

This is an abridged translation of the original Japanese document and is provided for informational purposes only.

If there are any discrepancies between this and the original, the original Japanese document prevails.

February 5, 2019

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

Stock listings: Tokyo Stock Exchange (First Section)
 Securities code: 2371
 URL: <http://corporate.kakaku.com/?lang=en>
 Representative: Shonosuke Hata, President and Representative Director
 Information contact: Hajime Uemura
 Director, Administrative Division General Manager
 Telephone: +81-3-5725-4554

Scheduled dates

Filing of statutory quarterly financial report: February 12, 2019

Dividend payout: -

Supplementary materials to financial results available: Yes

Fiscal year-end earnings presentation held: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Third 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	%
Q3 FY2018	39,884	19.1	18,196	12.4	18,048	11.6	12,112	9.7	12,079	9.5	12,140	8.7
Q3 FY2017	33,497	5.0	16,193	3.5	16,168	3.3	11,041	2.7	11,029	2.9	11,169	3.9

	Basic earnings per share	Diluted earnings per share
	¥	¥
Q3 FY2018	57.58	57.55
Q3 FY2017	51.76	51.73

(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 December 31, 2018	44,177	36,269	35,880	81.2
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	-	18.00	-		
FY2018 (Forecast)				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	%	¥
Full year	52,000	11.2	25,200	10.2	25,080	9.9	17,090	8.9	81.92

(Note) Revisions to most recent dividend forecasts: None

*Notes

(1) Changes in Significant Subsidies 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):

December 31, 2018: 210,605,000 shares

March 31, 2018: 210,605,000 shares

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

December 31, 2018: 1,976,158 shares

March 31, 2018: 794,107 shares

3) Average number of shares outstanding during the period:

December 31, 2018: 209,773,676 shares

December 31, 2017: 213,087,775 shares

* Quarterly consolidated earnings reports are exempt from 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.

Contents

1. Explanation of Operating Results and Financial Position	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements	3
2. Condensed Consolidated Financial Statements	5
(1) Condensed Consolidated Statement of Financial Position	5
(2) Condensed Consolidated Statement of Income	7
(3) Condensed Consolidated Statement of Comprehensive Income	8
(4) Condensed Consolidated Statements of Changes in Equity	9
(5) Condensed Consolidated Statement of Cash Flows	11
(6) Notes on the Condensed Consolidated Financial Statements	12
(Notes regarding the going concern assumption)	12
(Changes in accounting policies)	12
(Significant subsequent events)	12

1. Explanation of Operating Results and Financial Position

(1) Explanation of Operating Results

The Company's operating results for the nine months ended December 31, 2018, were as follows.

Consolidated revenue grew 19.1% year on year to 39,884 million yen, driven mainly by growth in *tabelog*'s restaurant promotion business, *kakaku.com* and *tabelog*'s advertising businesses and the new media and solutions business. The new media and solutions business's revenue growth was partly attributable to incremental revenue from newly consolidated subsidiaries in addition to growth in existing operations.

Consolidated operating profit grew 12.4% year on year to 18,196 million yen. Its growth was mainly attributable to revenue growth.

Consolidated profit before income taxes grew 11.6% year on year to 18,048 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 9.5% year on year to 12,079 million yen, mainly as a net result of growth in consolidated profit before income taxes and 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 18.4% year on year to 38,659 million yen while its segment income increased 11.6% year on year to 17,812 million yen in the nine months ended December 31, 2018.

(*kakaku.com*)

kakaku.com's revenue grew 2.5% year on year to 16,274 million yen in the nine months ended December 31, 2018.

In *kakaku.com*'s shopping business, revenue increased 0.4% year on year to 6,843 million yen as a net result of increased revenue from durable goods transactions and reduced revenue from consumer goods due to a decrease in gross consumer-goods transaction volume. In *kakaku.com*'s service business, revenue was up 2.3% year on year to 6,215 million yen as a result of robust growth in revenue from finance service and moving company comparison services. In *kakaku.com*'s advertising business, revenue grew 8.0% year on year to 3,217 million yen, driven by growth in advertorial and banner advertising.

kakaku.com had 60.17 million monthly unique users¹ in December 2018.

(*tabelog*)

tabelog's revenue grew 21.9% year on year to 18,022 million yen in the nine months ended December 31, 2018.

In *tabelog*'s restaurant promotion business, the number of restaurants using fee-based services as new fee plan² subscribers grew briskly, reaching 35,100 as of December. Its growth was driven by both acquisition of new subscribers and conversion of existing subscribers from old fee plans to the new ones. Additionally, online reservation bookings grew steadily by virtue of an increase in restaurants that accept online reservations via *tabelog*. The restaurant promotion business's revenue consequently increased 29.3% year on year to 14,030 million yen. In *tabelog*'s premium memberships business, revenue was down 2.2% year on year to 2,212 million yen in response to a decrease in fee-paying members. In *tabelog*'s advertising business, revenue increased 6.9% year on year to 1,781 million yen, boosted by growth in revenue from tie-up ads planned in collaboration with restaurants.

tabelog had 118.06 million monthly unique users¹ in December 2018.

(New Media and Solutions)

The new media and solutions business's revenue grew 117.6% year on year to 4,362 million yen in the nine months ended December 31, 2018.

Kyujin Box's commission revenues grew in tandem with its traffic growth. *Kinarino* increased its advertising revenue through robust growth in advertorial advertising.

Another revenue growth driver was the addition of LCL Incorporated and gaie, Inc., as newly consolidated subsidiaries.

(b) Finance Business

The finance business's revenue grew 45.3% year on year to 1,225 million yen while its segment income increased 71.8% year on year to 380 million yen in the nine months ended December 31, 2018.

Consolidated subsidiary Kakaku.com Insurance, Inc., achieved major growth in commission revenue due to growth in online applications for both life and non-life insurance coverage in its insurance agency business.

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. *tabelog*'s new fee plans are restaurant service plans for which *tabelog*'s restaurant promotion business 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 assets at December 31, 2018, totaled 44,177 million yen, a 1,406 million yen increase from March 31, 2018. The increase was mainly the net result of a 691 million yen increase in other current assets, a 640 million yen increase in investments accounted for using the equity method, a 767 million yen increase in trade and other receivables and a 1,216 million yen decrease in cash and cash equivalents.

Liabilities

Consolidated liabilities at December 31, 2018, totaled 7,908 million yen, a 955 million yen decrease from March 31, 2018. The decrease was mainly the net result of a 2,158 million yen reduction in income taxes payable, a 699 million yen increase in trade and other payables and a 289 million yen increase in other financial liabilities.

Equity

Consolidated equity at December 31, 2018, totaled 36,269 million yen, a 2,361 million yen increase from March 31, 2018. The increase was mainly the net result of 12,079 million yen of profit attributable to owners of the parent company, 7,135 million yen of dividends distributed from retained earnings, and a 2,714 million yen net acquisition of treasury shares.

2) Cash Flows

Cash and cash equivalents ("cash") at December 31, 2018, totaled 19,813 million yen, a 1,216 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 10,860 million yen (vs. 9,412 million yen provided in the year-earlier period).

The net cash inflow was mainly attributable to 1,322 million yen of depreciation and amortization and 18,048 million yen of profit before income taxes net of 8,207 million yen of income taxes paid.

Cash flows from investing activities

Investing activities used net cash of 2,445 million yen (vs. 2,425 million yen used in the year-earlier period).

The main uses were acquisition of intangible assets for 917 million yen and investment securities for 1,231 million yen.

Cash flows from financing activities

Financing activities used net cash of 9,629 million yen (vs. 17,126 million yen used in the year-earlier period).

The main uses were dividend distributions totaling 7,129 million yen and acquisition of treasury shares for 3,000 million yen.

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

The consolidated earnings forecast for the fiscal year ending March 31, 2019, that was disclosed in the Consolidated Earnings Report for the Fiscal Year ended March 31, 2018, released on May 10, 2018, remains unchanged.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	21,029	19,813
Trade and other receivables	7,612	8,379
Other financial assets	36	33
Other current assets	883	1,574
Total current assets	29,559	29,799
Non-current assets		
Property, plant and equipment	1,128	1,333
Goodwill and other intangible assets	7,247	7,089
Investments accounted for using equity method	2,004	2,644
Other financial assets	2,644	3,065
Deferred tax assets	142	210
Other non-current assets	46	37
Total non-current assets	13,211	14,378
Total assets	42,770	44,177

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Trade and other payables	1,787	2,486
Bonds and borrowings	168	288
Other financial liabilities	219	508
Income taxes payable	3,986	1,828
Employee benefit obligations	1,092	1,034
Other current liabilities	1,038	1,107
Total current liabilities	8,291	7,250
Non-current liabilities		
Bonds and borrowings	235	301
Provisions	164	173
Other non-current liabilities	172	183
Total non-current liabilities	571	657
Total liabilities	8,862	7,908
Equity		
Capital stock	916	916
Capital surplus	441	544
Retained earnings	33,060	38,004
Treasury shares	(1,255)	(3,969)
Other components of equity	411	384
Total equity attributable to owners of the parent company	33,573	35,880
Non-controlling interests	335	389
Total equity	33,908	36,269
Total liabilities and equity	42,770	44,177

(2) Condensed Consolidated Statement of Income

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Revenue	33,497	39,884
Operating expenses	17,256	21,715
Other income	9	27
Other expenses	58	0
Operating profit	16,193	18,196
Finance income	5	9
Finance expenses	2	8
Share of profit (loss) of associates and joint ventures accounted for by the equity method	(27)	(149)
Profit before income taxes	16,168	18,048
Income tax expense	5,128	5,936
Profit	11,041	12,112
Profit attributable to:		
Owners of the parent company	11,029	12,079
Non-controlling interests	12	33
Earnings per share		
Basic earnings per share (yen)	51.76	57.58
Diluted earnings per share (yen)	51.73	57.55

(3) Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	11,041	12,112
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	30
Total items that will not be reclassified to profit or loss	125	30
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	2	(2)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1	(1)
Total items that may be reclassified to profit or loss	3	(2)
Other comprehensive income (Net of related tax effect)	128	27
Comprehensive income	11,169	12,140
Comprehensive income attributable to:		
Owners of the parent company	11,157	12,106
Non-controlling interests	12	33

(4) Condensed Consolidated Statements of Changes in Equity

Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 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	—	—	11,029	—	—	—	—	—	—	11,029	12	11,041
Other comprehensive income	—	—	—	—	125	2	1	—	128	128	—	128
Total comprehensive income	—	—	11,029	—	125	2	1	—	128	11,157	12	11,169
Dividends	—	—	(6,451)	—	—	—	—	—	—	(6,451)	—	(6,451)
Purchase or disposal of treasury shares	—	0	(5,373)	(5,243)	—	—	—	(31)	(31)	(10,646)	—	(10,646)
Share-based payment transactions	—	—	—	—	—	—	—	47	47	47	—	47
Cancellation of subscription rights to shares	—	9	—	—	—	—	—	(9)	(9)	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—
Total transactions with owners	—	9	(11,824)	(5,243)	—	—	—	7	7	(17,051)	—	(17,051)
Balance at end of period	916	831	35,359	(8,262)	230	(3)	1	191	420	29,265	234	29,498

Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 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 component s of equity			
Balance at beginning of period	916	441	33,060	(1,255)	216	(4)	1	197	411	33,573	335	33,908
Profit	—	—	12,079	—	—	—	—	—	—	12,079	33	12,112
Other comprehensive income	—	—	—	—	30	(2)	(1)	—	27	27	(0)	27
Total comprehensive income	—	—	12,079	—	30	(2)	(1)	—	27	12,106	33	12,140
Dividends	—	—	(7,135)	—	—	—	—	—	—	(7,135)	—	(7,135)
Purchase or disposal of treasury shares	—	77	-	(2,713)	—	—	—	(78)	(78)	(2,714)	—	(2,714)
Share-based payment transactions	—	—	—	—	—	—	—	50	50	50	—	50
Cancellation of subscription rights to shares	—	26	—	—	—	—	—	(26)	(26)	—	—	—
Others	—	(0)	—	—	—	—	—	—	—	(0)	21	21
Total transactions with owners	—	103	(7,135)	(2,713)	—	—	—	(54)	(54)	(9,800)	21	(9,779)
Balance at end of period	916	544	38,004	(3,969)	246	(5)	0	143	384	35,880	389	36,269

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	16,168	18,048
Adjustments to reconcile profit before income taxes		
Depreciation and amortization	1,096	1,322
Interest and dividend income	(5)	(9)
Decrease (increase) in trade and other receivables	(1,080)	(767)
Increase (decrease) in trade and other payables	183	618
Other	(187)	(157)
Subtotal	16,175	19,055
Interest and dividend income received	8	12
Income taxes paid	(6,771)	(8,207)
Net cash provided by (used in) operating activities	9,412	10,860
Cash flows from investing activities		
Purchase of property, plant and equipment	(114)	(362)
Purchase of intangible assets	(891)	(917)
Purchase of investment securities	(1,409)	(1,231)
Other	(9)	65
Net cash provided by (used in) investing activities	(2,425)	(2,445)
Cash flows from financing activities		
Repayments of long-term loans payable	-	(214)
Proceeds from long-term loans payable	-	399
Purchase of treasury shares	(10,814)	(3,000)
Dividends paid	(6,447)	(7,129)
Proceeds from exercise of share options	134	285
Other	-	30
Net cash provided by (used in) financing activities	(17,126)	(9,629)
Effect of exchange rate change on cash and cash equivalents	2	(2)
Net increase (decrease) in cash and cash equivalents	(10,137)	(1,216)
Cash and cash equivalents at beginning of period	30,890	21,029
Cash and cash equivalents at end of period	20,753	19,813

(6) Notes on the Condensed Consolidated Financial Statements

(Notes regarding the going concern assumption)

Not applicable.

(Changes in accounting policies)

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

The income tax expense for the nine months ended December 31, 2018 has been calculated based on the estimated average annual effective income tax rate.

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 method, which is recognized as a transitional measure, whereby the cumulative effects of application of this standard are recognized on the date of initial application.

In conjunction with the application of IFRS 15, the Group recognizes revenue from contracts with customers using the following five-step approach (with the exception of interest and dividend income in accordance with IFRS 9 *Financial Instruments* and lease income in accordance with IAS 17 *Leases*).

- 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)

(Retirement of treasury stock)

The Company retired a portion of its treasury stock holdings pursuant to a January 23, 2019 resolution of its Board of Directors and the provisions of Article 178 of the Companies Act.

1. Rationale behind retirement of treasury stock

The Company retired the treasury stock to enable the flexible execution of capital policies in line with changes in the business environment and to enhance shareholders' interests through greater capital efficiency.

2. Overview of retirement of treasury stock

- (1) Retirement method: Debit to other retained earnings
- (2) Class of shares retired: Common stock of Kakaku.com, Inc.
- (3) Number of shares retired: 1,100,000 shares
(0.52% of issued shares before shares were retired)
- (4) Number of issued shares after the shares were retired: 209,505,000 shares
- (5) Number of shares held in treasury after the shares were retired: 876,158 shares
(0.42% of issued shares after shares were retired)
- (6) Shares' retirement date: January 31, 2019