COMPANY RESEARCH AND ANALYSIS REPORT

VELTRA Corporation

7048

Tokyo Stock Exchange Growth Market

10-Apr.-2025

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Contents

Summary

FY12/25 to be an investment recovery phase. Operating loss to return to profit

VELTRA Corporation <7048> (hereafter, also "the Company") manages VELTRA, Japan's largest online reservation website specializing in local-experience optional tours. The Company achieved growth as a specialty reservation site for experience-type optional tours worldwide by focusing on what can be experienced at travel destinations and reaping the benefits of expanded use of online services and increased demand for individualized travel. It adopted the VELTRA name to communicate that "VELTRA changes TRAVEL" by sharing information on experiences that are possible at destinations (in other words, altering the definition of travel to seeking destinations based on the experiences they offer).

1. Overview of FY12/24 results

In the FY12/24 consolidated results, operating revenue increased by 37.8% year on year (YoY) to ¥4,304mn, operating loss was ¥175mn (a loss of ¥67mn in the previous fiscal year), ordinary loss was ¥298mn (loss of ¥112mn) and loss attributable to owners of parent was ¥407mn (loss of ¥57mn).

Operating revenue increased across all businesses due to a gradual recovery in travel demand. Notable contributions came from the overseas travel business with a 45.8% YoY increase and LINKTIVITY with a 48.9% increase. Operating expenses increased by 40.4% to ¥4,480mn. Within this, personnel expenses increased by ¥396mn as the Company added 44 new hires and advertising expenses increased ¥492mn due to an increase in online advertising expenses linked to transaction volume and execution of advertising investments for increasing recognition of the Company's services and brand. Advertising expenses included an investment of ¥317mn for increasing recognition, which resulted in an increase in conversion rate (CVR; an indicator of the proportion of website visitors who proceed to purchase a product) in the overseas travel as service and brand recognition increased to the target level and its sales exceeded the Company's plan. Operating loss increased YoY due to the increase in operating expenses; however, the majority of the increased expenses was in the form of upfront investments for FY12/25 onward, including personnel expenses and advertising expenses. Considering that the environment in the industry itself continues to show a recovery trend, and that the Company's upfront investment has strengthened its internal environment, it appears that the loss may have hit bottom.

2. FY12/25 forecasts

For the FY12/25 consolidated results, the Company is forecasting operating revenue to increase by 25.4% YoY to ¥5,400mm, operating profit of ¥500mn (a loss of ¥175mn in the previous fiscal year), ordinary profit of ¥480mn (a loss of ¥298mn) and profit attributable to owners of parent of ¥400mn (a loss of ¥407mn). Operating revenue is expected to continue being driven by the overseas travel business and LINKTIVITY as it was in FY12/24. In the forecast for market growth in FY12/25, the domestic travel market and the global market are projected to remain level YoY. On the other hand, the overseas travel market is expected to grow by 6%–13% due to continued popularity of the Asian region and consumer needs in the low price bracket, while the inbound market is set to grow 15% due to the continued depreciation of the yen and the recovery of the Chinese market. In addition to growth in overseas travel and the inbound market, the Company also aims to achieve its plan by expanding the market share through the expansion of its product lineup and an increase in added value, etc. Operating profit is forecast to turn positive for the first time since FY12/19. In FY12/24 the Company made upfront growth investments in areas such as personnel and sales promotion, and it appears to have generally completed preparations for realizing their effects. The Company aims to achieve profitability in FY12/25 by reducing hiring and advertising investment.

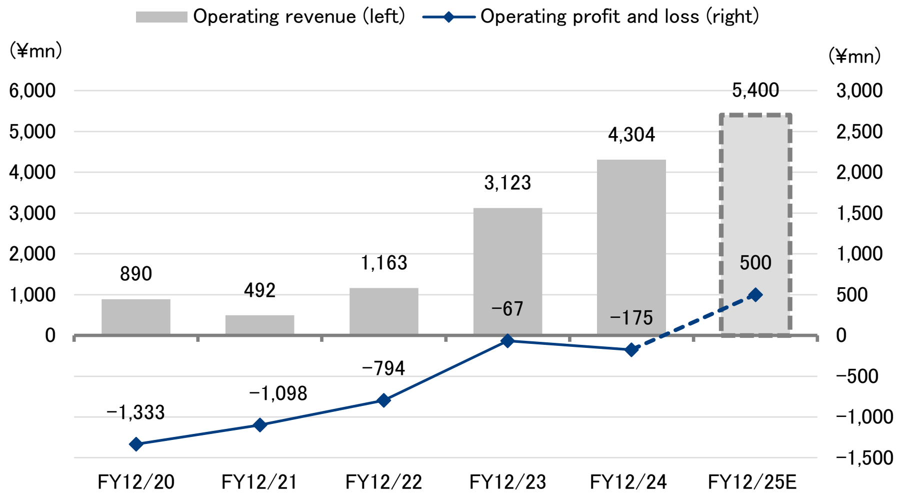
3. Medium- to long-term growth strategy

On February 14, 2025, the Company announced its medium-term management plan covering the period from FY12/25 to FY12/27. As a growth scenario, the plan is to place top priority on strengthening the profitability of the core online travel agent (OTA) business and work to expand the LINKTIVITY business, and then to promote expansion of services in the global market by effectively utilizing management assets, such as the domestic and global business partners that the Company has built up. Quantitative targets for FY12/27 are operating revenue of ¥8,400mn, operating profit of ¥1,400mn, and an operating profit margin of 17%. As key performance indicators, the Company aims for ROE of 20%, a global sales ratio of 30%, indicating sales to non-Japanese customers, and a CAGR of 25% over the three-year period of the medium-term management plan. The Company aims for full-fledged expansion into the global market, with a focus on the Asian region, using the inbound business developed through LINKTIVITY as footholds, as it works to establish an earning base over the medium to long term.

Key Points

- Operates VELTRA, Japan's largest online reservation website specializing in local-experience optional tours
- In FY12/24, despite continued operating losses due to upfront investments, the losses appeared to have hit bottom
- FY12/25 is to be an investment recovery period. Plans for operating loss to return to profit
- Announcement of the medium-term management plan, aiming to expand global sales and work toward the establishment of a new earnings base

Results trends



Source: Prepared by FISCO from the Company's financial results

Company profile

Operates VELTRA, Japan's largest online reservation website specializing in local-experience optional tours

1. History

The Company was established in 1991 by three members of the overseas business division of Nissan Motor Co., Ltd. <7201>, mainly to conduct automotive-related marketing. Overseas automobile manufacturers were seeking to expand into Japan at that time, and in response to an order from overseas, the Company conducted a survey of the Tokyo Motor Show event and other activities. From the beginning, it did not focus on just one business and instead developed businesses in various directions. Among these multiple businesses, it started an online golf reservation (GORA) business in 2000, and this business grew rapidly and was sold to Rakuten, Inc. (currently, Rakuten Group, Inc. <4755>). Using the proceeds from this sale, it started the current business in 2004. In the travel industry, sales such as those related to accommodation and airline tickets had already moved to an online format, and only experiences at destinations were not available through online services. Furthermore, with a vast number of local-experience tours and activities, the Company thought it could fully use the scale benefits of e-commence and decided it made sense to start a business from zero.

On the launch of this business in 2004, the Company did not possess any expertise in the travel business, nor did it have any connections with companies conducting activities businesses. However, in the same year, it acquired companies that conducted sales of activities, mainly offline, in Australia, Bali, and Hawaii. Current Representative Director and CEO Wataru Futagi, the Company's fourth president since its founding, assumed the role of Representative Director in 2015. He took over management from the founders for the purpose of addressing acceleration in technology advances, looking ahead to the Company's IPO, and pursuing further growth.

However, when the business first started, there was no global online market, and local business operators did not have direct access to customers to handle reservations online. It was also necessary to revise the business due to many hurdles between travelers and business operators, including differences in culture, language, values, and time zones among countries. For this reason, the Company considered the method of how customers participate in local-experience tours in an online environment and concentrated business resources in this area. After this, the business grew, and the areas covered expanded to not only around beach resorts, but to other areas such as Asia, Europe, and the United States.

Within this global business development, the Company launched an English-language website in 2012 and started a business for travelers visiting Japan. It also strengthened its structure for systems development, began recruiting engineers in Japan, established a development base in Malaysia, and shifted the systems company to completely in-house manufacturing. Then in 2015, it launched a Chinese-language (traditional and simplified) website. Moreover, the Company acquired all of the shares of City Discovery SAS in 2016, and in 2017, it promoted global development through measures such as launching a Korean-language website through a business alliance with 12CM Inc. of South Korea. (The Company has currently suspended multilingual initiatives in order to selectively focus business resources on the Japanese market.)

In order to realize the expected synergies, in December 2020, the Company concluded a capital and business alliance with OpenDoor Inc. <3926>, which operates travel-related businesses, including the travel comparison website Travelko. Then in December 2021, its subsidiary LINKTIVITY Inc. conducted a capital increase through third-party allocation of new shares to Nippon Telegraph and Telephone West Corporation (NTT West Japan) and entered into a capital and business alliance. The Company also raises funds through the issue of stock acquisition rights, and raised ¥955mn through this method in FY12/22. Despite the severe business environment due to the effects of COVID-19, the Company has demonstrated active business and financial developments in anticipation of the period after the COVID-19 pandemic (the “post-pandemic” period) and managed its business both offensively and defensively. Moreover, recently, the Company has conducted capital and business alliances with JTB Corp. and Tokyo Metro Co. Ltd. <9023> (LINKTIVITY is carrying out the alliance with Tokyo Metro). Toward sustained growth, the Company will promote collaboration to further grow the overseas activities business for Japanese tourists and the ticket platform business.

History

Year	Description
1991	Established Alan Co., Ltd. (currently, VELTRA Corporation) as a marketing-related consulting business
2003	Transferred the GORA business, a dedicated golf reservation website, to Rakuten, Inc. (currently, Rakuten Group, Inc.) <4755>
2004	Launched the Alan1.net (currently, VELTRA) site specializing in activities Acquired all of the shares of White Publishing, Inc. (currently, VELTRA Inc.), which managed the HawaiiActivies.com website for local tours in Hawaii for the North American market
2012	With the aim of global business development, changed the brand name from “Alan1.net” to “VELTRA” and the company name from Alan Co., Ltd. to VELTRA Corporation Launched an English-language site and started a business for travelers visiting Japan Established VELTRA Malaysia Sdn. Bhd. (Malaysia) as a system development company in Kuala Lumpur, Malaysia
2015	Established a Chinese-language (traditional and simplified) site
2016	Acquired all of the shares of City Discovery SAS, which managed CityDiscovery.com, a local tours reservation site for the global market targeting English-speaking countries
2017	Changed the company name of the local Paris corporation to VELTRA SAS and made it a sales base of the VELTRA Group Changed the company name of the local Manila corporation to VELTRA Philippines and made it a customer service base of the VELTRA Group Launched a Korean-language site through a business alliance with 12CM Inc. of South Korea Established LINKTIVITY PTE.LTD. in Singapore and started a full-scale B2B business
2018	Listed on the Tokyo Stock Exchange (TSE) Mothers market
2019	Established VELTRA KOREA Inc.
2020	Established LINKTIVITY Inc.
2021	Concluded a capital and business alliance with OpenDoor
2022	Following the Tokyo Stock Exchange’s reorganization of market categories, listing was transferred to the Growth Market
2023	Change to a company with an audit and supervisory committee Capital and business alliance with JTB Corp. in the activities business
2024	Consolidated subsidiary LINKTIVITY Inc. entered into a capital and business alliance with Tokyo Metro Co., Ltd. in the ticket platform business for inbound travelers

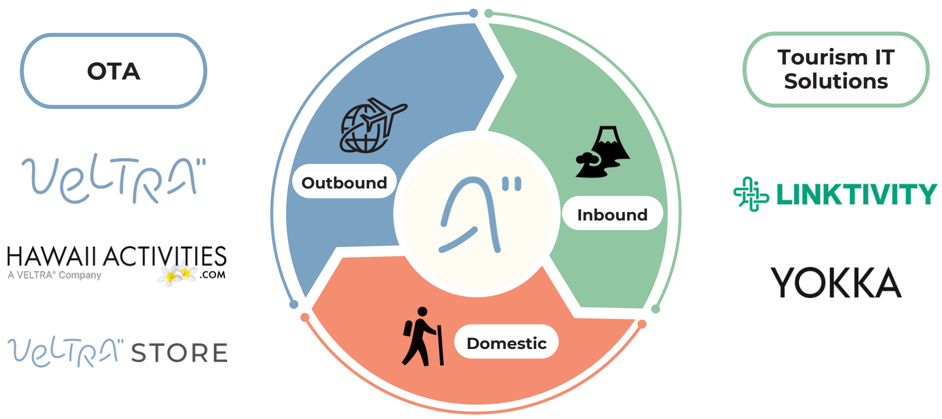
Source: Prepared by FISCO from the Company’s securities report and results briefing materials

2. Business overview

The Company goes beyond the boundaries of existing travel companies and provides solutions that enable users to encounter “genuine experiences*” from domestic to international, before to after travel, and online to offline. Its business areas are travel-related businesses that are categorized by revenue and consist of the OTA business and the tourism IT business.

* The Company considers “inspirational experiences” to be those in which people have true experiences that make them feel real emotions and inspire them, such as different cultures and nature around the world, and the splendor of the people who communicate them.

Business segments



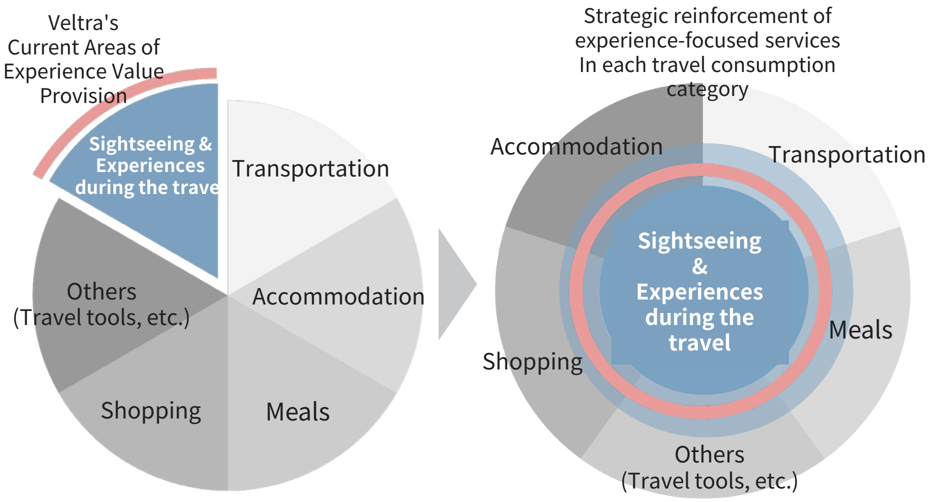
Source: The Company’s results briefing materials

(1) OTA business

This business is comprised of the local experience tours online reservation websites (VELTRA and HawaiiActivities); VELTRA Online Academy, an online experience service; and the Corporate Service, which sells the Company's products on corporate websites. In addition to its unrivaled member base, it boasts a lineup of products that provide "genuine experiences," not limited to only travel products, as well as high-quality services.

VELTRA, which is the core business, is Japan's largest activity reservation website targeting Japanese people, offering reservations for more than 19,000 types of overseas optional tours in 150 countries around the world. Also, HawaiiActivities is an English-language website that specializes in Hawaii as a travel destination, and it provides services mainly for travelers in the United States. For these services, business development is limited to the phases during travel. The Company is preparing a wide variety of local experiences and activities called "during travel" activities, which include sightseeing tours, shows and entertainment, world heritage sites, spas and beauty salons, cultural experiences, theme parks, cruises, nature tours, gourmet tours, marine sports, and travel tools, including airport transfers. Among these, the areas of experiential value provision that the Company has placed major weight on are sightseeing tours, cruises and other tourism and experiences. The recovery in the overseas travel market is taking longer than expected, and, going forward, the Company intends to redefine the experiential value of travel and strengthen value provision in tourism consumption activity areas other than sightseeing and experiences. It will promote the expansion of services focused on experiences in the food, transportation, and accomodation phases. By expanding the range of value provision, it will tie this to growth in financial results.

Strengthen phases other than sightseeing and experiences



Source: The Company's results briefing materials

In addition, the Company is providing local experience tours at local prices. Whether the reservation is made at the site or before departing, the activity can be had at the same price as the local price, so demand has increased.

(2) Tourism IT business

This business consists of providing IT infrastructure to tourism-related businesses, and also the ticket platform business conducted by the subsidiary LINKTIVITY.

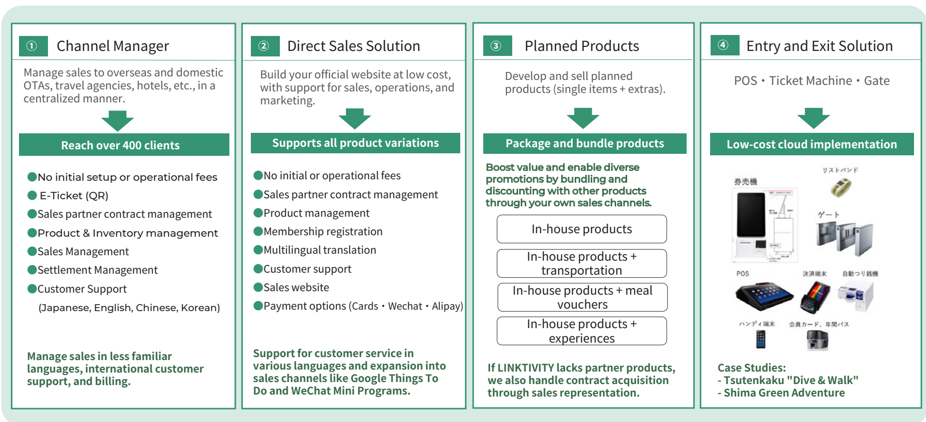
The ticket platform business aims to seamlessly connect every transportation entity and tourism facility through the transportation entity and public facility ticket platform. The trend toward mobility as a service (MaaS), which links various services, and electronic tickets is increasing, and amid these conditions, the Company is strengthening sales channels not only for inbound demand, but also for domestic demand. Based on domestic railway companies, prefectural facilities, and others, the Company's number of sales agencies had steadily increased to 579 companies (as of the end of December 2024, 24 companies at the end of December 2020) and its number of customers has increased to 579 companies around the world (as of the end of December 2024, 112 companies at the end of December 2020).

Transportation entity and public facility ticket platform

Source: The Company's results briefing materials

LINKTIVITY, as a channel manager, addresses the issues facing customers. It provides direct sales solutions to support the building, operating and marketing of sales websites, creates planned products and provides corporate product solutions that make possible package and bundle sales, and provides further services that include entry/exit solutions that provide devices related to entry/exit at a low cost via a cloud platform. Channel manager means systems that enable the integrated management of contracts and payments for multiple customers, including overseas and domestic OTAs, travel agencies, and hotels, etc. As the inbound market is booming, the utility and cost effectiveness of this service have drawn strong reviews from customers, and the introduction of this service is accelerating.

Main services provided by LINKTIVITY



Source: The Company's results briefing materials

Results trends

In FY12/24, despite continued operating losses due to upfront investments, the losses appeared to have hit bottom

1. Overview of FY12/24 results

In the FY12/24 consolidated results, operating revenue increased by 37.8% YoY to ¥4,304mn, operating loss was ¥175mn (a loss of ¥67mn in the previous fiscal year), ordinary loss was ¥298mn (loss of ¥112mn) and loss attributable to owners of parent was ¥407mn (loss of ¥57mn).

Operating revenue increased across all businesses due to a gradual recovering in travel demand. Notable contributions came from the overseas travel business with a 45.8% YoY increase and LINKTIVITY with a 48.9% increase. Operating revenue generally recovered to the pre-pandemic level of FY12/19 (¥4,351mn).

Operating expenses increased by 40.4% YoY to ¥4,480mn. Within this, personnel expenses increased by ¥396mn as the Company added 44 new hires and advertising expenses increased ¥492mn due to an increase in online advertising expenses linked to transaction volume and execution of advertising investments for increasing recognition of the Company's services and brand. Other (settlement fees, outsourcing expenses) also increased by ¥255mn. Advertising expenses included an investment of ¥317mn for increasing recognition. According to a recognition survey conducted by an external institution, the Company's services and brand recognition stood at 20%, an increase of 7 percentage points (pp) compared to before the investment, achieving the Company's target. While some issues remain with regard to domestic travel, in overseas travel, sales exceeded the plan due to an increase in the CVR.

Operating loss increased YoY due to the increase in operating expenses; however, the majority of the increased expenses was in the form of upfront investments for FY12/25 onward, including personnel expenses and advertising expenses. Considering that the environment in the industry itself continues to show a recovery trend, and that the Company's upfront investment has strengthened its internal environment, it appears that the loss may have hit bottom.

FY12/24 consolidated results

(¥mn)

	FY12/23		FY12/24		YoY	
	Result	Operating revenue ratio	Result	Operating revenue ratio	Amount	%
Operating revenue	3,123	-	4,304	-	1,181	37.8%
Operating expenses	3,190	102.1%	4,480	104.1%	1,290	40.4%
Operating loss	-67	-2.1%	-175	-4.1%	-108	-
Ordinary loss	-112	-3.6%	-298	-6.9%	-186	-
Loss attributable to owners of parent	-57	-1.8%	-407	-9.5%	-350	-

Source: Prepared by FISCO from the Company's financial results

The status by business is as follows.

(1) OTA business

In the OTA business, operating revenue grew sharply by 35.2% YoY to ¥3,508mn. Moving to the post-pandemic period, domestic and overseas travel demand is gradually increasing, and all three businesses recorded higher sales.

a) Overseas travel business

Operating revenue from the overseas travel business increased by 45.8% YoY to ¥2,838mn. Although travel demand has been recovering, the number of outbound Japanese travelers in 2024 has yet to recover to 2019 levels, mainly due to the impacts of the yen's protracted weakness and price inflation. In this situation, growth in the number of reservations while the number of products steadily increased contributed to top-line growth. Amid a delayed recovery in mainstay beach resort areas such as Hawaii and Guam, and high value areas such as Europe, going forward the Company plans to increase usage frequency and opportunities by expanding its domain of value provision and tie this to expanded results.

b) Domestic travel business

Operating revenue from the domestic travel business increased 5.2% YoY to ¥372mn. As the number of travelers gradually returns to pre-pandemic levels, an increase in the number of reservations and an increase in the unit price due to an increase of the number of products contributed to top-line growth. On the other hand, the growth rate of the business is currently on a declining trend due to a waning of the effect of higher sales following an increase in the number products handled and a decline in the efficacy of search engine optimization (SEO; a strategy for ensuring that the website is displayed at the top of search engine results). Looking ahead, the Company aims to maximize reservations and increase business efficiency by selecting and concentrating its mainstay areas and products.

c) HawaiiActivities

Operating revenue from HawaiiActivities increased by 4.9% YoY to ¥304mn, exceeding the plan by 6.3%. Although the number of reservations decreased as a reaction to pent-up demand that occurred in the previous fiscal year as the pandemic subsided, the number of travelers to Hawaii from the mainland US has recovered to pre-pandemic levels, and the business environment itself has been good. The decline in the number of reservations was covered by an increase in the Company's commission per customer due to factors such as the effect of the weak yen and price inflation, with the Company securing higher sales as a result. Also, in connection with this business, the Company is promoting it under a policy of strengthening sales of the Hawaiian Islands. At some non-central islands, plans had to be curtailed due to a forest fire and other factors, but sales were strengthened centering on Oahu. HawaiiActivities constantly provides 780 types of products.

(2) Tourism IT business

Operating revenue from the tourism IT business increased 50.2% YoY to ¥796mn. Of this, operating revenue from LINKTIVITY, a ticket platform business, jumped 48.9% to ¥688mn. The inbound market has shown strong activity with the number of inbound travelers in 2024 substantially exceeding the pre-pandemic level of 2019, mainly due to the weak yen, business results expanded due to growth in transaction volume while the Company focused on developing new sales agencies and customers. With a tailwind from positive external conditions, the utility of the service drew strong reviews from customers, as the number of sales agencies increased by 138 companies from the end of the previous fiscal year to 579 companies and the number of customers increased by 81 companies to 429 companies.

The Company made a ¥140mn investment in LINKTIVITY as a growth investment to expand its business domains through new solution development. The Company constructed businesses including a QR ticket gate authentication system and a facility entrance/exit management system, started providing them, and acquired earnings. The inbound market is expected to continue moving briskly in 2025 and beyond, and the Company intends to continue making aggressive growth investments for further business expansion.

Free cash flow remained positive, and the equity ratio also improved with a capital injection via third-party allocation of new shares

2. Financial position and management indicators

Total assets at the end of FY12/24 rose by ¥2,118mn from the end of the previous fiscal year to ¥8,584mn. Of this, current assets rose by ¥2,041mn to ¥7,846mn. Cash and deposits increased by ¥1,471mn, mainly reflecting an increase in trade payables and advances received associated with a third-party allocation of new shares and recovery in travel demand, and trade accounts receivable increased by ¥521mn. Non-current assets increased by ¥77mn to ¥738mn, mainly due to an increase of ¥174mn in software.

Total liabilities at the end of FY12/24 increased by ¥589mn from the end of the previous fiscal year to ¥5,696mn. Of this, current liabilities rose by ¥589mn to ¥5,695mn. This mainly reflected increases in trade accounts payable of ¥688mn and advances received of ¥341mn due to an increase in the number of reservations in the OTA business. Non-current liabilities remained level YoY.

Total net assets increased ¥1,528mn to ¥2,888mn. This was mainly attributable to increases in share capital of ¥254mn and capital surplus of ¥1,233mn, as a result of a third-party allocation of new shares, while retained earnings decreased by ¥407mn due to the recording of loss attributable to owners of parent of ¥407mn.

As a result, the equity ratio increased 8.6pp from the end of the previous fiscal year to 29.1%. As business recovered, liabilities increased in the form of trade payables and advances received, but the Company worked to bolster capital through a capital injection via third-party allocation of new shares, so the equity ratio improved substantially.

Consolidated balance sheet and management indicators

(¥mn)

	End of FY12/23	End of FY12/24	Change
Current assets	5,805	7,846	2,041
Cash and deposits	3,695	5,166	1,471
Non-current assets	661	738	77
Total assets	6,466	8,584	2,118
Current liabilities	5,105	5,695	589
Interest-bearing debt	500	-	-500
Non-current liabilities	0	0	0
Total liabilities	5,106	5,696	589
Total net assets	1,360	2,888	1,528
[Management indicators]			
Equity ratio	20.5%	29.1%	8.6pp

Source: Prepared by FISCO from the Company's financial results

3. Cash flows

In FY12/24, cash flow provided by operating activities was ¥459mn. The main increase factors were an increase in trade payables of ¥677mn and an increase in advances received of ¥333, while the main decrease factors were an increase in trade receivables of ¥514mn and a loss before income taxes of ¥421mn. Cash flow used in investing activities amounted to ¥436mn. This mainly comprised ¥351mn in the purchase of non-current assets. Free cash flow (cash flow from operating activities + cash flow from investing activities) remained positive at ¥23mn, even as the Company recorded losses due to upfront investment for growth from FY12/25 onward. Cash flow provided by financing activities was ¥1,352mn. This was primarily the result of ¥1,372mn in income from investment by non-controlling interests and ¥509mn in income from the issue of stock. As a result, cash and cash equivalents rose ¥1,471mn from the end of the previous fiscal year to ¥5,166mn. The Company raised funds through a capital injection by way of third-party allocation of new shares leading to a substantial accumulation of cash.

Consolidated statement of cash flows

(¥mn)

	FY12/23	FY12/24
Cash flow from operating activities (a)	1,192	459
Cash flow from investing activities (b)	-352	-436
Cash flow from financing activities	8	1,352
Free cash flow (a) + (b)	840	23
Cash and cash equivalents at end of period	3,695	5,166

Source: Prepared by FISCO from the Company's financial results

Outlook

FY12/25 is to be an investment recovery period. Plans for operating loss to return to profit

For the FY12/25 consolidated results, the Company is forecasting operating revenue to increase by 25.4% YoY to ¥5,400mm, operating profit of ¥500mn (a loss of ¥175mn in the previous fiscal year), ordinary profit of ¥480mn (a loss of ¥298mn) and profit attributable to owners of parent of ¥400mn (a loss of ¥407mn).

Operating revenue is expected to continue being driven by the overseas travel business and LINKTIVITY as it was in FY12/24. In the forecast for market growth in FY12/25, the domestic travel market and the global market are projected to remain level YoY. On the other hand, the overseas travel market is expected to grow by 6%–13% due to continued popularity of the Asian region and consumer needs in the low price bracket, while the inbound market is set to grow 15% due to the continued depreciation of the yen and the recovery of the Chinese market. In the foreign exchange forecast, the yen is not expected to appreciate significantly from the previous year, trading at ¥145–¥155 to the US dollar. In addition to growth in overseas travel and the inbound market, the Company also aims to achieve its plan by expanding market share through expansion of its product lineup and an increase in added value, etc.

Operating profit is forecast to turn positive for the first time since FY12/19. In FY12/24 the Company made upfront growth investments in areas such as personnel and sales promotion, and it appears to have generally completed preparations for realizing their effects. The Company aims to achieve profitability in FY12/25 by reducing hiring and advertising investment.

FY12/25 consolidated results forecasts

(¥mn)

	FY12/24		FY12/25		YoY	
	Result	Operating revenue ratio	Plan	Operating revenue ratio	Amount	%
Operating revenue	4,304	-	5,400	-	1,095	25.4%
Operating expenses	4,480	104.1%	4,900	90.7%	419	9.4%
Operating loss	-175	-4.1%	500	9.3%	675	-
Ordinary loss	-298	-6.9%	480	8.9%	778	-
Loss attributable to owners of parent	-407	-9.5%	400	7.4%	807	-

Source: Prepared by FISCO from the Company's financial results and results briefing materials

Medium- to long-term growth strategy

Announced the medium-term management plan. Will strengthen existing businesses and engage in full-fledged expansion into the global market

1. Medium-term management plan

On February 14, 2025, the Company announced its medium-term management plan covering the period from FY12/25 to FY12/27. As a growth scenario, the plan is to place top priority on strengthening the profitability of the core OTA business and work to expand the LINKTIVITY business, and then to promote expansion of services in the global market by effectively utilizing management assets, such as the domestic and global business partners that the Company has built up.

Quantitative targets for FY12/27 are operating revenue of ¥8,400mn, operating profit of ¥1,400mn, and an operating profit margin of 17%. As key performance indicators, the Company aims for ROE of 20%, a global sales ratio of 30%, and a compound average growth rate (CAGR) of 25% over the three-year period of the medium-term management plan. In global sales, the Company aims for operating revenue from non-Japanese customers, including LINKTIVITY. The Company aims for full-fledged expansion into the global market, with a focus on the Asian region, using the inbound business developed through LINKTIVITY as footholds, as it works to establish an earning base over the medium to long term.

Quantitative targets of the medium-term management plan

(¥mn)

	FY12/24 (Result)	FY12/25 (Plan)	FY12/26 (Plan)	FY12/27 (Plan)
Operating revenue	4,304	5,400	6,800	8,400
Operating profit	-175	500	900	1,400
Operating profit margin	-4%	9%	13%	17%
ROE	-21.3%	-	-	20%

Source: Prepared by FISCO from the Company's medium-term management plan

2. Growth strategies by business

1) OTA business

In the OTA business, the Company has redefined its target users in the overseas travel market for Japanese people, and will promote the development of services based on the latest customer needs. It aims to achieve FY12/27 operating revenue of ¥6,200mn (CAGR of 20% over the three-year period), operating profit of ¥2,785mn, and an operating profit margin of 45%.

Quantitative targets for the OTA business

(¥mn)

	FY12/24 (Result)	FY12/25 (Plan)	FY12/26 (Plan)	FY12/27 (Plan)
Operating revenue	3,515	4,350	5,200	6,200
Operating profit	730	1,430	2,065	2,785
Operating profit margin	20%	33%	40%	45%

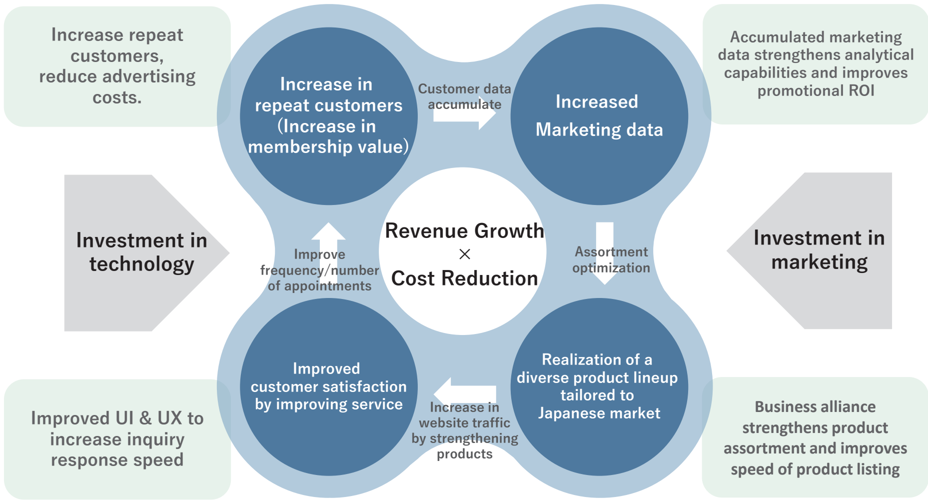
Source: Prepared by FISCO from the Company's medium-term management plan

According to the Company, in the current travel market, the mainstream has shifted away from package tours with airline tickets and hotels arranged all together by travel agencies toward an approach where individuals individually select and make bookings online. Furthermore, an increase in unit prices for travel due to factors such as the weak yen and inflation is driving an increase in the ratio of people traveling to Asia, which is comparatively cheaper. As the business environment changes, in addition to its main customer base to date, the Company will focus on capturing new customers among light users who do not engage in package tours. It will focus on differentiating itself from competitors by designing distinctive services that focus on human interaction at travel destinations and provision of high-quality services that enable customer to participate in and experience overseas travel with confidence and peace of mind.

Furthermore, the Company plans to further strengthen its investment in the fields of marketing and technology with a view to realizing continuous business growth and productivity improvement. In the marketing field, the Company will strengthen its ability to attract customers by optimizing its product line up based on collection and analysis of data obtained from customers. In the technology field, the Company will enhance customer engagement and increase the repeat rate, mainly by improving the operability and users' satisfaction of its online services and increasing the speed of response to inquiries. If sales per customer can be expanded by increasing repeat customers, productivity can also be expected to increase. The Company will improve its labor intensive operations and its advertising dependency ratio through these investments, and has set quantitative targets for FY12/27 of increasing the ratio of personnel expenses to operating revenue by 14pp compared to FY12/24 to 19%, improving the ratio of advertising expenses to operating revenue by 5pp to 18%, and aiming to increase operating revenue per person by ¥11.7mn to ¥27.3mn.

Medium- to long-term growth strategy

Cycle for Growth and Productivity Improvement



Source: The Company's medium-term management plan

2) LINKTIVITY

In LINKTIVITY, the Company will expand the number of products in its existing platform business, globalize its business, and develop new solutions, among other initiatives, aiming for FY12/27 operating revenue of ¥1,800mn (three-year CAGR of 35%), operating profit of ¥300mn, and an operating profit margin of 17%.

Quantitative targets for LINKTIVITY

(¥mn)

	FY12/24 (Result)	FY12/25 (Plan)	FY12/27 (Plan)
Operating revenue	688	1,000	1,800
Operating profit	-100	50	300
Operating profit margin	-14%	5%	17%

Source: Prepared by FISCO from the Company's medium-term management plan

In its existing platform business, centered on the train platform for inbound travelers, the Company will expand its business services, target customers, product categories, and sales channels and expand the total available market (TAM) to accelerate growth. Regarding expansion in business services and target customers in particular, it plans to expand services primarily in the domains of collaboration with domestic companies, support for strengthening sales channels, tourism DX, and transportation MaaS, harnessing its strength as a channel manager for overseas OTAs. Recently, the Company has provided a WeChat mini app through a strategic partnership with Tencent Japan, provided direct sales solutions to suppliers, and provided core systems for sightseeing trains, as it continues to launch new initiatives. During the period of the medium-term management plan, the Company plans to achieve profitability quickly in the businesses it develops, and to utilize the cash earned in its OTA business to make growth investment for expanding its business domains at the pace of ¥0.2–¥0.3bn per year.

Shareholder return policy

Priority on investments to expand businesses for the time being

The Company recognizes future business advancement and long-term stability of the financial base as top priorities and hence maintains internal reserves for investments in business expansion and stabilization of the financial base to drive maximization of shareholder profits. From this perspective, it intends to continue increasing internal reserves for the time being. Meanwhile, it is likely to leverage its strengths in local-experience optional tours in 150 countries in a shareholder benefit program.

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