sales revenue shared from telecom carriers, recorded in other sales, which was caused by the ending of the service. SG&A expenses were 4,951 million yen (down 5.0% year on year). Although one of the main factors was an increase in expenses associated with new businesses, we adjusted our hiring activities to reflect the impact of novel coronavirus and other factors. Operating income for the six months was 282 million yen (down 38.2% year on year).

In addition, profit before tax came to 288 million yen (down 32.9% year on year), while profit attributable to shareholders of Cookpad Inc. came to 179 million yen (down 38.0% year on year), due to the occurrence of a loss attributable to non-controlling interests in connection with CookpadTV Inc., and due to the booking of income taxes.

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	Six months ended June 30, 2019 (Jan. 1 - Jun. 30, 2019)	Six months ended June 30, 2020 (Jan. 1 - Jun. 30, 2020)	YoY change
Make everyday cooking fun!	5,786	5,401	-6.6%
Domestic recipe service membership sales	3,683	3,630	-1.4%
Domestic recipe service advertising sales	1,399	1,315	-6.0%
Other sales	703	456	-35.2%

Domestic recipe service membership sales were 3,630 million yen (down 1.4% year on year) for the six months ended June 30, 2020. This was due primarily to our having devised an initiative in response to the introduction of working from home by companies, and the request for school closure, as part of the measures taken to prevent the spread of novel coronavirus infectious disease. Under this initiative, we made it free to join Premium Services, with the aim being to provide an environment that makes cooking fun for people who have more opportunities to create meals at home, which resulted in the occurrence of charges being postponed.

Domestic recipe service advertising sales were 1,315 million yen (down 6.0% year on year) for the six months ended June 30, 2020. This was due primarily a decrease in the unit selling price for network advertising.

Other sales were 456 million yen (down 35.2% year on year) for the six months ended June 30, 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 June 30, 2020, total assets were 26,581 million yen, down 623 million yen as compared with the previous fiscal year-end. Current assets were 24,972 million yen, down 439 million yen, and non-current assets were 1,609 million yen, down 184 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 514 million yen. In non-current assets, there was a 123 million yen decrease in property, plant and equipment, caused by depreciation, etc.

(Liabilities)

As of June 30, 2020, total liabilities were 2,350 million yen, down 32 million yen as compared with the previous fiscal year-end. Current liabilities were 1,614 million yen, up 185 million yen, and non-current liabilities were 736 million yen, down 218 million yen. The main factor behind the change in current liabilities was a 343 million yen increase in income tax payable following the posting of income tax expense, while non-current liabilities decreased due mainly to a decline in lease obligations of 217 million yen, caused by repayments of lease obligations.

(Equity)

As of June 30, 2020, total equity was 24,230 million yen, down 590 million yen as compared with the previous fiscal year-end. The main reasons for this decline were a decrease of 576 million yen in other components of equity caused by the currency impact of the stronger yen, a decrease of 194 million yen in non-controlling interests and an increase of 179 million yen in retained earnings.

2) Cash Flows

As of June 30, 2020, the balance of cash and cash equivalents (“funds”) was 22,591 million yen, down 514 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 538 million yen. This is mainly due to profit before tax of 288 million yen and depreciation and amortization of 270 million yen.

(Cash flows from investing activities)

Funds used in investing activities totaled 182 million yen. This is mainly due to an expenditure of 122 million yen for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Funds used in financing activities totaled 196 million yen. This was mainly due to 196 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 June 30, 2020
Assets		
Current assets		
Cash and cash equivalents	23,105,395	22,591,191
Trade and other receivables	1,820,744	1,956,335
Other financial assets	26,560	9,767
Inventories	24,641	36,489
Other current assets	434,718	378,667
Total current assets	25,412,057	24,972,448
Non-current assets		
Property, plant and equipment	923,150	799,599
Goodwill	140,920	140,920
Intangible assets	334,869	298,079
Other financial assets	314,692	295,207
Deferred tax assets	49,780	49,286
Other non-current assets	29,961	25,950
Total non-current assets	1,793,372	1,609,040
Total assets	27,205,429	26,581,489

(Thousands of yen)

	As of December 31, 2019	As of June 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Lease obligations	385,151	378,948
Trade and other payables	715,170	601,836
Other financial liabilities	51,765	49,267
Income tax payable	6,015	349,089
Other current liabilities	270,647	235,298
Total current liabilities	1,428,749	1,614,439
Non-current liabilities		
Long-term debt	40,000	40,000
Lease obligations	721,624	504,049
Other non-current liabilities	15,726	14,524
Provisions	173,022	173,164
Deferred tax liabilities	4,787	4,787
Total non-current liabilities	955,159	736,525
Total liabilities	2,383,908	2,350,964
Equity		
Capital stock	5,286,015	5,286,015
Capital surplus	7,194,224	7,194,224
Retained earnings	11,112,155	11,291,838
Treasury stock	(2,008)	(2,022)
Other components of equity	(227,190)	(803,220)
Equity attributable to shareholders of Cookpad Inc.	23,363,196	22,966,835
Non-controlling interests	1,458,326	1,263,690
Total equity	24,821,521	24,230,525
Total equity and liabilities	27,205,429	26,581,489

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

Condensed Consolidated Income Statements

The First Six Months of FY2019 and FY2020

(Thousands of yen)

	Six months ended June 30, 2019 (Jan. 1 - Jun. 30, 2019)	Six months ended June 30, 2020 (Jan. 1 - Jun. 30, 2020)
Sales revenue	5,786,658	5,401,898
Cost of sales	(40,956)	(175,286)
Gross profit	5,745,702	5,226,613
Selling, general and administrative expenses	(5,210,335)	(4,951,082)
Other income	10,410	9,366
Other expense	(89,014)	(2,791)
Operating income	456,763	282,105
Financial income	2,941	9,221
Financial expense	(30,034)	(3,231)
Profit before tax	429,669	288,095
Income tax expense	(367,972)	(303,048)
Net profit (loss)	61,697	(14,953)
Profit (loss) attributable to:		
Shareholders of Cookpad Inc.	289,725	179,683
Non-controlling interests	(228,029)	(194,636)
Net profit (loss)	61,697	(14,953)
Earnings per share		
Basic earnings per share (yen)	2.69	1.67
Diluted earnings per share (yen)	—	1.67

The Second Quarter of FY2019 and FY2020

(Thousands of yen)

	Three months ended June 30, 2019 (Apr. 1 - Jun. 30, 2019)	Three months ended June 30, 2020 (Apr. 1 - Jun. 30, 2020)
Sales revenue	2,848,803	2,649,931
Cost of sales	(20,295)	(70,430)
Gross profit	2,828,509	2,579,501
Selling, general and administrative expenses	(2,609,863)	(2,491,315)
Other income	10,168	4,550
Other expense	(70,227)	(2,361)
Operating income	158,587	90,375
Financial income	157	1,953
Financial expense	(29,304)	(17,222)
Profit before tax	129,439	75,106
Income tax expense	(166,438)	(140,898)
Net profit (loss)	(36,999)	(65,793)
Profit (loss) attributable to:		
Shareholders of Cookpad Inc.	75,850	41,494
Non-controlling interests	(112,849)	(107,286)
Net profit (loss)	(36,999)	(65,793)
Earnings per share		
Basic earnings per share (yen)	0.70	0.38
Diluted earnings per share (yen)	—	0.38

Condensed Consolidated Statements of Comprehensive Income

The First Six Months of FY2019 and FY2020

(Thousands of yen)

	Six months ended June 30, 2019 (Jan. 1 - Jun. 30, 2019)	Six months ended June 30, 2020 (Jan. 1 - Jun. 30, 2020)
Net profit (loss)	61,697	(14,953)
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	—	(3,534)
Total of items that will not be reclassified subsequently to profit or loss	—	(3,534)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(191,887)	(582,423)
Total items that may be reclassified subsequently to profit or loss	(191,887)	(582,423)
Other comprehensive income, net of tax	(191,887)	(585,957)
Comprehensive income	(130,190)	(600,910)
Comprehensive income attributable to:		
Shareholders of Cookpad Inc.	97,839	(406,274)
Non-controlling interests	(228,029)	(194,636)
Comprehensive income	(130,190)	(600,910)

The Second Quarter of FY2019 and FY2020

(Thousands of yen)

	Three months ended June 30, 2019 (Apr. 1 - Jun. 30, 2019)	Three months ended June 30, 2020 (Apr. 1 - Jun. 30, 2020)
Net profit (loss)	(36,999)	(65,793)
Other comprehensive income		
Items that may not be reclassified subsequently to profit or loss		
Net changes in financial assets at fair value through other comprehensive income	—	(3,534)
Total of items that may not be reclassified subsequently to profit or loss	—	(3,534)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(459,652)	(30,902)
Total items that may be reclassified subsequently to profit or loss	(459,652)	(30,902)
Other comprehensive income, net of tax	(459,652)	(34,436)
Comprehensive income	(496,650)	(100,229)
Comprehensive income attributable to:		
Shareholders of Cookpad Inc.	(383,802)	7,057
Non-controlling interests	(112,849)	(107,286)
Comprehensive income	(496,650)	(100,229)

(3) Condensed Consolidated Statements of Changes in Equity

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 (loss)	—	—	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
Purchase of treasury stock	—	—	—	—	—	—	—	—
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

Six months ended June 30, 2020 (January 1 - June 30, 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 (loss)t	—	—	179,683	—	—	179,683	(194,636)	(14,953)
Other comprehensive income	—	—	—	—	(585,957)	(585,957)	—	(585,957)
Total comprehensive income	—	—	179,683	—	(585,957)	(406,274)	(194,636)	(600,910)
Share-based payment transaction	—	—	—	—	9,927	9,927	—	9,927
Purchase of treasury stock	—	—	—	(14)	—	(14)	—	(14)
Total transactions with shareholders	—	—	—	(14)	9,927	9,913	—	9,913
Balance as of June 30, 2020	5,286,015	7,194,224	11,291,838	(2,022)	(803,220)	22,966,835	1,263,690	24,230,525

(4) Condensed Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended June 30, 2019 (Jan. 1 - Jun. 30, 2019)	Six months ended June 30, 2020 (Jan. 1 - Jun. 30, 2020)
Cash flows from operating activities		
Profit before tax	429,669	288,095
Impairment loss	86,223	26,503
Depreciation and amortization	322,331	270,060
Financial (income) expense	34,874	56,430
Net (increase) decrease of trade and other receivables	(1,051)	(149,495)
Net increase (decrease) of trade and other payables	6,881	(38,894)
Other	(26,379)	(43,196)
Subtotal	852,548	409,503
Interest and dividend income received	2,941	7,032
Interest expenses paid	(3,893)	(3,089)
Income taxes refund (paid)	(735,807)	125,399
Cash flows from operating activities	115,788	538,846
Cash flows from investing activities		
Purchase of property, plant and equipment	(61,813)	(122,637)
Purchase of intangible assets	(42,763)	(16,033)
Purchase of subsidiaries	—	(53,282)
Payments for transfer of business	(44,829)	—
Other	12,948	9,680
Cash flows from investing activities	(136,457)	(182,272)

(Thousands of yen)

	Six months ended June 30, 2019 (Jan. 1 - Jun. 30, 2019)	Six months ended June 30, 2020 (Jan. 1 - Jun. 30, 2020)
Cash flows from financing activities		
Repayments of lease obligations	(221,073)	(196,398)
Purchase of treasury stock	—	(14)
Cash flows from financing activities	(221,073)	(196,411)
Net increase (decrease) in cash and cash equivalents	(241,742)	160,163
Cash and cash equivalents at beginning of period	22,756,245	23,105,395
Effect of exchange rate change on cash and cash equivalents	(23,713)	(674,367)
Cash and cash equivalents at end of period	22,490,790	22,591,191