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Cookpad Inc.

Consolidated Earnings Results for the Nine Months ended September 30, 2020 [IFRS], unaudited

November 6, 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: November 9, 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 Nine Months ended September 30, 2020 (January 1, 2020 - September 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 nine months ended September 30, 2020	8,103	(6.8)	144	(81.8)	138	(81.3)	(187)	—	116	(76.5)	(610)	—
September 30, 2019	8,697	(1.3)	793	(61.4)	740	(64.0)	172	(73.5)	493	(29.3)	(236)	—

	EPS (Basic)		EPS (Diluted)	
	Yen		Yen	
For the nine months ended September 30, 2020	1.07		1.07	
September 30, 2019	4.59		4.59	

(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 September 30, 2020	26,157	24,227	23,071	88.2
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:	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 September 30, 2020:	107,429,400 shares
As of December 31, 2019:	107,429,400 shares
2) Number of treasury shares	
As of September 30, 2020:	4,011 shares
As of December 31, 2019:	3,961 shares
3) Number of average shares during the period	
Nine months ended September 30, 2020:	107,425,405 shares
Nine months ended September 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 nine months ended September 30, 2020 are as follows:

(Millions of yen)

	Nine months ended September 30, 2019 (Jan. 1 - Sept. 30, 2019)	Nine months ended September 30, 2020 (Jan. 1 - Sept. 30, 2020)	YoY change
Sales revenue	8,697	8,103	-6.8%
Operating income	793	144	-81.8%
Profit before tax	740	138	-81.3%
Profit attributable to shareholders of Cookpad Inc.	493	116	-76.5%

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 8,103 million yen (down 6.8% year on year) for the nine months ended September 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, and a decrease in the unit selling price for network advertising in relation to domestic recipe service advertising sales, which also resulted in lower sales revenue. SG&A expenses were 7,680 million yen (down 1.0% year on year). Although one of the main factors was an increase in expenses and personnel associated with new businesses, the impact of novel coronavirus led to lower travel, training and other costs. As a result, operating income was 144 million yen (down 81.8% year on year) for the nine months ended September 30, 2020. In addition, profit before tax came to 138 million yen (down 81.3% year on year), while profit attributable to shareholders of Cookpad Inc. came to 116 million yen (down 76.5% 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!” but a breakdown of sales revenue is provided below.

(Millions of yen)

Reportable Segment	Nine months ended September 30, 2019 (Jan. 1 - Sept. 30, 2019)	Nine months ended September 30, 2020 (Jan. 1 - Sept. 30, 2020)	YoY change
Make everyday cooking fun!	8,697	8,103	-6.8%
Domestic recipe service membership sales	5,546	5,485	-1.1%
Domestic recipe service advertising sales	2,148	1,928	-10.2%
Other sales	1,003	689	-31.3%

Domestic recipe service membership sales were 5,485 million yen (down 1.1% year on year) for the nine months ended September 30, 2020. Amongst other factors, this was due to our initiative of making it free to join Premium Services for the period during which novel coronavirus infectious disease was spreading, which was popular but resulted in only limited inflows to paid memberships.

Domestic recipe service advertising sales were 1,928 million yen (down 10.2% year on year) for the nine months ended September 30, 2020. This was due primarily a decrease in the unit selling price for network advertising.

Other sales were 689 million yen (down 31.3% year on year) for the nine months ended September 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 September 30, 2020, total assets were 26,157 million yen, down 1,048 million yen as compared with the previous fiscal year-end. Current assets were 24,927 million yen, down 484 million yen, and non-current assets were 1,229 million yen, down 563 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 676 million yen. In non-current assets, there was a 472 million yen decrease in property, plant and equipment, caused by depreciation, etc.

(Liabilities)

As of September 30, 2020, total liabilities were 1,929 million yen, down 453 million yen as compared with the previous fiscal year-end. Current liabilities were 1,407 million yen, down 21 million yen, and non-current liabilities were 522 million yen, down 432 million yen.

The main factor behind the change in non-current liabilities was a decline in lease obligations of 391 million yen, caused by the repayment of lease obligations.

(Equity)

As of September 30, 2020, total equity was 24,227 million yen, down 594 million yen as compared with the previous fiscal year-end.

The main reasons for this decline were a decrease of 407 million yen in other components of equity caused by the currency impact of the stronger yen, a decrease of 303 million yen in non-controlling interests and an increase of 116 million yen in retained earnings.

2) Cash Flows

As of September 30, 2020, the balance of cash and cash equivalents (“funds”) was 22,428 million yen, down 676 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 357 million yen. This was mainly due to profit before tax of 138 million yen and depreciation and amortization of 407 million yen, and an increase in trade and other receivables of 161 million yen.

(Cash flows from investing activities)

Funds used in investing activities totaled 202 million yen. This was mainly due to an expenditure of 136 million yen for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Funds used in financing activities totaled 332 million yen. This was due to 292 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 September 30, 2020
Assets		
Current assets		
Cash and cash equivalents	23,105,395	22,428,686
Trade and other receivables	1,820,744	2,068,783
Other financial assets	26,560	7,531
Inventories	24,641	94,316
Other current assets	434,718	328,193
Total current assets	25,412,057	24,927,509
Non-current assets		
Property, plant and equipment	923,150	450,764
Goodwill	140,920	140,920
Intangible assets	334,869	282,215
Other financial assets	314,692	291,002
Deferred tax assets	49,780	49,286
Other non-current assets	29,961	15,424
Total non-current assets	1,793,372	1,229,612
Total assets	27,205,429	26,157,120

(Thousands of yen)

	As of December 31, 2019	As of September 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Lease obligations	385,151	344,580
Trade and other payables	715,170	723,974
Other financial liabilities	51,765	42,100
Income tax payable	6,015	42,095
Other current liabilities	270,647	254,583
Total current liabilities	1,428,749	1,407,331
Non-current liabilities		
Long-term debt	40,000	—
Lease obligations	721,624	329,681
Other non-current liabilities	15,726	14,916
Provisions	173,022	173,235
Deferred tax liabilities	4,787	4,787
Total non-current liabilities	955,159	522,620
Total liabilities	2,383,908	1,929,951
Equity		
Capital stock	5,286,015	5,286,015
Capital surplus	7,194,224	7,194,224
Retained earnings	11,112,155	11,228,172
Treasury stock	(2,008)	(2,022)
Other components of equity	(227,190)	(634,517)
Equity attributable to shareholders of Cookpad Inc.	23,363,196	23,071,871
Non-controlling interests	1,458,326	1,155,298
Total equity	24,821,521	24,227,169
Total equity and liabilities	27,205,429	26,157,120

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

Condensed Consolidated Income Statements

The First Nine Months of FY2019 and FY2020

(Thousands of yen)

	Nine months ended September 30, 2019 (Jan. 1 - Sept. 30, 2019)	Nine months ended September 30, 2020 (Jan. 1 - Sept. 30, 2020)
Sales revenue	8,697,820	8,103,261
Cost of sales	(67,736)	(287,954)
Gross profit	8,630,084	7,815,307
Selling, general and administrative expenses	(7,756,138)	(7,680,526)
Other income	12,019	14,091
Other expense	(92,204)	(4,087)
Operating income	793,762	144,785
Financial income	4,680	7,870
Financial expense	(58,342)	(14,430)
Profit before tax	740,099	138,225
Income tax expense	(568,042)	(325,235)
Net profit (loss)	172,057	(187,010)
Profit (loss) attributable to:		
Shareholders of Cookpad Inc.	493,744	116,017
Non-controlling interests	(321,687)	(303,027)
Net profit (loss)	172,057	(187,010)
Earnings per share		
Basic earnings per share (yen)	4.59	1.07
Diluted earnings per share (yen)	4.59	1.07

The Third Quarter of FY2019 and FY2020

(Thousands of yen)

	Three months ended September 30, 2019 (July 1 - Sept. 30, 2019)	Three months ended September 30, 2020 (July 1 - Sept. 30, 2020)
Sales revenue	2,911,162	2,701,363
Cost of sales	(26,780)	(112,669)
Gross profit	2,884,382	2,588,694
Selling, general and administrative expenses	(2,545,802)	(2,729,444)
Other income	1,609	4,725
Other expense	(3,190)	(1,296)
Operating income (loss)	336,999	(137,320)
Financial income	1,739	838
Financial expense	(28,308)	(13,389)
Profit (loss) before tax	310,430	(149,871)
Income tax expense	(200,070)	(22,187)
Net profit (loss)	110,360	(172,058)
Profit (loss) attributable to:		
Shareholders of Cookpad Inc.	204,019	(63,666)
Non-controlling interests	(93,659)	(108,392)
Net profit (loss)	110,360	(172,058)
Earnings per share		
Basic earnings (loss) per share (yen)	1.89	(0.59)
Diluted earnings (loss) per share (yen)	1.89	(0.59)

Condensed Consolidated Statements of Comprehensive Income

The First Nine Months of FY2019 and FY2020

(Thousands of yen)

	Nine months ended September 30, 2019 (Jan. 1 - Sept. 30, 2019)	Nine months ended September 30, 2020 (Jan. 1 - Sept. 30, 2020)
Net profit (loss)	172,057	(187,010)
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	—	(3,223)
Total of items that will not be reclassified subsequently to profit or loss	—	(3,223)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(408,692)	(420,278)
Total items that may be reclassified subsequently to profit or loss	(408,692)	(420,278)
Other comprehensive income, net of tax	(408,692)	(423,501)
Comprehensive income	<u>(236,635)</u>	<u>(610,511)</u>
Comprehensive income attributable to:		
Shareholders of Cookpad Inc.	85,052	(307,484)
Non-controlling interests	(321,687)	(303,027)
Comprehensive income	<u>(236,635)</u>	<u>(610,511)</u>

The Third Quarter of FY2019 and FY2020

	(Thousands of yen)	
	Three months ended September 30, 2019 (July 1 - Sept. 30, 2019)	Three months ended September 30, 2020 (July 1 - Sept. 30, 2020)
Net profit (loss)	110,360	(172,058)
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	—	311
Total of items that will not be reclassified subsequently to profit or loss	—	311
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(216,806)	162,145
Total items that may be reclassified subsequently to profit or loss	(216,806)	162,145
Other comprehensive income, net of tax	(216,806)	162,456
Comprehensive income	(106,445)	(9,602)
Comprehensive income attributable to:		
Shareholders of Cookpad Inc.	(12,787)	98,790
Non-controlling interests	(93,659)	(108,392)
Comprehensive income	(106,445)	(9,602)

(3) Condensed Consolidated Statements of Changes in Equity

Nine months ended September 30, 2019 (January 1 - September 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)	—	—	493,744	—	—	493,744	(321,687)	172,057
Other comprehensive income	—	—	—	—	(408,692)	(408,692)	—	(408,692)
Total comprehensive income	—	—	493,744	—	(408,692)	85,052	(321,687)	(236,635)
Share-based payment transaction	—	—	—	—	9,054	9,054	—	9,054
Purchase of treasury stock	—	—	—	—	—	—	—	—
Total transactions with shareholders	—	—	—	—	9,054	9,054	—	9,054
Balance as of September 30, 2019	5,286,015	7,194,224	12,574,623	(2,008)	(833,942)	24,218,912	1,520,932	25,739,844

Nine months ended September 30, 2020 (January 1 - September 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)	—	—	116,017	—	—	116,017	(303,027)	(187,010)
Other comprehensive income	—	—	—	—	(423,501)	(423,501)	—	(423,501)
Total comprehensive income	—	—	116,017	—	(423,501)	(307,484)	(303,027)	(610,511)
Share-based payment transaction	—	—	—	—	16,173	16,173	—	16,173
Purchase of treasury stock	—	—	—	(14)	—	(14)	—	(14)
Total transactions with shareholders	—	—	—	(14)	16,173	16,159	—	16,159
Balance as of September 30, 2020	5,286,015	7,194,224	11,228,172	(2,022)	(634,517)	23,071,871	1,155,298	24,227,169

(4) Condensed Consolidated Statements of Cash Flows

(Thousands of yen)

	Nine months ended September 30, 2019 (Jan. 1 - Sept. 30, 2019)	Nine months ended September 30, 2020 (Jan. 1 - Sept. 30, 2020)
Cash flows from operating activities		
Profit before tax	740,099	138,225
Impairment loss	83,562	66,944
Depreciation and amortization	460,751	407,325
Financial (income) expense	32,942	75,524
Net (increase) decrease of trade and other receivables	51,202	(161,425)
Net (increase) decrease in inventories	(4,348)	(69,675)
Net increase (decrease) of trade and other payables	21,266	67,986
Other	(281,464)	(12,703)
Subtotal	1,104,009	512,200
Interest and dividend income received	4,680	7,870
Interest expenses paid	(5,601)	(6,772)
Income taxes refund (paid)	(1,486,885)	(155,330)
Cash flows from operating activities	(383,797)	357,969
Cash flows from investing activities		
Purchase of property, plant and equipment	(73,329)	(136,264)
Purchase of intangible assets	(49,414)	(23,313)
Purchase of subsidiaries	(20,729)	(53,282)
Payments for transfer of business	(43,769)	—
Other	60,966	10,057
Cash flows from investing activities	(126,274)	(202,802)

	(Thousands of yen)	
	Nine months ended September 30, 2019 (Jan. 1 - Sept. 30, 2019)	Nine months ended September 30, 2020 (Jan. 1 - Sept. 30, 2020)
Cash flows from financing activities		
Repayments of long-term debt	—	(40,000)
Repayments of lease obligations	(321,356)	(292,218)
Purchase of treasury stock	—	(14)
Cash flows from financing activities	(321,356)	(332,232)
Net increase (decrease) in cash and cash equivalents	(831,427)	(177,065)
Cash and cash equivalents at beginning of period	22,756,245	23,105,395
Effect of exchange rate change on cash and cash equivalents	(28,461)	(499,643)
Cash and cash equivalents at end of period	21,896,356	22,428,686