

Consolidated Financial Results for the Second Quarter of Term Ending December 2022 (Based on J-GAAP)

August 10, 2022

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

Listing: Tokyo Stock Exchange

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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 Second Quarter of the Term Ending December 2022 (from January 1, 2022 to June 30, 2022)

(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 2022	355	97.0	(488)	—	(435)	—	(464)	—
Second quarter of the term ended December 2021	180	(77.2)	(612)	—	(628)	—	(649)	—

(Note) Comprehensive income: Second quarter of the term ending December 2022: -396 million yen (-%)

Second quarter of the term ended December 2021: -639 million yen (-%)

	Profit per share	Fully diluted profit per share
Second quarter of the term ending December 2022	Yen (13.67)	Yen —
Second quarter of the term ended December 2021	(19.81)	—

(Note) The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others have been applied from the beginning of the current fiscal year, and the figures for the fiscal year ended December 31, 2022 are after the application of these accounting standards.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Second quarter of the term ending December 2022	2,781	1,481	52.5
Term ended December 2021	1,870	1,175	61.4

(Reference) Shareholders' equity: Second quarter of the term ending December 2022: 1,459 million yen

Term ended December 2021: 1,148 million yen

2. Dividends

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
Term ending December 2021	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Term ending December 2022	—	—	—	—	—
Term ending December 2022 (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 2022 (from January 1, 2022 to December 31, 2022)

The earnings forecast for the fiscal year ending December 31, 2022 has not yet been determined due to the impact of COVID-19 on our business activities and the uncertainty it has caused. We will promptly disclose the earnings forecast when it becomes possible to do so.

* 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 2022	34,933,900 shares	Term ended December 2021	33,271,400 shares
Second quarter of the term ending December 2022	97 shares	Term ended December 2021	97 shares
Second quarter of the term ending December 2022	33,968,974 shares	Second quarter of the term ending December 2021	32,809,695 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 half of the consolidated fiscal year under review, the Japanese economy continued to feel the effects of the COVID-19 pandemic ("COVID-19"), with the outlook for recovery still uncertain. On the other hand, the future outlook is also uncertain due to such factors as the prolonged tension in the situation in Ukraine, in addition to the rise in prices caused by the curbing of oil production increase in major oil-producing countries and the rapid depreciation of the yen.

The travel industry, which is the target of our services, was greatly affected by the spread of the COVID-19 infection, but travel restrictions implemented in various countries are gradually being lifted. The number of Japanese departing from Japan during the period from January to June 2022 increased 215.1% year-on-year to 620,000, and the number of visitors to Japan increased 427.1% year-on-year to 500,000, both significant increases (source: Japan National Tourism Organization (JNTO)).

The 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 revenue 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 consolidated subsidiary LINKTIVITY, Inc. (2) the "tourism IT business," which is comprised of (i) services that provide IT infrastructure for tourism-related businesses and (ii) businesses that generate revenues from non-OTA businesses, such as the ticket platform business operated by consolidated subsidiary LINKTIVITY, Inc.

In this business environment, although there is uncertainty about whether the global spread of COVID-19 will be contained, travel demand, especially in Japan, is recovering against the backdrop of progress in vaccination and the lifting of the emergency declaration and priority measures to prevent the spread of the disease.

As a result, operating revenue for the six months ended September 30, 2022 totaled 355,617 thousand yen (up 97.0% from the same period of the previous year). Looking at operating revenue-by-revenue category, the OTA business posted 295,825 thousand yen (up 149.1% year-on-year), while the tourism IT business posted 59,792 thousand yen (down 3.2% year-on-year).

As for profits, since March 2020, when the global spread of COVID-19 became apparent, a company-wide cost review has been conducted and efforts have been made to thoroughly control costs, including a drastic reduction in advertising expenses and a reduction in executive compensation. As a result, operating loss was 488,639 thousand yen (612,285 thousand yen operating loss for the same period last year), ordinary loss was 435,721 thousand yen (628,685 thousand yen ordinary loss for the same period last year), and net loss attributable to owners of the parent was 464,502 thousand yen (649,938 thousand yen net loss for the same period last year). The profit and loss situation improved compared with the same period of the previous fiscal year.

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

(2) Description of financial position

① Assets, Liabilities and Net Assets

(Current assets)

Current assets at the end of the second quarter of the current consolidated fiscal year totaled 2,389,046 thousand yen, an increase of 974,580 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 745,275 thousand yen in cash and deposits and 290,263 thousand yen in operating accounts receivable.

(Fixed assets)

Fixed assets at the end of the second quarter of the current consolidated fiscal year totaled 392,816 thousand yen, a decrease of 63,037 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 72,023 thousand yen in software.

(Current liabilities)

Current liabilities at the end of the second quarter of the current consolidated fiscal year totaled 1,300,375 thousand yen, an increase of 609,290 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 157,098 thousand yen in operating accounts payable and 471,740 thousand yen in advances received, respectively.

(Fixed liabilities)

Noncurrent liabilities at the end of the second quarter amounted to 68 thousand yen, down 3,489 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 3,496 thousand yen in provision for retirement benefits included in total long-term liabilities.

(Net assets)

Net assets at the end of the second quarter of the current consolidated fiscal year were 1,481,419 thousand yen, an increase of 305,741 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 351,434 thousand yen in common stock and capital surplus, respectively, as a result of the exercise of stock acquisition rights, and a decrease in retained earnings due to the net loss attributable to parent company shareholders of 464,502 thousand yen for the quarter.

②Cash flow status

Cash and cash equivalents ("cash") at the end of the first half of the current fiscal year increased 745,275 thousand yen from the end of the previous fiscal year to 1,942,450 thousand yen. Cash and cash equivalents (hereinafter referred to as "cash") in the current consolidated cumulative second quarter increased by 745,275 thousand yen from the end of the previous consolidated fiscal year to 1,942,450 thousand yen.

The status of each cash flow category and their factors during the first half of the current fiscal year are as follows.

(Cash flow from operating activities)

Net cash used in operating activities amounted to 42,619 thousand yen in the first half of the current fiscal year (199,986 thousand yen in the same period of the previous year). This was mainly due to such increasing factors as depreciation and amortization of 100,500 thousand yen, an increase in notes and accounts payable of 134,283 thousand yen, and an increase in advances received of 446,302 thousand yen, and such decreasing factors as an increase in notes and accounts receivable of 245,203 thousand yen and loss before income taxes and minority interests of 435,721 thousand yen.

(Cash flow from investing activities)

Net cash provided by investing activities amounted to 6,840 thousand yen (15,939 thousand yen decrease in the same period of the previous year) in the first half of the current fiscal year. This was due to 50,970 thousand yen in proceeds from distribution from investment in anonymous associations and 44,130 thousand yen in expenditures for acquisition of fixed assets.

(Cash flow from financing activities)

Net cash provided by financing activities amounted to 674,721 thousand yen in the first half of the current fiscal year (798,767 thousand yen in the same period of the previous year). This was mainly due to proceeds of 699,740 thousand yen from issuance of stock.

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

The future of COVID-19 remains uncertain, and thus, the consolidated earnings forecast for the fiscal year ending December 31, 2022, remains undecided as it is difficult to calculate a reasonable earnings forecast. We will promptly disclose the forecast of operating revenues and other financial results as soon as it becomes reasonably possible.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	1,197,174	1,942,450
Trade accounts receivable	115,189	405,452
Goods in progress	1,579	12,164
Other	100,523	28,979
Total current assets	<u>1,414,466</u>	<u>2,389,046</u>
Non-current assets		
Property, plant and equipment	17,924	15,883
Intangible assets		
Software	380,802	308,778
Software in progress	25,554	42,318
Other	216	216
Total intangible assets	<u>406,572</u>	<u>351,312</u>
Investments and other assets	31,356	25,620
Total non-current assets	<u>455,853</u>	<u>392,816</u>
Total assets	<u>1,870,320</u>	<u>2,781,863</u>
Liabilities		
Current liabilities		
Trade accounts payable	221,472	378,571
Current portion of long-term borrowings	25,019	-
Accounts payable - other	43,440	55,996
Income taxes payable	48,527	46,122
Advances received	129,361	601,101
Provision for point card certificates	186,811	40,820
Contract liabilities	-	148,562
Other	36,451	29,199
Total current liabilities	<u>691,084</u>	<u>1,300,375</u>
Non-current liabilities		
Total non-current liabilities	3,557	68
Total liabilities	<u>694,642</u>	<u>1,300,443</u>
Net assets		
Shareholders' equity		
Share capital	1,336,372	1,687,807
Capital surplus	1,585,238	1,936,672
Retained earnings	△1,778,132	△2,241,671
Treasury shares	△70	△70
Total shareholders' equity	<u>1,143,408</u>	<u>1,382,737</u>
Accumulated other comprehensive income		
Foreign currency translation adjustment	4,747	76,772
Total accumulated other comprehensive income	<u>4,747</u>	<u>76,772</u>
Share acquisition rights	15,820	14,343
Non-controlling interests	11,702	7,565
Total net assets	<u>1,175,678</u>	<u>1,481,419</u>
Total liabilities and net assets	<u>1,870,320</u>	<u>2,781,863</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, 2021	Six months ended June 30, 2022
Operating revenue	180,523	355,617
Operating expenses	792,808	844,257
Operating loss	$\triangle 612,285$	$\triangle 488,639$
Non-operating income		
Interest income	30	14
Subsidy income	35,777	-
Gain on investments in silent partnerships	261	50,970
Other	25	3,347
Total non-operating income	36,094	54,332
Non-operating expenses		
Interest expenses	1,418	29
Foreign exchange losses	1,751	1,062
Share issuance costs	49,325	-
Loss on disposal of fixed assets	-	301
Other	0	20
Total non-operating expenses	52,494	1,414
Ordinary loss	$\triangle 628,685$	$\triangle 435,721$
Extraordinary losses		
Extra retirement payments	14,075	-
Loss on liquidation of subsidiaries and associates	2,195	-
Total extraordinary losses	16,270	-
Loss before income taxes	$\triangle 644,956$	$\triangle 435,721$
Income taxes - current	4,933	32,918
Income taxes - deferred	49	-
Total income taxes	4,982	32,918
Loss	$\triangle 649,938$	$\triangle 468,639$
Loss attributable to non-controlling interests	-	$\triangle 4,136$
Loss attributable to owners of parent	$\triangle 649,938$	$\triangle 464,502$

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

(Thousands of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Loss	△649,938	△468,639
Other comprehensive income		
Foreign currency translation adjustment	10,138	72,025
Total other comprehensive income	10,138	72,025
Comprehensive income	△639,799	△396,614
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△639,799	△392,477
Non-controlling interests	-	△4,136

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Cash flows from operating activities		
Loss before income taxes	△644,956	△435,721
Depreciation	98,548	100,500
Increase (decrease) in provision for point card certificates	2,737	△146,476
Increase (decrease) in contract liability	-	148,675
Subsidy income	△35,777	-
Extra retirement payments	14,075	-
Share issuance costs	49,325	-
Silent partnership investment losses (gains)	-	△50,970
Interest income	△30	△14
Interest expenses	1,418	29
Foreign exchange losses (gains)	496	5,073
Share-based payment expenses	3,291	1,652
Loss on liquidation of subsidiaries	2,195	-
Decrease (increase) in trade receivables	△35,627	△245,203
Decrease (increase) in other assets	19,676	△32,037
Increase (decrease) in trade payables	112,331	134,283
Increase (decrease) in accounts payable - other	△26,692	9,906
Increase (decrease) in advances received	196,695	446,302
Increase (decrease) in other liabilities	19,867	53,167
Other, net	△3,576	2,987
Subtotal	△226,001	△7,844
Interest received	30	14
Interest paid	△1,108	△14
Subsidies received	45,787	-
Extra retirement payments	△14,075	-
Income taxes refund (paid)	△4,619	△34,775
Net cash provided by (used in) operating activities	△199,986	△42,619
Cash flows from investing activities		
Purchase of non-current assets	△53,987	△44,130
Income from distribution from silent partnerships	-	50,970
Proceeds from refund of leasehold deposits	38,048	-
Net cash provided by (used in) investing activities	△15,939	6,840
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	△588,682	-
Repayments of long-term borrowings	△74,498	△25,019
Proceeds from issuance of shares	1,461,947	699,740
Net cash provided by (used in) financing activities	798,767	674,721
Effect of exchange rate change on cash and cash equivalents	21,100	106,334
Net increase (decrease) in cash and cash equivalents	603,942	745,275
Cash and cash equivalents at beginning of period	917,334	1,197,174
Cash and cash equivalents at end of period	1,521,277	1,942,450

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Changes in accounting policies)

(Application of accounting standards for revenue recognition)

Change in accounting policy "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020).

Hereinafter referred to as "Accounting Standard for Revenue Recognition") The Company and its subsidiaries adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others from the beginning of the first quarter of the current fiscal year, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

Before the adoption of the new accounting standard, the Company recognized the future cost of redeeming points granted to customers as "selling, general and administrative expenses" and presented unused points as "reserve for points" on the balance sheet. The Company now separately recognizes points as goods or services to be delivered in the future, defers the transaction price allocated to the performance obligation for the rewards to be redeemed as "contract liabilities" from revenue, and recognizes revenue in accordance with customers' use of points.

As a result, operating revenue and operating expenses decreased 6,435 thousand yen and 6,461 thousand yen, respectively, and operating loss, ordinary loss, and loss before income taxes and minority interests decreased 26 thousand yen, respectively, in the first half of the current fiscal year. In addition, the balance of retained earnings at the beginning of the period increased by 964 thousand yen.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to conform to the new presentation for the previous fiscal year.

In accordance with the transitional treatment prescribed in paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information disaggregating revenue from contracts with customers for the second quarter of the previous fiscal year is not presented.

(Application of Accounting Standard for Measurement of Fair Value, etc.)

The "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019. ("Accounting Standard for Calculation of Fair Value") and others are applied from the beginning of the first quarter of the fiscal year, and the new accounting policy stipulated in Paragraph 19 of the Accounting Standard for Fair Value Calculation and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019) are applied. In accordance with the transitional treatment, the new accounting policies prescribed by the fair value accounting standard will be applied prospectively. This change has no impact on the quarterly consolidated financial statements.

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

The Company issued the 6th and 7th series of stock acquisition rights on December 2, 2021. Capital stock and capital surplus increased by 351,434 thousand yen each due to the exercise of the 6th series of stock acquisition rights during the current consolidated cumulative second quarter. As a result, capital stock and capital surplus amounted to 1,687,807 thousand yen and 1,936,672 thousand yen, respectively, at the end of the second quarter of the current consolidated fiscal year.

(Additional Information)

(Impact on accounting estimates due to COVID-19)

The impact of the COVID-19 outbreak on accounting estimates is based on the status of travel restrictions and curfews in countries around the world and travel demand forecasts. For travel demand forecasts, we refer to the recovery outlook for global aviation demand published by the International Air Transport Association (IATA).

As of the first quarter of the current fiscal year, it was assumed that the situation would remain uncertain due to the spread of COVID-19, with no significant easing of overseas travel restrictions in sight. The IATA has announced its forecast for a recovery in global air travel demand in 2022, which is expected to reach 3.8 billion passengers (80% of the pre-COVID 19 level). In addition, the number of aircraft seats to/from Japan will increase from 11% of the same month in 2019 as of June to 39% of the same month in 2019 as of August and 51% of the same month in 2019 as of October (source: OAG (Official Aviation Guide)), and capacity related to overseas travel is determined to increase steadily. The Company believes that the increase in the number of reservations and revenues of the Group will steadily recover.

Taking the above into account, we assume that the Group's operating revenues will recover to 2019 levels by the end of FY2024.

(Segment information)

【Segment information】

I Six Months Ended June 30, 2021 (January 1, 2021 - June 30, 2021)

This information is omitted because the Group has only one segment, travel-related business.

II Current second quarter consolidated cumulative period (from January 1, 2022 to June 30, 2022)

Information is omitted because the Group has only a single segment, travel-related business.

(Significant Subsequent Events)

Not applicable.