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November 5, 2020

Kakaku.com, Inc.
Consolidated Earnings Report for the
Second Quarter of the Fiscal Year Ending March 31, 2021

Stock listings: Tokyo Stock Exchange (First Section)
Securities code: 2371
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Scheduled dates
Filing of statutory quarterly financial report: November 11, 2020
Dividend payout: December 1, 2020
Supplementary materials to financial results available: Yes
Quarterly earnings presentation held: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded.)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2021

(1) Consolidated Operating Results

(% = year-on-year change)

	Revenue		Operating profit		Profit before income taxes		Profit for the period		Profit attributable to owners of the parent company		Total comprehensive income for the period	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Q2 FY2021/3	21,746	(26.4)	6,877	(49.3)	6,579	(50.7)	4,329	(52.4)	4,442	(51.2)	4,345	(51.6)
Q2 FY2020/3	29,529	15.1	13,569	16.1	13,343	14.9	9,100	18.5	9,095	18.8	8,976	12.3

	Basic earnings per share	Diluted earnings per share
	¥	¥
Q2 FY2021/3	21.57	21.56
Q2 FY2020/3	43.59	43.57

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent company	Total equity attributable to owners of the parent company ratio
	¥ million	¥ million	¥ million	%
As of September 30, 2020	63,140	43,606	43,325	68.6
As of March 31, 2020	63,317	43,303	42,909	67.8

2. Dividends

	Annual dividends				
	Q1	Q2	Q3	Year End	Total
	¥	¥	¥	¥	¥
FY2020/3	-	20.00	-	20.00	40.00
FY2021/3	-	20.00			
FY2021/3 (Forecast)			-	20.00	40.00

(Note) Revisions to most recent dividend forecasts: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

Due to the difficulty of reasonably measuring the impact of Covid-19 at the present time, the consolidated earnings forecast for the fiscal year ending March 31, 2021 remains undetermined. We will disclose the consolidated earnings forecast as soon as this becomes possible.

*Notes

(1) Changes in Significant Subsidiaries during the Period: None

(2) Accounting policy changes and accounting estimate changes:

i) Changes in accounting policies required by IFRS: None

ii) Changes other than the above i): None

iii) Changes in accounting estimates: None

(3) Number of shares issued (common stock)

1) Number of shares issued at end of period (treasury shares included):

September 30, 2020: 206,705,000 shares

March 31, 2020: 206,705,000 shares

2) Number of shares held in treasury at end of period:

September 30, 2020: 831,158 shares

March 31, 2020: 836,558 shares

3) Average number of shares outstanding during the period:

September 30, 2020: 205,870,438 shares

September 30, 2019: 208,656,734 shares

* Quarterly consolidated earnings reports are exempt from the quarterly review procedures of certified public accountants and the accounting auditor.

*Appropriate Use of Earnings Forecasts and Other Important Information

(Disclaimer Regarding Forward-Looking Statements)

Due to the difficulty of reasonably measuring the impact of COVID-19 at the present time, the consolidated earnings forecast for the fiscal year ending March 31, 2021 remains undetermined.

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1. Explanation of Operating Results and Financial Position

(1) Explanation of Operating Results

The Company's operating results for the six months ended September 30, 2020, were as follows.

Consolidated revenue declined 26.4% year on year to 21,746 million yen. Amid restrictions on economic and corporate activity involving movement of people in association with COVID-19, the main drivers were increases in revenue in Kakaku.com's shopping business and the Finance Business, which were offset by declines in revenue in Kakaku.com's service business, Tabelog, and in the New Media and Solutions Business's travel/transportation domain.

Consolidated operating profit fell 49.3% year on year to 6,877 million yen, mainly as a result of the decline in revenue and an increase in rent.

Consolidated profit before income taxes declined 50.7% year on year to 6,579 million yen, mainly due to the drop in operating profit as well as the booking of impairment loss on investments accounted for using the equity method.

Consolidated profit attributable to owners of the parent company decreased 51.2% year on year to 4,442 million yen.

Operating results (after intersegment eliminations) are presented below by business segment.

(a) Internet Media Business

The Internet media business's revenue declined 27.9% year on year to 20,563 million yen while its segment income fell 50.5% year on year to 6,557 million yen in the six months ended September 30, 2020.

(Kakaku.com)

Kakaku.com's revenue decreased 2.3% year on year to 11,432 million yen in the six months ended September 30, 2020.

In the shopping business, revenue increased due to the increase in "work-from-home" and "stay-at-home" demand, along with an increase in e-commerce. In the service business, revenue declined in the telecommunications domain due to the disappearance of overseas Wi-Fi rental demand, while revenue in the personal finance domain declined due to the drop in card loan applications associated with the decline in consumption opportunities associated with going out, and the decline in credit card applications in conjunction with the end of the government's points reward program for promoting cashless payments. In the advertising business, despite the ongoing recovery in advertisement placements that had been postponed or cancelled in the three months ended June 30, especially among home appliance manufacturers, revenue was less than in the same period of the previous year when advertisement placements were concentrated in advance of the consumption tax rate hike.

As a result, revenue in the shopping business grew 14.2% year on year to 5,241 million yen, revenue in the service business declined 11.4% year on year to 4,364 million yen, and revenue in the advertising business fell 16.2% year on year to 1,827 million yen.

Kakaku.com had 56.68 million monthly unique users¹ in September 2020.

(Tabelog)

Tabelog's revenue declined 51.4% year on year to 6,227 million yen in the six months ended September 30, 2020.

In the restaurant promotion business, during the six months ended September 30, fees were reinstated on fee-based plan subscriptions for which fees had been eliminated in the three months ended June 30. The fee-based plans' subscribership stood at 48,100 restaurants as of September 30, 2020. Online reservation bookings fell 63.6% year on year to a total of 6.46 million people in the six months ended September 30, 2020, as demand for dining out recovered gradually following the lifting of the state of emergency declared in response to COVID-19, amid efforts to prevent the number of infections from increasing again, including sanitization measures and avoidance of overcrowding.

The premium membership business's revenue declined year on year due to a decrease in fee-paying members, while the advertising business's revenue fell year on year due to postponements and cancellations of advertisement placements.

As a result, revenue in the restaurant promotion business decreased 55.4% year on year to 4,693 million yen, revenue in the premium membership business fell 29.2% year on year to 862 million yen, while the advertising business's revenue was down 37.5% year on year to 673 million yen.

Tabelog had 107.67 million monthly unique users¹ in September 2020.

(New Media and Solutions)

The New Media and Solutions business's revenue declined 27.6% year on year to 2,904 million yen in the six months ended September 30, 2020.

For services in the travel/transportation domain, and some services in the entertainment/hobby domain that involve going out, the situation remains challenging even after the lifting of the state of emergency declared in response to COVID-19. On the other hand, both Kyujin Box and Sumaito saw continued increases in revenue.

(b) Finance Business

The finance business's revenue grew 16.9% year on year to 1,183 million yen while its segment income decreased 0.6% year on year to 317 million yen in the six months ended September 30, 2020.

Kakaku.com Insurance, a site operated by consolidated subsidiary Kakaku.com Insurance, Inc., increased its commission revenue mainly through growth in online applications for insurance coverage.

(Note) 1. Monthly unique users are counted on a net basis as the number of browsers that visited the site. Users who visit the site multiple times during a month are counted as one user. Prior to September 2018, some mobile browsers were double-counted as a side effect of high-speed loading of mobile webpages. Effective from September 2018, the Company switched to a browser counting method that eliminates such double-counting. The updated counting method screens out, to the fullest extent possible, mechanical accesses by, e.g., third parties' web-scraping bots, but some such accesses may be included in monthly unique user counts.

(2) Explanation of Financial Position

1) Analysis of Financial Position

Assets

Consolidated assets at September 30, 2020, totaled 63,140 million yen, a 177 million yen decline from March 31, 2020. The decline was mainly the net result of a 2,197 million yen decrease in cash and cash equivalents, a 1,206 million yen decline in trade and other receivables, and a 368 million yen decline in investments accounted for using equity method, a 2,878 million yen increase in other current assets, a 550 million yen increase in right-of-use assets, and a 133 million yen increase in other financial assets (current).

Liabilities

Consolidated liabilities at September 30, 2020, totaled 19,534 million yen, a 480 million yen decrease from March 31, 2020. The decrease was mainly the net result of a 2,296 million yen reduction in income taxes payable, an 843 million yen decrease in trade and other payables, a 2,027 million increase in other current liabilities and a 303 million yen increase in bonds and borrowings.

Equity

Consolidated equity at September 30, 2020, totaled 43,606 million yen, a 303 million yen increase from March 31, 2020. This was the net result of 4,442 million yen of profit attributable to owners of the parent company and the declaration of a 4,117 million yen dividend from retained earnings.

2) Cash Flows

Cash and cash equivalents ("cash") at September 30, 2020, totaled 27,306 million yen, a 2,197 million yen decrease from March 31, 2020. Cash flows from operating, investing, and financing activities were as follows.

Cash flows from operating activities

Operating activities provided net cash of 3,833 million yen (vs. 10,643 million yen provided in the year-earlier period). The main outflows were 4,583 million yen of income taxes paid and 716 million yen due to the decrease in trade and other payables, which were offset by 6,579 million yen of profit before income taxes, 1,741 million yen in depreciation and amortization, and 1,206 million yen provided by the reduction in trade and other receivables.

Cash flows from investing activities

Investing activities used net cash of 877 million yen (vs. 2,055 million yen used in the year-earlier period), primarily 794 million yen to purchase intangible assets, including server software, and 284 million yen for the purchase of property, plant and equipment.

Cash flows from financing activities

Financing activities used net cash of 5,154 million yen (vs. 3,770 million yen used in the year-earlier period), mostly 4,117 million yen for dividends paid and 1,340 million yen for the repayment of lease obligations, which offset 325 million yen provided by a net increase in short-term loans payable.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements

While there has been some pickup in corporate activity and personal consumption after the lifting of the state of emergency declared in response to COVID-19, economic activities have not fully resumed, and the future outlook remains uncertain. As a result, the consolidated earnings forecast for the fiscal year ending March 31, 2021 remains undetermined since it is difficult to reasonably calculate the impacts of COVID-19 at this stage. We will promptly disclose the forecast as soon as it becomes possible to do so.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and cash equivalents	29,504	27,306
Trade and other receivables	8,394	7,188
Other financial assets	76	209
Other current assets	1,141	4,020
Total current assets	39,115	38,723
Non-current assets		
Property, plant and equipment	2,489	2,416
Right-of-use assets	7,947	8,497
Goodwill and other intangible assets	7,057	7,124
Investments accounted for using equity method	2,536	2,168
Other financial assets	3,407	3,313
Deferred tax assets	722	785
Other non-current assets	45	114
Total non-current assets	24,201	24,417
Total assets	63,317	63,140

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Trade and other payables	2,719	1,876
Bonds and borrowings	443	746
Other financial liabilities	186	311
Income taxes payable	4,619	2,323
Lease liabilities	1,514	1,238
Employee benefit obligations	1,493	1,675
Other current liabilities	1,903	3,929
Total current liabilities	12,877	12,098
Non-current liabilities		
Bonds and borrowings	124	124
Lease liabilities	6,293	6,539
Provisions	474	513
Other non-current liabilities	246	261
Total non-current liabilities	7,137	7,436
Total liabilities	20,014	19,534
Equity		
Capital stock	916	916
Capital surplus	464	463
Retained earnings	43,515	43,836
Treasury shares	(2,196)	(2,182)
Other components of equity	210	292
Total equity attributable to owners of the parent company	42,909	43,325
Non-controlling interests	394	281
Total equity	43,303	43,606
Total liabilities and equity	63,317	63,140

(2) Condensed Consolidated Statement of Income

(Millions of yen)

	Six months ended September 30, 219	Six months ended September 30, 2020
Revenue	29,529	21,746
Operating expenses	15,973	14,900
Other income	18	47
Other expenses	4	16
Operating profit	13,569	6,877
Finance income	20	131
Finance expenses	38	58
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(209)	(62)
Impairment loss on investments accounted for using the equity method	-	308
Profit before income taxes	13,343	6,579
Income tax expense	4,242	2,250
Profit	9,100	4,329
Profit attributable to:		
Owners of the parent company	9,095	4,442
Non-controlling interests	5	(113)
Earnings per share		
Basic earnings per share (yen)	43.59	21.57
Diluted earnings per share (yen)	43.57	21.56

(3) Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	9,100	4,329
Other comprehensive income (Net of related tax effect)		
Items that will not be reclassified to profit or loss		
Net gain (loss) on financial assets measured at fair value through other comprehensive income	(125)	13
Total items that will not be reclassified to profit or loss	(125)	13
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	5	0
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(4)	3
Total items that may be reclassified to profit or loss	1	3
Other comprehensive income (Net of related tax effect)	(124)	16
Comprehensive income	8,976	4,345
Comprehensive income attributable to:		
Owners of the parent company	8,971	4,457
Non-controlling interests	5	(113)

(4) Condensed Consolidated Statements of Changes in Equity

Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

(Millions of yen)

	Equity attributable to owners of the parent company										Non- controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity					Total		
					Net changes in fair value of financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	Subscription rights to shares	Total other components of equity			
Balance at beginning of period	916	464	40,490	(1,750)	254	(4)	1	168	419	40,538	403	40,941
Effect of changes in accounting policies	—	—	(3)	—	—	—	—	—	—	(3)	—	(3)
Restated balance	916	464	40,487	(1,750)	254	(4)	1	168	419	40,535	403	40,938
Profit	—	—	9,095	—	—	—	—	—	—	9,095	5	9,100
Other comprehensive income	—	—	—	—	(125)	5	(4)	—	(125)	(125)	0	(124)
Total comprehensive income	—	—	9,095	—	(125)	5	(4)	—	(125)	8,971	5	8,976
Dividends	—	—	(3,755)	—	—	—	—	—	—	(3,755)	—	(3,755)
Purchase or disposal of treasury shares	—	5	—	144	—	—	—	(46)	(46)	103	—	103
Share-based payment transactions	—	—	—	—	—	—	—	49	49	49	—	49
Others	—	—	(4)	—	4	—	—	—	4	—	—	—
Total transactions with owners	—	5	(3,760)	144	4	—	—	3	7	(3,603)	—	(3,603)
Balance at end of period	916	469	45,823	(1,606)	134	1	(4)	170	301	45,902	408	46,311

Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

(Millions of yen)

	Equity attributable to owners of the parent company										Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity					Total		
					Net changes in fair value of financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	Subscription rights to shares	Total other components of equity			
Balance at beginning of period	916	464	43,515	(2,196)	(7)	(15)	(6)	238	210	42,909	394	43,303
Profit	—	—	4,442	—	—	—	—	—	—	4,442	(113)	4,329
Other comprehensive income	—	—	—	—	13	0	3	—	16	16	0	16
Total comprehensive income	—	—	4,442	—	13	0	3	—	16	4,457	(113)	4,345
Dividends	—	—	(4,117)	—	—	—	—	—	—	(4,117)	—	(4,117)
Purchase or disposal of treasury shares	—	—	(4)	14	—	—	—	(6)	(6)	5	—	5
Share-based payment transactions	—	—	—	—	—	—	—	71	71	71	—	71
Others	—	(1)	—	—	—	—	—	1	1	(0)	—	(0)
Total transactions with owners	—	(1)	(4,121)	14	—	—	—	67	67	(4,042)	—	(4,042)
Balance at end of period	916	463	43,836	(2,182)	6	(15)	(3)	304	292	43,325	281	43,606

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	13,343	6,579
Adjustments to reconcile profit before income taxes		
Depreciation and amortization	1,388	1,741
Interest and dividend income	(20)	(4)
Decrease (increase) in trade and other receivables	(99)	1,206
Increase (decrease) in trade and other payables	27	(716)
Other	21	(371)
Subtotal	14,660	8,436
Interest and dividend income received	5	4
Interest paid	(5)	(24)
Income taxes paid	(4,017)	(4,583)
Net cash provided by (used in) operating activities	10,643	3,833
Cash flows from investing activities		
Purchase of property, plant and equipment	(280)	(284)
Purchase of intangible assets	(667)	(794)
Purchase of investment securities	(645)	(46)
Payments for lease and guarantee deposits	(464)	(91)
Other	2	338
Net cash provided by (used in) investing activities	(2,055)	(877)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	100	325
Repayments of long-term loans payable	(112)	(22)
Proceeds from long-term loans payable	100	—
Repayments of lease obligations	(207)	(1,340)
Dividends paid	(3,755)	(4,117)
Proceeds from exercise of share options	103	5
Other	—	(4)
Net cash provided by (used in) financing activities	(3,770)	(5,154)
Effect of exchange rate change on cash and cash equivalents	5	1
Net increase (decrease) in cash and cash equivalents	4,824	(2,197)
Cash and cash equivalents at beginning of period	26,422	29,504
Cash and cash equivalents at end of period	31,245	27,306

(6) Notes on the Condensed Consolidated Financial Statements

(Notes regarding the going concern assumption)

Not applicable.

(Significant subsequent events)

Not applicable.