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November 6, 2019

Kakaku.com, Inc.
Consolidated Earnings Report for the
Second Quarter of the Fiscal Year Ending March 31, 2020

Stock listings: Tokyo Stock Exchange (First Section)
Securities code: 2371
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Scheduled dates
Filing of statutory quarterly financial report: November 13, 2019
Dividend payout: December 2, 2019
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, 2020

(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 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
Q2 FY2019/3	25,645	18.4	11,683	11.3	11,608	10.8	7,681	7.4	7,657	7.3	7,996	9.9

	Basic earnings per share	Diluted earnings per share
	¥	¥
Q2 FY2020/3	43.59	43.57
Q2 FY2019/3	36.48	36.46

(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, 2019	57,867	46,311	45,902	79.3
As of March 31, 2019	51,242	40,941	40,538	79.1

2. Dividends

	Annual dividends				
	Q1	Q2	Q3	Year end	Total
	¥	¥	¥	¥	¥
FY2019/3	-	18.00	-	18.00	36.00
FY2020/3	-	20.00			
FY2020/3 (Forecast)			-	20.00	40.00

(Note) Revisions to most recent dividend forecasts: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% = 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	62,000	13.1	26,700	6.5	26,500	6.7	18,000	7.8	86.25

(Note) Revisions to most recent earnings 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 i): 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 13.

(3) Number of shares issued (common stock)

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

September 30, 2019: 209,505,000 shares

March 31, 2019: 209,505,000 shares

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

September 30, 2019: 800,358 shares

March 31, 2019: 872,058 shares

3) Average number of shares outstanding during the period:

September 30, 2019: 208,656,734 shares

September 30, 2018: 209,881,156 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.

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	4
(1) Condensed Consolidated Statement of Financial Position	4
(2) Condensed Consolidated Statement of Income	6
(3) Condensed Consolidated Statement of Comprehensive Income	7
(4) Condensed Consolidated Statements of Changes in Equity	8
(5) Condensed Consolidated Statement of Cash Flows	12
(6) Notes on the Condensed Consolidated Financial Statements	13
(Notes regarding the going concern assumption)	13
(Changes in accounting policies)	13
(Significant subsequent events)	13

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, 2019, were as follows.

Consolidated revenue grew 15.1% year on year to 29,529 million yen, driven mainly by the increase in revenue from *kakaku.com*, *Kyujin Box*, and *tabelog*'s restaurant promotion business. Consolidated operating profit grew 16.1% year on year to 13,569 million yen, mainly as a net result of the increase in revenue partially offset by the rise in *tabelog* advertising expenses. Consolidated profit before income taxes grew 14.9% year on year to 13,343 million yen by virtue 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 18.8% year on year to 9,095 million yen.

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

(a) Internet Media Business

The Internet media business's revenue grew 14.7% year on year to 28,518 million yen while its segment income increased 15.9% year on year to 13,248 million yen in the six months ended September 30, 2019.

(*kakaku.com*)

kakaku.com's revenue grew 12.6% year on year to 11,698 million yen in the six months ended September 30, 2019. The shopping business's revenue ticked up 3.6% year on year to 4,591 million yen due to revenue growth in durable goods centered on PCs and large home appliances and electronics. The service business's revenue increased 18.6% year on year to 4,928 million yen, boosted by revenue growth in the personal finance and telecom domains. The advertising business's revenue grew 20.8% year on year to 2,180 million yen as a result of increased revenue from banner ads and advertorials. *kakaku.com* had 57.17 million monthly unique users¹ in September 2019.

(*tabelog*)

tabelog's revenue grew 9.9% year on year to 12,808 million yen in the six months ended September 30, 2019. The restaurant promotion business grew its new fee plans' subscribership to 40,500 restaurants as of September. It did so by both signing up new subscribers and converting existing subscribers from old fee plans to the new ones². Additionally, online reservation bookings grew steadily by virtue of an increase in restaurants that accept online reservations via *tabelog*. The business's revenue consequently increased 16.6% year on year to 10,516 million yen. The premium membership business's revenue decreased 19.1% year on year to 1,216 million yen in response to a decrease in fee-paying members. The advertising business's revenue was down 4.9% year on year to 1,076 million yen due to a decrease in network ads, despite growth in revenue from banner ads and advertorials. *tabelog* had 108.10 million monthly unique users¹ in September 2019.

(New Media and Solutions)

New Media and Solutions's revenue grew 42.7% year on year to 4,012 million yen in the six months ended September 30, 2019. *Kyujin Box*'s commission revenues grew in tandem with growth in monthly usership and an increase in the customer referral rate. Additionally, dynamic package reservation system operated by consolidated subsidiary Time Design Co., Ltd. saw an increase in commission revenues from overseas facilities.

(b) Finance Business

The finance business's revenue grew 27.9% year on year to 1,011 million yen, while its segment income increased 30.0% year on year to 319 million yen, in the six months ended September 30, 2019. *Kakaku.com Insurance*, a site operated by consolidated subsidiary Kakaku.com Insurance, Inc., increased its commission revenue through growth in online applications for both life and non-life insurance coverage.

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. We have measured monthly user numbers exclude overlapping users which occurs by the mobile webpage speed and mechanical access such as automatic collecting program by third parties.

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 September 30, 2019, totaled 57,867 million yen, a 6,625 million yen increase from March 31, 2019. The increase was mainly the result of a 727 million yen increase in right-of-use assets due to application of IFRS 16 *Leases* and a 4,824 million yen increase in cash and cash equivalents.

Liabilities

Consolidated liabilities at September 30, 2019, totaled 11,556 million yen, a 1,255 million yen increase from March 31, 2019. The increase was mainly the result of a 645 million yen increase in lease liabilities due to application of IFRS 16 *Leases*, and a 206 million yen increase in other current liabilities.

Equity

Consolidated equity at September 30, 2019, totaled 46,311 million yen, a 5,370 million yen increase from March 31, 2019. The increase was mainly the net result of 9,095 million yen of profit attributable to owners of the parent company and declaration of a 3,755 million yen dividend from retained earnings.

2) Cash Flows

Cash and cash equivalents ("cash") at September 30, 2019, totaled 31,245 million yen, a 4,824 million yen increase from March 31, 2019. Cash flows from operating, investing, and financing activities were as follows.

Cash flows from operating activities

Operating activities provided net cash of 10,643 million yen (vs. 8,308 million yen provided in the year-earlier period). The main sources of operating cash flow were 13,343 million of profit before income taxes and 1,388 million of depreciation and amortization, which were partially offset by 4,017 million of income taxes paid.

Cash flows from investing activities

Investing activities used net cash of 2,055 million yen (vs. 1,324 million yen used in the year-earlier period). This was primarily due to 645 million yen spent to acquire investment securities, and 667 million yen spent to acquire intangible assets.

Cash flows from financing activities

Financing activities used net cash of 3,770 million yen (vs. 3,090 million yen used in the year-earlier period), mostly to fund a 3,755 million yen dividend distribution.

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

The consolidated earnings forecast for the fiscal year ending March 31, 2020, that was disclosed in the Consolidated Earnings Report for the Fiscal Year ended March 31, 2019, released on May 9, 2019, remains unchanged.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

(Unit: million yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	26,422	31,245
Trade and other receivables	8,676	8,775
Other financial assets	29	200
Other current assets	1,502	1,433
Total current assets	36,629	41,653
Non-current assets		
Property, plant and equipment	1,384	1,535
Right-of-use assets	-	727
Goodwill and other intangible assets	7,095	6,998
Investments accounted for using equity method	2,555	2,725
Other financial assets	3,229	3,762
Deferred tax assets	304	414
Other non-current assets	46	51
Total non-current assets	14,613	16,214
Total assets	51,242	57,867

(Unit: million yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Trade and other payables	2,446	2,535
Bonds and borrowings	339	383
Other financial liabilities	221	145
Income taxes payable	4,082	4,324
Lease liabilities	-	585
Employee benefit obligations	1,296	1,294
Other current liabilities	1,419	1,626
Total current liabilities	9,802	10,893
Non-current liabilities		
Bonds and borrowings	139	183
Lease liabilities	14	73
Provisions	178	181
Other non-current liabilities	168	226
Total non-current liabilities	499	663
Total liabilities	10,301	11,556
Equity		
Capital stock	916	916
Capital surplus	464	469
Retained earnings	40,490	45,823
Treasury shares	(1,750)	(1,606)
Other components of equity	419	301
Total equity attributable to owners of the parent company	40,538	45,902
Non-controlling interests	403	408
Total equity	40,941	46,311
Total liabilities and equity	51,242	57,867

(2) Condensed Consolidated Statement of Income

(Unit: million yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Revenue	25,645	29,529
Operating expenses	13,978	15,973
Other income	16	18
Other expenses	0	4
Operating profit	11,683	13,569
Finance income	7	20
Finance expenses	7	38
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(75)	(209)
Profit before income taxes	11,608	13,343
Income tax expense	3,927	4,242
Profit	7,681	9,100
Profit attributable to:		
Owners of the parent company	7,657	9,095
Non-controlling interests	24	5
Earnings per share		
Basic earnings per share (yen)	36.48	43.59
Diluted earnings per share (yen)	36.46	43.57

(3) Condensed Consolidated Statement of Comprehensive Income

(Unit: million yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	7,681	9,100
Other comprehensive income (Net of related tax effect)		
Items that will not be reclassified to profit or loss		
Net changes in fair value of financial assets measured at fair value through other comprehensive income	315	(125)
Total items that will not be reclassified to profit or loss	315	(125)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1	5
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(0)	(4)
Total items that may be reclassified to profit or loss	0	1
Other comprehensive income (Net of related tax effect)	315	(124)
Comprehensive income	7,996	8,976
Comprehensive income attributable to:		
Owners of the parent company	7,972	8,971
Non-controlling interests	25	5

(4) Condensed Consolidated Statements of Changes in Equity

Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

(Unit: million yen)

	Equity attributable to owners of the parent company			
	Capital stock	Capital surplus	Retained earnings	Treasury shares
Balance at beginning of period	916	441	33,060	(1,255)
Profit	—	—	7,657	—
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	7,657	—
Dividends	—	—	(3,357)	—
Purchase or disposal of treasury shares	—	36	—	158
Share-based payment transactions	—	—	—	—
Others	—	(0)	—	—
Total transactions with owners	—	36	(3,357)	158
Balance at end of period	916	477	37,360	(1,098)

(Unit: million yen)

	Equity attributable to owners of the parent company						Non-controlling interests	Total equity
	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	216	(4)	1	197	411	33,573	335	33,908
Profit	—	—	—	—	—	7,657	24	7,681
Other comprehensive income	315	0	(0)	—	315	315	0	315
Total comprehensive income	315	0	(0)	—	315	7,972	25	7,996
Dividends	—	—	—	—	—	(3,357)	—	(3,357)
Purchase or disposal of treasury shares	—	—	—	(46)	(46)	148	—	148
Share-based payment transactions	—	—	—	28	28	28	—	28
Others	—	—	—	—	—	(0)	21	21
Total transactions with owners	—	—	—	(18)	(18)	(3,181)	21	(3,160)
Balance at end of period	531	(3)	1	179	708	38,364	381	38,744

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

(Unit: million yen)

	Equity attributable to owners of the parent company			
	Capital stock	Capital surplus	Retained earnings	Treasury shares
Balance at beginning of period	916	464	40,490	(1,750)
Effect of changes in accounting policies	—	—	(3)	—
Restated balance	916	464	40,487	(1,750)
Profit	—	—	9,095	—
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	9,095	—
Dividends	—	—	(3,755)	—
Purchase or disposal of treasury shares	—	5	—	144
Share-based payment transactions	—	—	—	—
Others	—	—	(4)	—
Total transactions with owners	—	5	(3,760)	144
Balance at end of period	916	469	45,823	(1,606)

(Unit: million yen)

	Equity attributable to owners of the parent company						Non-controlling interests	Total equity
	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	254	(4)	1	168	419	40,538	403	40,941
Effect of changes in accounting policies	—	—	—	—	—	(3)	—	(3)
Restated balance	254	(4)	1	168	419	40,535	403	40,938
Profit	—	—	—	—	—	9,095	5	9,100
Other comprehensive income	(125)	5	(4)	—	(125)	(125)	0	(124)
Total comprehensive income	(125)	5	(4)	—	(125)	8,971	5	8,976
Dividends	—	—	—	—	—	(3,755)	—	(3,755)
Purchase or disposal of treasury shares	—	—	—	(46)	(46)	103	—	103
Share-based payment transactions	—	—	—	49	49	49	—	49
Others	4	—	—	—	4	—	—	—
Total transactions with owners	4	—	—	3	7	(3,603)	—	(3,603)
Balance at end of period	134	1	(4)	170	301	45,902	408	46,311

(5) Condensed Consolidated Statement of Cash Flows

(Unit: million yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	11,608	13,343
Adjustments to reconcile profit before income taxes		
Depreciation and amortization	887	1,388
Interest and dividend income	(7)	(20)
Decrease (increase) in trade and other receivables	148	(99)
Increase (decrease) in trade and other payables	162	27
Other	(277)	16
Subtotal	12,521	14,655
Interest and dividend income received	7	5
Income taxes paid	(4,220)	(4,017)
Net cash provided by (used in) operating activities	8,308	10,643
Cash flows from investing activities		
Purchase of property, plant and equipment	(156)	(280)
Purchase of intangible assets	(568)	(667)
Purchase of investment securities	(470)	(645)
Other	(131)	(463)
Net cash provided by (used in) investing activities	(1,324)	(2,055)
Cash flows from financing activities		
Repayments of short-term loans payable	-	(1,450)
Proceeds from short-term loans payable	-	1,550
Repayments of long-term loans payable	(157)	(112)
Proceeds from long-term loans payable	246	100
Repayments of lease obligations	-	(207)
Purchase of treasury shares	(0)	-
Dividends paid	(3,356)	(3,755)
Proceeds from issuance of share options	148	103
Other	30	-
Net cash provided by (used in) financing activities	(3,090)	(3,770)
Effect of exchange rate change on cash and cash equivalents	1	5
Net increase (decrease) in cash and cash equivalents	3,894	4,824
Cash and cash equivalents at beginning of period	21,029	26,422
Cash and cash equivalents at end of period	24,923	31,245

(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 Group's condensed consolidated financial statements of the Second quarter of the fiscal year ending March 31, 2020 are the same as those applied to the consolidated financial statements for the fiscal year ended March 31, 2019, with the following exception. The income tax expense for the six months ended September 30, 2019 has been calculated based on the estimated average annual effective income tax rate. The Group has applied the following accounting standard from the first quarter of the fiscal year ending March 31, 2020.

IFRS	Description of new standards and amendments
IFRS 16 Leases	Amendment to the accounting treatment for leases

The Group has applied IFRS 16 *Leases* (issued in January 2016, "IFRS 16") from the first quarter of the fiscal year ending March 31, 2020. In applying IFRS 16, 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, 2020. In transitioning to IFRS 16, the Group has elected to apply the practical expedient provided in IFRS 16 paragraph C3 and maintained its assessment of whether a contract contains a lease under IAS 17 *Leases* ("IAS 17") and IFRIC 4 *Determining whether an Arrangement Contains a Lease*.

The Group recognized lease liabilities at the date of initial application of IFRS 16 for leases that it had previously classified as operating leases under IAS 17. These lease liabilities have been measured at the present value of the outstanding lease payments discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average of the lessee's incremental borrowing rate applied to these liabilities recognized on the consolidated statement of financial position at the date of initial application is 0.5%. The following is a reconciliation of operating lease contracts disclosed applying IAS 17 as of March 31, 2019 and lease liabilities recognized in the consolidated statement of financial position at the date of initial application.

(Unit: million yen)	
	Amount
Operating lease contracts disclosed as of March 31, 2019	773
Operating lease contracts disclosed as of March 31, 2019 (Discounted using the incremental borrowing rate)	771
Finance lease liabilities as of March 31, 2019	14
Non-cancellable operating lease contracts	613
Lease liabilities as of April 1, 2019	1,398

As a result of applying IFRS 16, retained earnings decreased 3 million yen at the beginning of the first quarter of the fiscal year ending March 31, 2020, compared with the application of the previous accounting standard. In applying IFRS 16, the Group used the following practical expedients:

- A single discount rate is applied to portfolios of leases with reasonably similar characteristics.
- Leases for which the lease term ends within 12 months of the date of initial application are accounted for in the same way as short-term leases.
- Hindsight may be used, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(Significant subsequent events)

Not applicable.