

Consolidated Financial Results for the Second Quarter of Term Ending December 2023 (Based on J-GAAP)

August 14, 2023

Company name: VELTRA Corporation
Stock code: 7048 URL <https://corp.veltra.com>

Listing: Tokyo Stock Exchange

Representative: Wataru Futagi, CEO
Contact: Jumpei Minashima, Headquarters Division Director
Scheduled date to submit Quarterly Securities Report: Monday, August 14, 2023
Scheduled date to commence dividend payments: —
Availability of supplementary briefing material on quarterly results: Available
Scheduled date of Quarterly Results Briefing Session: Available

Tel: +81-3-6823-7990

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of the Term Ending December 2023 (from January 1, 2023 to June 30, 2023)

(1) Consolidated Results of Operations (cumulative) (% indicates YoY changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Second quarter of the term ending December 2023	1,157	225.6	(203)	—	(233)	—	(254)	—
Second quarter of the term ended December 2022	355	97.0	(488)	—	(435)	—	(464)	—

(Note) Comprehensive income: Second quarter of the term ending December 2023: -200 million yen (-%)

Second quarter of the term ended December 2022: -396 million yen (-%)

	Profit per share	Fully diluted profit per share
Second quarter of the term ending December 2023	Yen (7.16)	Yen —
Second quarter of the term ended December 2022	(13.67)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Second quarter of the term ending December 2023	5,766	1,185	20.1
Term ended December 2022	4,051	1,381	33.4

(Reference) Shareholders' equity: Second quarter of the term ending December 2023: 1,157 million yen

Term ended December 2022: 1,354 million yen

2. Dividends

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
Term ending December 2022	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Term ending December 2023	—	0.00	—	—	—
Term ending December 2023(forecasts)	—	—	—	0.00	0.00

(Note) Revisions of dividend forecast from recently announced figures: Not applicable

3. Consolidated Forecasts for the Term Ending December 2023 (from January 1, 2023 to December 31, 2023)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	3,420	294.0	(103)	—	(139)	—	(189)	—	(5.35)

(Note) Revisions of forecast of financial results from recently announced figures: Not applicable

* Notes

(1) Significant changes of subsidiaries during the consolidated cumulative current quarter (changes in specific subsidiaries involving changes in the scope of consolidation): Not applicable

New: — (company name) , Excluded: — (company name)

(2) Adoption of specific accounting treatments to the preparation of consolidated quarterly financial statements: Not applicable

(3) Changes in accounting policies, changes in accounting estimates and restatements

- 1) Changes in accounting policies due to the revision of accounting standards: Applicable
- 2) Changes in accounting policies other than 1): Not applicable
- 3) Changes in accounting estimates: Not applicable
- 4) Restatements: Not applicable

(4) Total number of issued shares (common stock)

- 1) Total number of issued shares at the end of the period (including treasury shares)
- 2) Total number of treasury shares at the end of the period
- 3) Average number of shares during the period (cumulative)

Second quarter of the term ending December 2023	35,577,100 shares	Term ended December 2022	35,517,500 shares
Second quarter of the term ending December 2023	97 shares	Term ended December 2022	97 shares
Second quarter of the term ending December 2023	35,554,544 shares	Second quarter of the term ending December 2022	33,968,974 shares

* These consolidated quarterly financial results are outside the scope of quarterly review by a certified public accountant or an audit firm.

* Explanation for the appropriate use of performance forecasts and other special notes

The statements regarding forecast of financial results in this report are based on the information that is available, as well as estimates, assumptions and projections that are believed to be reasonable at the time of publication, and they are not meant to be a commitment by the Company. Therefore, there might be cases in which actual results differ significantly from forecast values. For conditions regarding assumptions used in projecting financial results and instructions to use projected financial results, please refer to "1. Qualitative Information on Quarterly Financial Results (3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information" on page 3 of the appendix to this report.

○Table of Contents of Attachments

1 . Qualitative Information on Quarterly Financial Results	2
(1) Explanation of operating results	2
(2) Description of financial position	2
(3) Explanation of future forecast information such as consolidated earnings forecasts	3
2 . Quarterly Consolidated Financial Statements and Major Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statement of Income and Comprehensive Income.....	5
Quarterly Consolidated Income Statement	
Second quarter consolidated cumulative period.....	
Quarterly Consolidated Statement of Comprehensive Income	6
Second quarter consolidated cumulative period	
(3) Quarterly Consolidated Statement of Cash Flows	7
(4) Notes to Quarterly Consolidated Financial Statements	8
(Notes on Going Concern Assumption)	8
(Changes in accounting policies)	8
(Notes on significant changes in the amount of shareholders' equity)	8
(Additional Information)	8
(Segment information)	8
(Significant Subsequent Events)	8

1 . Qualitative Information on Quarterly Financial Results

(1) Explanation of operating results

During the second quarter of the fiscal year, Japan's economy was expected to recover due to the reclassification of COVID-19 to the same category as seasonal influenza on May 8. However, the outlook remains uncertain due to factors such as rising prices caused by major oil-producing countries' restraint on increasing oil production and the rapid depreciation of the yen, the prolonged tension over the situation in Ukraine, among others.

In the travel industry, which is the target of our services, the impact of the spread of COVID-19 was significant, but demand has been gradually recovering since the second half of last year. With the lifting of travel restrictions in Japan on April 29, the number of Japanese departing for overseas travel from January to June 2023 increased by 476.1% to 3.61 million compared to the same period of the previous year, and the number of regular international flights departing and arriving in Japan recovered to about 60% of the pre-pandemic level. In addition, the number of foreign visitors to Japan increased by 2,010.2% to 10.71 million, significantly exceeding the number of Japanese departing for overseas travel. (Source: Japan National Tourism Organization (JNTO)). In domestic travel, there was a significant recovery trend due to the government's demand stimulation measures, which started in October 2022 under the "With Covid" policy.

Our group operates one of Japan's largest online travel services specializing in local experience tours in Japan and 150 countries worldwide. Our business areas are classified by revenue category into (1) the Online Travel Agent (OTA) business, which earns revenue from tour reservations on the local experience tour online reservation site operated by our group (Japanese site "VELTRA", English site "Hawaii Activities" specializing in Hawaii), and (2) the Tourism IT business, which earns revenue from services other than the OTA business, such as supplying IT infrastructure to tourism-related businesses and the ticket platform business operated by our consolidated subsidiary, Linktivity Co., Ltd.

Under such business conditions, travel demand is noticeably recovering due to the lifting of travel restrictions and entry restrictions in foreign countries and the increase in travel mindset both domestically and abroad since October 2022. The number of reservations in the overseas travel business has recovered to about 55% compared to the same period in 2019, and the domestic travel business and Hawaii Activities business are significantly exceeding the level of the same period in 2019. In addition, the significant increase in the number of foreign visitors to Japan has also significantly increased the transaction volume of the ticket platform business operated by our consolidated subsidiary, Linktivity Co., Ltd.

As a result, the operating revenue for the second quarter of the fiscal year was 1,157,902 thousand yen (an increase of 225.6% compared to the same period of the previous year). Looking at operating revenue by revenue category, the OTA business was 919,989 thousand yen (an increase of 211.0% compared to the same period of the previous year), and the Tourism IT business was 237,912 thousand yen (an increase of 297.9% compared to the same period of the previous year).

Regarding profits, we have been striving for a thorough review and control of costs throughout the company since the global spread of COVID-19 became apparent in March 2020. However, since the third quarter of 2022, we have been investing in increasing personnel and strengthening advertising and promotion to earn revenue in response to the recovery of travel demand, and the level of costs is gradually increasing. On the other hand, at present, the number of Japanese traveling overseas has not yet reached the pre-pandemic level, and the operating loss was 203,114 thousand yen (an operating loss of 488,639 thousand yen in the same period of the previous year), the ordinary loss was 233,003 thousand yen (an ordinary loss of 435,721 thousand yen in the same period of the previous year), and the net loss attributable to owners of parent was 254,505 thousand yen (a net loss attributable to owners of parent of 464,502 thousand yen in the same period of the previous year), and the profit and loss situation has improved compared to the same period of the previous year.

Also, our group is a single segment in the travel-related business, so the description by segment is omitted.

(2) Description of financial position

①Assets, Liabilities and Net Assets

(Current assets)

The current assets at the end of the second quarter of the consolidated fiscal year were 5,164,850 thousand yen, an increase of 1,485,898 thousand yen from the end of the previous consolidated fiscal year. This is mainly due to an increase of 265,962 thousand yen in cash and deposits and an increase of 1,147,169 thousand yen in accounts receivable.

(Fixed assets)

Fixed assets at the end of the second quarter of the consolidated fiscal year were 601,973 thousand yen, an increase of 228,981 thousand yen from the end of the previous consolidated fiscal year. This is mainly due to an increase of 100,000 thousand yen in investment securities included in investments and other assets and an increase of 119,037 thousand yen in security deposits.

(Current liabilities)

Current liabilities at the end of the second quarter of the consolidated fiscal year were 4,581,251 thousand yen, an increase of 1,910,506 thousand yen from the end of the previous consolidated fiscal year. This is mainly due to an increase of 607,649 thousand yen in unpaid operating expenses and an increase of 1,286,075 thousand yen in advance payments.

(Fixed liabilities)

Fixed liabilities at the end of the second quarter of the consolidated fiscal year were 68 thousand yen, a slight increase from the end of the previous consolidated fiscal year.

(Net assets)

Net assets at the end of the second quarter of the consolidated fiscal year were 1,185,504 thousand yen, a decrease of 195,627 thousand yen from the end of the previous consolidated fiscal year. This is mainly due to a decrease in retained earnings due to the recording of a net loss attributable to owners of parent of 254,505 thousand yen.

② Cash flow status

The balance of cash and cash equivalents (hereinafter referred to as "funds") during the second quarter of the consolidated fiscal year increased by 265,962 thousand yen from the end of the previous consolidated fiscal year to 3,065,127 thousand yen.

The status of each cash flow during the second quarter of the consolidated fiscal year and the factors for them are as follows.

(Cash flow from operating activities)

During the second quarter of the consolidated fiscal year, the funds increased by 499,333 thousand yen (a decrease of 42,619 thousand yen in the same period of the previous year) as a result of operating activities. This is mainly due to factors such as an increase of 70,732 thousand yen in depreciation expenses, an increase of 596,587 thousand yen in accounts payable, an increase of 1,273,559 thousand yen in advance payment, an increase of 1,140,770 thousand yen in accounts receivable, and a loss before tax adjustment of 233,003 thousand yen.

(Cash flow from investing activities)

During the second quarter of the consolidated fiscal year, the funds decreased by 303,520 thousand yen (an increase of 6,840 thousand yen in the same period of the previous year) as a result of investing activities. This is due to expenditures of 84,170 thousand yen for the acquisition of fixed assets, 119,350 thousand yen for the deposit of security deposits, and 100,000 thousand yen for the acquisition of investment securities.

(Cash flow from financing activities)

During the second quarter of the consolidated fiscal year, the funds increased by 4,648 thousand yen (an increase of 674,721 thousand yen in the same period of the previous year) as a result of financing activities. This is due to income of 4,648 thousand yen from the issuance of shares.

(3) Explanation of future forecast information such as consolidated earnings forecasts

There is no change in the full-year consolidated earnings forecast for the current fiscal year from the figures announced on February 14, 2023. Please note that the earnings forecast is based on information currently available to the Company and certain assumptions that the Company believes are reasonable and is not intended to promise the achievement of the forecast by the Company. Actual performance may differ from the forecast figures due to various factors in the future.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	2,799,164	3,065,127
Trade accounts receivable	820,544	1,967,713
Other	59,243	132,009
Total current assets	<u>3,678,951</u>	<u>5,164,850</u>
Non-current assets		
Property, plant and equipment	21,747	31,082
Intangible assets		
Software	239,995	262,337
Software in progress	78,178	56,445
Other	216	216
Total intangible assets	<u>318,389</u>	<u>318,998</u>
Investments and other assets	32,855	251,893
Total non-current assets	<u>372,992</u>	<u>601,973</u>
Total assets	<u>4,051,944</u>	<u>5,766,824</u>
Liabilities		
Current liabilities		
Trade accounts payable	1,219,424	1,827,074
Accounts payable - other	85,935	164,651
Short-term borrowings	※ 1 500,000	※ 1 500,000
Income taxes payable	74,711	27,580
Advances received	514,942	1,801,017
Provision for point card certificates	41,515	41,932
Contract liabilities	160,923	151,741
Other	73,292	67,253
Total current liabilities	<u>2,670,745</u>	<u>4,581,251</u>
Non-current liabilities		
Total non-current liabilities	<u>66</u>	<u>68</u>
Total liabilities	<u>2,670,811</u>	<u>4,581,319</u>
Net assets		
Shareholders' equity		
Share capital	1,821,276	1,823,600
Capital surplus	2,060,164	2,062,489
Retained earnings	△2,571,615	△2,826,120
Treasury shares	△70	△70
Total shareholders' equity	<u>1,309,754</u>	<u>1,059,898</u>
Accumulated other comprehensive income		
Deferred gains or losses on hedges	△776	2,467
Foreign currency translation adjustment	45,491	94,862
Total accumulated other comprehensive income	<u>44,714</u>	<u>97,329</u>
Share acquisition rights	12,370	12,370
Non-controlling interests	14,293	15,906
Total net assets	<u>1,381,132</u>	<u>1,185,504</u>
Total liabilities and net assets	<u>4,051,944</u>	<u>5,766,824</u>

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

(Consolidated Quarterly Statements of Income)

(Second quarter consolidated cumulative period)

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Operating revenue	355,617	1,157,902
Operating expenses	844,257	1,361,016
Operating loss	$\triangle 488,639$	$\triangle 203,114$
Non-operating income		
Interest income	14	11
Gain on investments in silent partnerships	50,970	-
Other	3,347	646
Total non-operating income	54,332	658
Non-operating expenses		
Interest expenses	29	1,145
Foreign exchange losses	1,062	29,309
Loss on retirement of non-current assets	301	-
Other	20	92
Total non-operating expenses	1,414	30,548
Ordinary loss	$\triangle 435,721$	$\triangle 233,003$
Loss before income taxes	$\triangle 435,721$	$\triangle 233,003$
Income taxes - current	32,918	19,887
Total income taxes	32,918	19,887
Loss	$\triangle 468,639$	$\triangle 252,891$
Profit (loss) attributable to non-controlling interests	$\triangle 4,136$	1,613
Loss attributable to owners of parent	$\triangle 464,502$	$\triangle 254,505$

(Quarterly Consolidated Statement of Comprehensive Income)
 (Second quarter consolidated cumulative period)

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Loss	△468,639	△252,891
Other comprehensive income		
Deferred gains or losses on hedges	-	3,244
Foreign currency translation adjustment	72,025	49,371
Total other comprehensive income	72,025	52,615
Comprehensive income	△396,614	△200,276
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△392,477	△201,889
Comprehensive income attributable to non-controlling interests	△4,136	1,613

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Loss before income taxes	△435,721	△233,003
Depreciation	100,500	70,732
Increase (decrease) in provision for point card certificates	△146,476	268
Increase (decrease) in contract liability	148,675	△10,412
Interest income	△14	△11
Interest expenses	29	1,145
Foreign exchange losses (gains)	5,073	3,814
Share-based payment expenses	1,652	-
Loss (gain) on investments in silent partnerships	△50,970	-
Decrease (increase) in trade receivables	△245,203	△1,140,770
Decrease (increase) in other assets	26,135	△8,785
Increase (decrease) in trade payables	134,283	596,587
Increase (decrease) in accounts payable - other	9,906	80,797
Increase (decrease) in advances received	446,302	1,273,559
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	10,360	△63,433
Increase (decrease) in other liabilities	△15,365	71
Other, net	2,987	968
Subtotal	△7,844	571,529
Interest received	14	11
Interest paid	△14	△1,145
Income taxes refund (paid)	△34,775	△71,061
Net cash provided by (used in) operating activities	△42,619	499,333
Cash flows from investing activities		
Purchase of non-current assets	△44,130	△84,170
Income from distribution from silent partnerships	50,970	-
Payments of guarantee deposits	-	△119,350
Purchase of investment securities	-	△100,000
Net cash provided by (used in) investing activities	6,840	△303,520
Cash flows from financing activities		
Repayments of long-term borrowings	△25,019	-
Proceeds from issuance of shares	699,740	4,648
Net cash provided by (used in) financing activities	674,721	4,648
Effect of exchange rate change on cash and cash equivalents	106,334	65,500
Net increase (decrease) in cash and cash equivalents	745,275	265,962
Cash and cash equivalents at beginning of period	1,197,174	2,799,164
Cash and cash equivalents at end of period	※ 1 1,942,450	※ 1 3,065,127

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Change in Accounting Policy)

(Application of Accounting Standard for Measurement of Fair Value)

In accordance with the "Application Guidance on Accounting Standards for Fair Value Measurement" (Enterprise Accounting Standard Application Guidance No. 31, dated June 17, 2021), we have adopted the new accounting policy defined by the fair value measurement accounting standard for future application, following the transitional treatment specified in Section 27-2 of the guidance, effective from the beginning of the current fiscal year. It should be noted that this adoption has no impact on our quarterly consolidated financial statements.

(Notes in the event of significant changes in the amount of shareholders' equity)

Not applicable.

(Additional Information)

There are no significant changes to the description of the impact of COVID-19 in the additional information section of the previous consolidated financial statements.

(Segment Information)

I Previous consolidated second quarter (from January 1, 2022 to June 30, 2022)

As the Group is the single segment of travel-related businesses, the Company has omitted statement of segment information.

II Current consolidated second quarter (from January 1, 2023 to June 30, 2023)

As the Group is the single segment of travel-related businesses, the Company has omitted statement of segment information.

(Significant Subsequent Events)

Not applicable.