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August 2, 2018

Kakaku.com, Inc.
Consolidated Earnings Report for the
First Quarter of the Fiscal Year Ending March 31, 2019

Stock listings: Tokyo Stock Exchange (First Section)
Securities code: 2371
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Scheduled dates

Filing of statutory quarterly financial report: August 9, 2018

Dividend payout: -

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 First Quarter of the Fiscal Year Ending March 31, 2019

(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	%
Q1 FY2018	12,513	17.5	5,560	9.0	5,533	8.6	3,535	1.7	3,534	1.6	3,692	3.3
Q1 FY2017	10,651	4.5	5,100	3.9	5,096	3.8	3,477	0.6	3,479	0.9	3,575	3.8

	Basic earnings per share	Diluted earnings per share
	¥	¥
Q1 FY2018	16.84	16.83
Q1 FY2017	16.23	16.22

(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 June 30, 2018	42,143	34,406	34,049	80.8
As of March 31, 2018	42,770	33,908	33,573	78.5

2. Dividends

	Annual dividends				
	Q1	Q2	Q3	Year End	Total
	¥	¥	¥	¥	¥
FY2017	-	16.00	-	16.00	32.00
FY2018	-				
FY2018 (Forecast)		18.00	-	18.00	36.00

(Note) Revisions to most recent dividend forecasts: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% = year-on-year change)

	Revenue		Operating profit		Profit before income taxes		Profit attributable to owners of the parent company		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	
First half	24,000	10.8	11,430	8.9	11,370	8.5	7,750	8.6	36.92
Full year	52,000	11.2	25,200	10.2	25,080	9.9	17,090	8.9	81.42

(Note) Revisions to most recent dividend forecasts: None

*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: Yes

ii) Changes other than the above 1): None

iii) Changes in accounting estimates: None

(Note) For details, see “2. Condensed Consolidated Financial Statements, (6) Notes on the Condensed Consolidated Financial Statements (Changes in accounting policies) on page 12.

(3) Number of shares issued (common stock)

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

June 30, 2018: 210,605,000 shares

March 31, 2018: 210,605,000 shares

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

June 30, 2018: 705,707 shares

March 31, 2018: 794,107 shares

3) Average number of shares outstanding during the period:

June 30, 2018: 209,855,704 shares

June 30, 2017: 214,416,987 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)

The above forecasts, which constitute forward-looking statements, are prospects based on information available to the Company as of the date of the release of this document. Actual results may differ materially from the above forecasts due to a range of factors.

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1. Explanation of Operating Results and Financial Position

(1) Explanation of Operating Results

The Company's operating results for the three months ended June 30, 2018, were as follows.

Consolidated revenue grew 17.5% year on year to 12,513 million yen, driven mainly by *tabelog*'s restaurant sales promotion business, *kakaku.com* and *tabelog*'s advertising businesses and new media and solutions.

Consolidated operating profit grew 9.0% year on year to 5,560 million yen. Its growth was mainly a net result of the increase in revenue and increased expenses related to *tabelog* loyalty points awarded to users who make online reservations in addition to growth in agency commission expenses in *kakaku.com*'s advertising business and *tabelog*'s restaurant sales promotion business.

Consolidated profit before income taxes grew 8.6% year on year to 5,533 million yen, mainly as a result of the increase in operating profit partially offset by a net loss on equity-method investments.

Consolidated profit attributable to owners of the parent company increased 1.6% year on year to 3,534 million yen. Its low growth rate was mainly attributable to a one-time tax expense booked in the quarter ended June 30, 2018.

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

(a) Internet Media Business

The Internet media business's revenue grew 16.8% year on year to 12,128 million yen while its segment income increased 8.0% year on year to 5,433 million yen in the three months ended June 30, 2018.

(*kakaku.com*)

kakaku.com's revenue grew 1.1% year on year to 5,181 million yen in the three months ended June 30, 2018.

In *kakaku.com*'s shopping business, revenue was up 0.6% year on year to 2,227 million yen as a net result of increased durable goods commission revenue and decreased consumer goods commission revenue. In *kakaku.com*'s service business, revenue was down 0.8% year on year to 2,078 million yen despite robust growth in credit card and Wi-Fi comparison services' revenue. The downtick in overall service revenue was due to a decrease in card loan and auto insurance comparison services' revenue. In *kakaku.com*'s advertising business, revenue was up 7.2% year on year to 875 million yen, boosted by an increase in advertisers.

kakaku.com had 56.64 million monthly unique users¹ in June 2018.

(*tabelog*)

tabelog's revenue grew 22.5% year on year to 5,701 million yen in the three months ended June 30, 2018.

In *tabelog*'s restaurant sales promotion business, the number of restaurants using fee-based services as new fee plan² subscribers increased sharply to 26,500 as of June. Additionally, online reservation bookings grew briskly by virtue of an increase in restaurants that accept online reservations via *tabelog*. The restaurant sales promotion business's revenue consequently increased 30.2% year on year to 4,383 million yen. In *tabelog*'s premium membership business, revenue increased 1.0% year on year to 768 million yen as a result of growth in commission revenue from alliance partners. In *tabelog*'s advertising business, revenue grew 4.3% year on year to 550 million yen, driven by growth in revenue from tie-up ads planned in collaboration with restaurants.

tabelog had 154.19 million monthly unique users¹ in June 2018.

(New Media and Solutions)

The new media and solutions business's revenue grew 105.8% year on year to 1,246 million yen in the three months ended June 30, 2018.

Kinarino grew its tie-up ads revenue. *Kyujin Box*'s commission revenues grew in tandem with its traffic growth.

Additionally, LCL Incorporated and gaie, Inc., two newly consolidated subsidiaries since January and February 2018, respectively, have been contributing to earnings since the fourth quarter of the previous fiscal year.

(b) Finance Business

The finance business's revenue grew 44.2% year on year to 385 million yen while its segment income increased 82.5% year on year to 126 million yen in the three months ended June 30, 2018.

Consolidated subsidiary Kakaku.com Insurance, Inc., achieved growth in data-driven advertising revenue in addition to growth in applications for both life and non-life insurance coverage in its insurance agency business.

1. The number of monthly unique users is the number of browsers that visited the site, not the number of cumulative visits, during a month. Multiple visits by a single browser are counted as one user. Effective from November 2016, the Company changed its sites' traffic measurement logic in conjunction with diversification of mobile webpages.
2. *tabelog*'s new fee plans are restaurant service plans for which *tabelog* charges a monthly base fee plus a variable fee based on online reservation bookings. *tabelog*'s old fee plans are restaurant service plans for which *tabelog* charges a monthly base fee only.

(2) Explanation of Financial Position

1) Analysis of Financial Position

Assets

Consolidated total assets at June 30, 2018, totaled 42,143 million yen, a 628 million yen decrease from March 31, 2018. The decrease was mainly the net result of a 512 million yen decrease in cash and cash equivalents, a 755 million yen reduction in trade and other receivables, a 479 million yen increase in other current assets, mostly prepaid expenses, and a 405 million yen increase in non-current assets' other financial assets, mostly investment securities holdings.

Liabilities

Consolidated total liabilities at June 30, 2018, totaled 7,737 million yen, an 1,125 million yen decrease from March 31, 2018. The decrease was mainly the net result of a 2,206 million yen reduction in income taxes payable, a 325 million yen increase in other financial liabilities, mostly deposits payable, and a 574 million yen increase in other current liabilities.

Equity

Consolidated total equity at June 30, 2018, totaled 34,406 million yen, a 498 million yen increase from March 31, 2018. The increase was mainly the net result of 3,534 million yen of profit attributable to owners of the parent company and a 3,357 million yen dividend distribution from retained earnings.

2) Cash Flows

Cash and cash equivalents ("cash") at June 30, 2018, totaled 20,517 million yen, a 512 million yen decrease from March 31, 2018. Cash flows from operating, investing and financing activities were as follows.

Cash flows from operating activities

Operating activities provided net cash of 3,110 million yen (vs. 2,259 million yen provided in the year-earlier period).

The net cash inflow was mainly attributable to 452 million yen of depreciation and amortization, a 755 million yen reduction in trade and other receivables, and 5,533 million yen of profit before income taxes net of 4,221 million yen of income taxes paid.

Cash flows from investing activities

Investing activities used net cash of 525 million yen (vs. 1,711 million yen used in the year-earlier period).

The main use was acquisition of intangible assets for 273 million yen.

Cash flows from financing activities

Financing activities used net cash of 3,098 million yen (vs. 6,763 million yen used in the year-earlier period).

The main use was a 3,328 million yen dividend distribution.

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

The consolidated earnings forecasts for the six months ending September 30, 2018, and fiscal year ending March 31, 2019, that were disclosed in the Consolidated Earnings Report for the Fiscal Year ended March 31, 2018, released on May 10, 2018, remain unchanged.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and cash equivalents	21,029	20,517
Trade and other receivables	7,612	6,857
Other financial assets	36	38
Other current assets	883	1,362
Total current assets	29,559	28,774
Non-current assets		
Property, plant and equipment	1,128	1,094
Goodwill and other intangible assets	7,247	7,126
Investments accounted for using equity method	2,004	1,975
Other financial assets	2,644	3,049
Deferred tax assets	142	78
Other non-current assets	46	46
Total non-current assets	13,211	13,369
Total assets	42,770	42,143

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Trade and other payables	1,787	1,986
Bonds and borrowings	168	223
Other financial liabilities	219	544
Income taxes payable	3,986	1,781
Employee benefit obligations	1,092	987
Other current liabilities	1,038	1,612
Total current liabilities	8,291	7,132
Non-current liabilities		
Bonds and borrowings	235	264
Provisions	164	168
Other non-current liabilities	172	174
Total non-current liabilities	571	605
Total liabilities	8,862	7,737
Equity		
Capital stock	916	916
Capital surplus	441	468
Retained earnings	33,060	33,238
Treasury shares	(1,255)	(1,115)
Other components of equity	411	542
Total equity attributable to owners of the parent company	33,573	34,049
Non-controlling interests	335	357
Total equity	33,908	34,406
Total liabilities and equity	42,770	42,143

(2) Condensed Consolidated Statement of Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Revenue	10,651	12,513
Operating expenses	5,552	6,955
Other income	1	3
Other expenses	0	0
Operating profit	5,100	5,560
Finance income	1	3
Finance expenses	3	2
Share of profit (loss) of associates and joint ventures accounted for by the equity method	(3)	(29)
Profit before income taxes	5,096	5,533
Income tax expense	1,619	1,997
Profit	3,477	3,535
Profit attributable to:		
Owners of the parent company	3,479	3,534
Non-controlling interests	(3)	1
Earnings per share		
Basic earnings per share (yen)	16.23	16.84
Diluted earnings per share (yen)	16.22	16.83

(3) Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	3,477	3,535
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	97	157
Total items that will not be reclassified to profit or loss	97	157
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1	0
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	0	(0)
Total items that may be reclassified to profit or loss	2	0
Other comprehensive income (Net of related tax effect)	99	157
Comprehensive income	3,575	3,692
Comprehensive income attributable to:		
Owners of the parent company	3,578	3,691
Non-controlling interests	(3)	1

(4) Condensed Consolidated Statements of Changes in Equity

Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)

(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	822	36,154	(3,019)	105	(4)	—	184	285	35,158	222	35,380
Profit	—	—	3,479	—	—	—	—	—	—	3,479	(3)	3,477
Other comprehensive income	—	—	—	—	97	1	0	—	99	99	—	99
Total comprehensive income	—	—	3,479	—	97	1	0	—	99	3,578	(3)	3,575
Dividends	—	—	(3,031)	—	—	—	—	—	—	(3,031)	—	(3,031)
Purchase or disposal of treasury shares	—	—	(5,288)	1,515	—	—	—	(1)	(1)	(3,774)	—	(3,774)
Share-based payment transactions	—	—	—	—	—	—	—	20	20	20	—	20
Cancellation of subscription rights to shares	—	2	—	—	—	—	—	(2)	(2)	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—
Total transactions with owners	—	2	(8,319)	1,515	—	—	—	17	17	(6,785)	—	(6,785)
Balance at end of period	916	824	31,315	(1,504)	202	(3)	0	201	400	31,950	220	32,170

Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

(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	441	33,060	(1,255)	216	(4)	1	197	411	33,573	335	33,908
Profit	—	—	3,534	—	—	—	—	—	—	3,534	1	3,535
Other comprehensive income	—	—	—	—	157	0	(0)	—	157	157	0	157
Total comprehensive income	—	—	3,534	—	157	0	(0)	—	157	3,691	1	3,692
Dividends	—	—	(3,357)	—	—	—	—	—	—	(3,357)	—	(3,357)
Purchase or disposal of treasury shares	—	27	—	140	—	—	—	(40)	(40)	126	—	126
Share-based payment transactions	—	—	—	—	—	—	—	15	15	15	—	15
Cancellation of subscription rights to shares	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	(0)	—	—	—	—	—	—	—	(0)	21	21
Total transactions with owners	—	27	(3,357)	140	—	—	—	(25)	(25)	(3,216)	21	(3,195)
Balance at end of period	916	468	33,238	(1,115)	373	(3)	1	172	542	34,049	357	34,406

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Cash flows from operating activities		
Profit before income taxes	5,096	5,533
Adjustments to reconcile profit before income taxes		
Depreciation and amortization	349	452
Interest and dividend income	(1)	(3)
Decrease (increase) in trade and other receivables	172	755
Increase (decrease) in trade and other payables	175	250
Other	71	338
Subtotal	5,863	7,324
Interest and dividend income received	4	7
Income taxes paid	(3,608)	(4,221)
Net cash provided by (used in) operating activities	2,259	3,110
Cash flows from investing activities		
Purchase of property, plant and equipment	(53)	(73)
Purchase of intangible assets	(277)	(273)
Purchase of investment securities	(1,382)	(100)
Other	0	(79)
Net cash provided by (used in) investing activities	(1,711)	(525)
Cash flows from financing activities		
Purchase of treasury shares	(3,780)	(0)
Dividends paid	(2,989)	(3,328)
Proceeds from long-term loans payable	—	150
Repayments of long-term loans payable	—	(67)
Proceeds from issuance of share options	5	126
Other	—	21
Net cash provided by (used in) financing activities	(6,763)	(3,098)
Effect of exchange rate change on cash and cash equivalents	1	0
Net increase (decrease) in cash and cash equivalents	(6,214)	(512)
Cash and cash equivalents at beginning of period	30,890	21,029
Cash and cash equivalents at end of period	24,676	20,517

(6) Notes on the Condensed Consolidated Financial Statements

(Notes regarding the going concern assumption)

Not applicable.

(Changes in accounting policies)

Significant accounting policies applied to the condensed consolidated financial statements of the first quarter of the fiscal year ending March 31, 2019 are the same as those applied to the consolidated financial statements for the fiscal year ended March 31, 2018, with the following exception.

The income tax expense for the three months ended June 30, 2018 has been calculated based on the estimated annual effective income tax rate.

The Group has applied the following accounting standard from the first quarter of the fiscal year ending March 31, 2019.

IFRS	Description of new standards and amendments
IFRS 15 Revenue from Contracts with Customers	Amendment to the accounting treatment for recognizing revenue

The Group has applied IFRS 15 *Revenue from Contracts with Customers* (issued in May 2014) and Clarifications to IFRS 15 *Revenue from Contracts with Customers* (issued in April 2016) from the first quarter of the fiscal year ending March 31, 2019.

In applying IFRS 15, the Group has applied the standard retrospectively in accordance with transitional measures by recognizing the cumulative effects of initial application as corrections to the beginning balance of retained earnings for the first quarter of the fiscal year ending March 31, 2019.

In conjunction with the application of IFRS 15, the Group recognizes revenue, with the exception of interest and dividend income in accordance with IFRS 9 *Financial Instruments*, using the following five-step approach.

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when or as performance obligations are satisfied.

The effect of applying this accounting standard on the Group's condensed consolidated financial statements is immaterial.

(Significant subsequent events)

Not applicable.