

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

May 15, 2023

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Scheduled date to commence dividend payments: —

Availability of supplementary briefing material on quarterly results: Available

Scheduled date of Quarterly Results Briefing Session: Not scheduled

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Term Ending December 2023 (from January 1, 2023 to March 31, 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	%
First quarter of the term ending December 2023	543	290.3	(90)	—	(96)	—	(102)	—
First quarter of the term ended December 2022	139	168.6	(271)	—	(218)	—	(229)	—

(Note) Comprehensive income: First quarter of the term ending December 2023: -96 million yen (-%)

First quarter of the term ended December 2022: -203 million yen (-%)

	Profit per share	Fully diluted profit per share
	Yen	Yen
First quarter of the term ending December 2023	(2.88)	—
First quarter of the term ended December 2022	(6.84)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First quarter of the term ending December 2023	4,850	1,289	26.0
Term ended December 2022	4,051	1,381	33.4

(Reference) Shareholders' equity: First quarter of the term ending December 2023: 1,261 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
	Yen	Yen	Yen	Yen	Yen
Term ending December 2022	—	0.00	—	0.00	0.00
Term ending December 2023	—				
Term ending December 2023 (forecasts)		0.00	—	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)

(% indicates changes from the previous term for full term and YoY changes)

	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
Second quarter (cumulative)	1,114	313.3	(519)	—	(537)	—	(562)	—	(15.83)
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)

First quarter of the term ending December 2023	35,577,100 shares	Term ended December 2022	35,517,500 shares
First quarter of the term ending December 2023	97 shares	Term ended December 2022	97 shares
First quarter of the term ending December 2023	35,531,641 shares	Term ended December 2022	33,586,199 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the first quarter of the consolidated fiscal year under review, the Japanese economy continued to feel the impacts of COVID-19. In addition to the detection of the Omicron strain of the virus and the rise in prices of crude oil production in major oil-producing countries due to the continued tension regarding the situation in Ukraine, the future outlook continues to be uncertain.

Since FY2020, the COVID-19 pandemic severely impacted the travel industry, which is the focus of our services. However, demand has been gradually recovering since the second half of last year. From January to March 2023, the number of Japanese departing from Japan has significantly increased by 769.8% YoY to 1.67 million. This growth can be attributed to the easing of travel restrictions and curfews in many countries. Similarly, the number of foreign visitors to Japan, mainly from Europe and the U.S., has surged by 4,661.4% YoY to 4.79 million, owing to the removal of entry restrictions, relaxation of waterfront measures, and resumption of cruise ship operations (source: Japan National Tourism Organization (JNTO)). Moreover, the domestic travel industry has also exhibited a notable recovery trend, thanks to the government's "National Travel Support" initiative that commenced in October 2022 under the With COVID Policy.

VELTRA Group operates one of Japan's largest online travel services, specializing in the sale of tours in Japan and 150 countries around the world. (1) Online travel agent (OTA) business, which generates revenues from tour reservations made through the Group's online reservation sites for local experience tours ("VELTRA" in Japanese and "Hawaii Activities" in English, which specializes in Hawaii), and (2) IT infrastructure supply services for tourism-related businesses, which are provided by the consolidated subsidiary, LINKTIVITY Corporation.

Given the current business environment, there has been a noticeable recovery in travel demand, both for international and domestic travel, primarily due to the With Corona policy and the removal of travel and entry restrictions in overseas countries after October 2020. As evidence of this recovery, the number of international travel bookings has rebounded to 31.5% of the same period in 2019. In addition, the number of bookings in the domestic travel and Hawaii Activities businesses has consistently remained above the 2019 levels. Furthermore, due to the substantial increase in the number of inbound travelers during this period, the ticket platform business operated by our consolidated subsidiary, Linktivity, Inc., has experienced significant growth in transaction volume.

During the first quarter of the current fiscal year, our operating revenue totaled 543,143 thousand yen, which is a significant YoY increase of 290.3%. The OTA business category contributed 433,932 thousand yen to the operating revenue (up 313.0% YoY), while the tourism IT business category accounted for 109,211 thousand yen (up 220.5% YoY).

Since the outbreak of the COVID-19 pandemic in March 2020, we have implemented a company-wide cost review and have been focusing on thorough cost control measures. However, as we have increased personnel to meet the recovery in travel demand and strengthened advertising to generate revenue, our costs have gradually increased from the third quarter of 2022 onwards.

Despite the recovery in travel demand, the number of Japanese travelers going overseas has not yet reached pre-COVID levels. As a result, we incurred an operating loss of 90,738 thousand yen (compared to an operating loss of 271,633 thousand yen for the same period last year), an ordinary loss of 96,619 thousand yen (compared to an ordinary loss of 218,725 thousand yen for the same period last year), and a net loss attributable to owners of the parent of 102,174 thousand yen for the period under review. This represents an improvement over the same period last year when we had a net loss of 229,850 thousand yen attributable to owners of the parent.

As the Group consists of a single segment of travel-related business, segment information is omitted.

(2) Explanation of Financial Conditions

(Current assets)

As of the end of the first quarter consolidated accounting period, the current assets amounted to 4,348,327 thousand yen, an increase of 669,375 thousand yen compared to the previous fiscal year-end. This is mainly due to an increase in cash and deposits of 230,145 thousand yen and an increase in trade receivables of 429,201 thousand yen.

(Fixed Assets)

Fixed assets at the end of the first quarter of the current consolidated accounting period were 502,565 million yen, an increase of 129,573 million yen from the end of the previous consolidated fiscal year. This is mainly due to the increase in software depreciation of 7,102 million yen and the increase in deposits for guarantee included in investments and other assets of 119,223 million yen.

(Current Liabilities)

As of the end of the first quarter of the current consolidated accounting period, current liabilities were 3,561,565 thousand yen, an increase of 890,820 thousand yen compared to the end of the previous consolidated accounting year. This was mainly due to an increase in trade payables of 592,364 thousand yen and an increase in advance receipts of 529,048 thousand yen, while short-term borrowings decreased by 250,000 thousand yen.

(Fixed Liabilities)

As of the end of the first quarter of the current consolidated accounting period, fixed liabilities amounted to 66 thousand yen, showing a slight increase from the end of the previous consolidated accounting year.

(Net Assets)

Net assets at the end of the first quarter of the consolidated accounting period were 1,289,261 thousand yen, a decrease of 91,871 thousand yen compared to the end of the previous consolidated accounting year. This was mainly due to a decrease in retained earnings due to the recording of a quarterly net loss of 102,714 thousand yen attributable to the parent company's shareholders.

(3) Explanation of consolidated earnings forecasts and other forward-looking information

There are no changes to the full-year consolidated performance forecast for this fiscal year from the figures announced on February 14, 2023. Please note that the performance forecast is based on certain assumptions that we believe are reasonable given the information currently available to us, and it is not intended to be a promise by us to achieve those results. Actual performance may differ from the forecasted figures due to various factors in the future.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	2,799,164	3,029,309
Trade accounts receivable	820,544	1,249,745
Other	59,243	69,272
Total current assets	3,678,951	4,348,327
Non-current assets		
Property, plant and equipment	21,747	28,021
Intangible assets		
Software	239,995	247,097
Software in progress	78,178	75,151
Other	216	216
Total intangible assets	318,389	322,465
Investments and other assets	32,855	152,078
Total non-current assets	372,992	502,565
Total assets	4,051,944	4,850,893
Liabilities		
Current liabilities		
Trade accounts payable	1,219,424	1,811,788
Short-term borrowings	※ 1 500,000	※ 1 250,000
Accounts payable - other	85,935	129,449
Income taxes payable	74,711	70,749
Advances received	514,942	1,043,990
Provision for point card certificates	41,515	42,114
Contract liabilities	160,923	151,281
Other	73,292	62,191
Total current liabilities	2,670,745	3,561,565
Total non-current liabilities	66	66
Total liabilities	2,670,811	3,561,631
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	△2,673,789
Treasury shares	△70	△70
Total shareholders' equity	1,309,754	1,212,229
Accumulated other comprehensive income		
Deferred gains or losses on hedges	△776	605
Foreign currency translation adjustment	45,491	49,041
Total accumulated other comprehensive income	44,714	49,646
Share acquisition rights	12,370	12,370
Non-controlling interests	14,293	15,014
Total net assets	1,381,132	1,289,261
Total liabilities and net assets	4,051,944	4,850,893

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Current Consolidated First Quarter)

(Thousands of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Operating revenue	139,156	543,143
Operating expenses	410,790	633,882
Operating loss	△271,633	△90,738
Non-operating income		
Interest income	6	9
Gain on investments in silent partnerships	50,970	-
Other	2,718	361
Total non-operating income	53,695	371
Non-operating expenses		
Interest expenses	29	488
Foreign exchange losses	471	5,748
Other	285	14
Total non-operating expenses	787	6,251
Ordinary loss	△218,725	△96,619
Loss before income taxes	△218,725	△96,619
Income taxes - current	13,078	4,833
Total income taxes	13,078	4,833
Loss	△231,803	△101,452
Profit (loss) attributable to non-controlling interests	△1,953	721
Loss attributable to owners of parent	△229,850	△102,174

(Quarterly Consolidated Statement of Comprehensive Income)
(Current Consolidated First Quarter)

(Thousands of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Loss	△231,803	△101,452
Other comprehensive income		
Deferred gains or losses on hedges	-	1,382
Foreign currency translation adjustment	25,969	3,550
Total other comprehensive income	25,969	4,932
Comprehensive income	△205,834	△96,519
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△203,880	△97,241
Comprehensive income attributable to non-controlling interests	△1,953	721

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern)

No 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 Cumulative period for the first quarter of the previous fiscal year (from January 1, 2022 to March 31, 2022).

This information is omitted because the Group's only reporting segment is in the travel-related business.

II Cumulative period for the current Q1 consolidated period is from January 1, 2023, to March 31, 2023.

This information is omitted because the Group's only reporting segment is in the travel-related business.

(Significant Subsequent Events)

Not Applicable.

3. Other

Not Applicable.