

COMPANY RESEARCH AND ANALYSIS REPORT

VELTRA Corporation

7048

TSE Mothers

20-Oct.-2021

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FISCO Ltd.

<https://www.fisco.co.jp>

Index

Summary	01
1. Overview of the 1H FY12/21 results	01
2. FY12/21 results forecasts	01
3. Medium- to long-term growth strategy	02
Company profile	03
1. History	03
2. Business overview	04
Results trends	05
1. Overview of the 1H FY12/21 results	05
2. Trend in reservation volume	06
3. Financial condition and management indicators	08
Outlook	08
● Market forecast	08
Medium- to long-term growth strategies and topics	09
1. Revamping the business portfolio	09
2. VELTRA OTA business	10
3. Tourism IT business	11
4. Future growth strategy	13
Shareholder return policy	13

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<https://corp.veltra.com/en/ir/>

Summary

Aims to maximize corporate value by restructuring the business portfolio

VELTRA Corporation <7048> (hereafter, also “the Company”) manages VELTRA, which is an online reservation website specializing in local-experience optional tours covering 150 countries around the world. 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 the 1H FY12/21 results

In 1H FY12/21, the Company posted ¥180mn in operating revenue (-77.2% year on year (YoY)) and a ¥612mn operating loss (a ¥500mn operating loss in the previous fiscal year), and revenue results by business area were ¥118mn in the OTA business (-84.4%) and ¥61mn in the tourism IT business (+84.7%). Despite steep declines in domestic and overseas travel demand due to travel restrictions, stay-home orders, and other measures in many countries amid the global spread of COVID-19 infections, the Company realized income progress that met initial expectations within the range of the anticipated scenario due to operating revenue obtained by capturing demand in Hawaii (North American market) and in Japan. Operating revenue increased 248.3% quarter on quarter (QoQ) in 2Q, mainly due to recovery in reservation volume via HawaiiActivities, while operating expenses stayed at roughly the same level as 1Q through continued rigorous cost controls.

2. FY12/21 results forecasts

The Company has not prepared FY12/21 forecasts due to uncertainty regarding the impact of COVID-19 on business activities and an inability to compile reasonable targets at this point, but intends to disclose this information promptly once it is capable of calculating forecasts. Regarding market trends in overseas travel, the outlook for recovery in overseas travel remains unclear and the Company continues to project full-fledged recovery in 2022. With emergence of substantial vaccine effect likely from late November 2021, it expects gradual resumption of cross-border travel and incremental recovery in activity. Meanwhile, despite COVID-19, HawaiiActivities is performing well in tandem with vaccination progress in the US. FISCO expects HawaiiActivities to drive recovery in the Company's overall income. Given these conditions, the Company is likely to exhibit a recovery trend in domestic travel demand as behavior restrictions are eased in 2H FY12/21 results.

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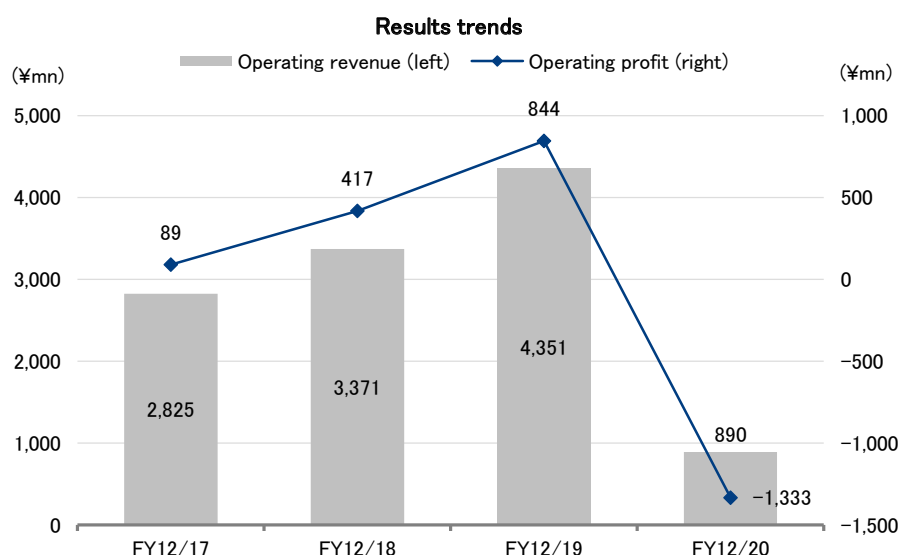
Summary

3. Medium- to long-term growth strategy

The Company is currently pursuing business expansion as an online travel agent (OTA) for local-experience tours, mainly through VELTRA services. Going forward, it will also strengthen new tourism IT business by utilizing assets with the potential to be sources of competitive advantage, and intends to promote diversifying business beyond OTA-led expansion with the aim of maximizing corporate value on the two axes of recovery in travel activity and opportunities in new tourism IT business. Specifically, it is planning a portfolio with four categories in the VELTRA OTA business (overseas travel, domestic travel, VELTRA B2B (SaaS), and HawaiiActivities) and three categories in the tourism IT business (inbound media business, crowdfunding to support the tourism industry, and a platform business (led by subsidiary LINKTIVITY)). Considering healthy advances in the various portfolio areas during 1H FY12/21, the Company's top-line growth potential after COVID-19 settles down ("After COVID-19") is steadily rising. By pursuing a wide range of services utilizing technology with a "travel" theme, the Company's business domains and overall image seem to be changing. FISCO expects the Company to increase contacts with customers and diversify income opportunities in this process.

Key Points

- Operates VELTRA, a reservation website specializing in local-experience optional tours covering 150 countries around the world
- Operating revenue dropped in 1H FY12/21 due to the impact of COVID-19, however progress within the range of the anticipated scenario was achieved and losses were kept at a minimum level through rigorous cost controls
- FISCO expects upbeat HawaiiActivities business to drive income recovery in FY12/21
- Targeting maximization of corporate value by revamping the business portfolio



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

■ Company profile

Has assumed a management stance that blends offensive and defensive strategies in a harsh business environment caused by COVID-19. Actively pursuing business and financial initiatives, including the conclusion of a capital and business alliance with OpenDoor

1. History

The Company was established in 1991 by three members of the overseas business division of Nissan Motor <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. However, it decided not to focus on just one business and instead to develop 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 (currently, Rakuten Group) <4755>. Using the proceeds from this sale, it started the current business in 2004. In the travel industry, sales related to accommodations 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 securely use the economies of scale benefits of e-commerce rather than offline and decided it made sense to start from zero.

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

At the start in 2004, however, the business did not have a global online market and local business operators did not have direct contact points with 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. Additionally, the Company redefined 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 US.

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Company profile

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, recruited 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, within its global business development, the Company acquired all of the shares of City Discovery SAS in 2016, and launched a Korean-language website in 2017 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 December 2020, the Company concluded a capital and business alliance with OpenDoor <3926>, which operates travel-related businesses such as the travel comparison site Travelko, on the prospect of the two companies achieving synergies. Despite the harsh business environment caused by the impact of COVID-19, the Company can be commended for assuming a management stance that blends offensive and defensive strategies, including active pursuit of business and financial initiatives.

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 (currently, Rakuten Group) <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 HawaiiActivities.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 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 CS base of the VELTRA Group Launched a Korean-language site through a business alliance with 12CM Inc. of South Korea
2018	Listed on the Tokyo Stock Exchange (TSE) Mothers market
2019	Established VELTRA KOREA Inc.
2020	Established LINKTIVITY Inc.

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

2. Business overview

The Company manages VELTRA, which is an online reservation website specializing in local-experience optional tours covering 150 countries around the world with more than 13,000 types. By focusing on "what can be experienced at travel destinations," the Company achieved growth as a reservation site for all types of experiences one can have on trips around the world.

Company profile

Among the three travel-market segments of pre-travel, during travel, and post-travel, the Company specializes in “during travel” business. In the travel industry, sales related to accommodations 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 and potential to realize economies of scale using the internet, in contrast to offline utilization, for these activities, the Company has concentrated business resources in this area and stands out with an impressive variety of local-experiences and activities (“during-travel” segment), including local tours, shows and entertainment, world heritage sites, spas and beauty sites, cultural experiences, theme parks, cruises, nature tours, gourmet tours, water sports, and airport pick-up and other travel tools. It currently provides Japanese-language services in 150 countries for more than approximately 13,000 types of local-experience tours that match locally booked prices, and therefore demand among customers who plan ahead is growing.

The Company’s business areas break travel-related businesses into revenue categories. The online travel agent (OTA) business covers income generated from tour reservations booked via online reservation sites for local-experience tours through VELTRA (Japanese-site VELTRA and English-site HawaiiActivities specializing in events in Hawaii). The tourism IT business generates income through non-OTA businesses, such as services that deliver IT infrastructure to tourism-related companies and a ticket platform business operated by consolidated subsidiary LINKTIVITY.

Results trends

Operating revenue dropped in 1H FY12/21 due to the impact of COVID-19, however progress within the range of the anticipated scenario was achieved and losses were kept at a minimum level through rigorous cost controls

1. Overview of the 1H FY12/21 results

In 1H FY12/21, the Company posted ¥180mn in operating revenue (-77.2% YoY), a ¥612mn operating loss (a ¥500mn operating loss in the previous fiscal year), a ¥628mn ordinary loss (a ¥505mn ordinary loss in the previous fiscal year), and a ¥649mn profit attributable to owners of parent (a ¥715mn loss attributable to owners of parent). Revenue results by business area were ¥118mn in the OTA business (-84.4%) and ¥61mn in the tourism IT business (+84.7%).

COVID-19 is heavily affecting the travel industry. The number of Japanese people traveling outside of the country in Jan–Jun 2021 fell sharply to 199,000 people, which is 97.9% less than in the same period of 2019, due to travel restrictions, stay-home orders, and other measures in many countries. Furthermore, the number of visitors to Japan was just 96,000 people in the first half of 2021, a 99.4% decline versus 2019 (Source: Japan National Tourism Organization (JNTO)). Bans on people leaving and entering countries, stay-home restrictions, and other measures remain in effect in various countries worldwide even now, and these restrictions continue to curtail travel. Attention must be given to the impact of COVID-19 in Japan and abroad. Despite this business environment, the Company realized income progress that met initial expectations within the range of the anticipated scenario presented by the Company thanks to operating revenue obtained by capturing demand in Hawaii (North American market) and in Japan. Operating revenue climbed 248.3% QoQ in 2Q, mainly due to recovery in reservation volume via HawaiiActivities, while operating expenses stayed at roughly the same level as 1Q through continued rigorous cost controls.

VELTRA Corporation | 20-Oct.-2021 7048 TSE Mothers | <https://corp.veltra.com/en/ir/>

Results trends

1H FY12/21 consolidated results

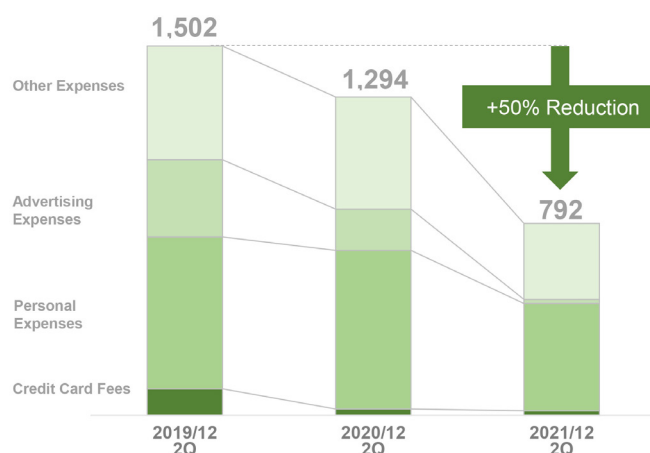
	1H FY12/20		1H FY12/21		YoY	
	Results	Operating revenue ratio	Results	Operating revenue ratio	Change	% change
Operating revenue	793	-	180	-	-612	-77.2%
Operating expenses	1,294	163.1%	792	439.2%	-501	-38.7%
Operating profit	-500	-63.1%	-612	-339.2%	-111	-
Ordinary profit	-505	-63.7%	-628	-348.3%	-123	-
Extraordinary losses	59	7.5%	16	9.0%	-43	-72.7%
Loss attributable to owners of parent	-715	-90.2%	-649	-360.0%	65	-

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

At the financial level, the Company maintained lean operations through continuation of rigorous cost cutting, including a steep reduction of fixed costs. Specifically, it significantly scaled back personnel costs by lowering compensation for directors, freezing new hiring, and partial reduction in personnel due to business closures; reduced advertising and promotion expenses; and curtailed costs by moving office. These measures resulted in a 52.7% YoY decline to ¥792mn in fixed costs in 1H FY12/21 and kept the operating loss as low as possible amid the shrinkage of operating income. Non-recurrence of ¥156mn in income taxes - deferred due to reversal of deferred tax assets in the previous fiscal year reduced loss attributable to parent shareholders.

Trend in fixed costs

Unit : million yen



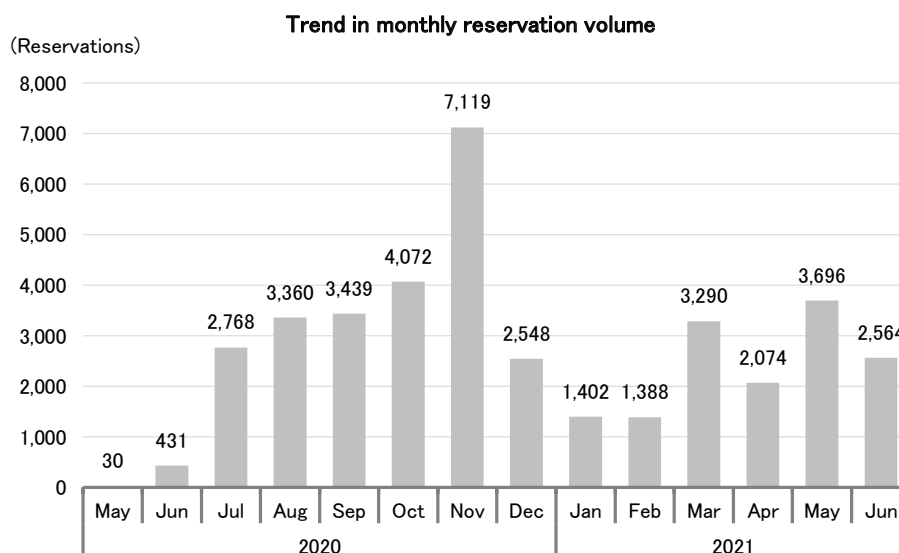
Source: The Company's results briefing materials

2. Trend in reservation volume

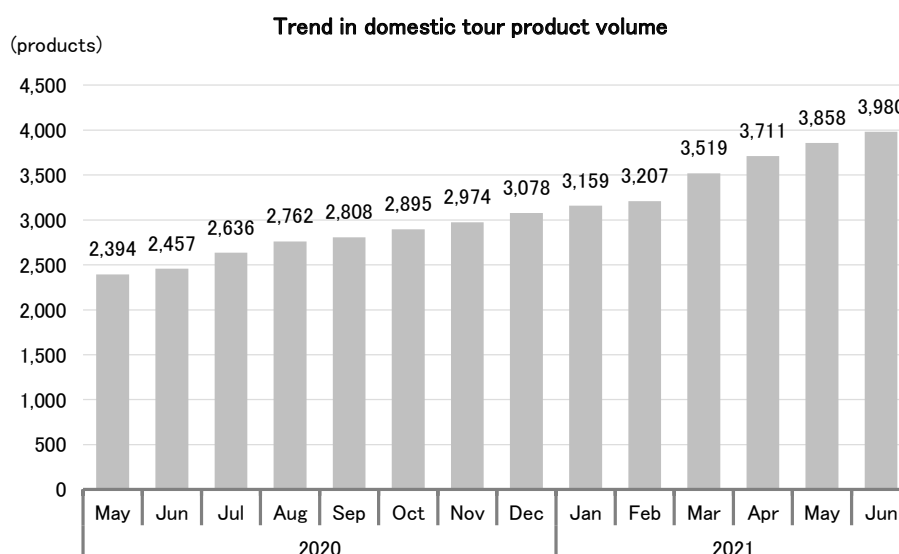
Domestic tour monthly reservation volume thus far in FY12/21 continues to exhibit a trend that differs from the business environment in normal times because of COVID-19, suspension of the Go To travel campaign, and other impacts. Reservations dropped to 6,080 transactions in 1Q on slower demand in Jan–Feb 2021 from temporary suspension of the Go To travel campaign. In 2Q, despite the ongoing impact of COVID-19, reservation volume exceeded the 1Q outcome at 8,334 transactions. Recovery of reservation volume has been evident with 3,290 transactions in March and 3,696 transactions in May. Since April 2020, the Company has been actively expanding domestic tour products, including ones applicable to the Go To travel campaign, aimed at reviving reservation volume. These efforts broadened the lineup from 2,394 products in May 2020 to 3,980 products in June 2021. The Company plans to double available products versus April 2020 by the end of 2021.

VELTRA Corporation | 20-Oct.-2021 7048 TSE Mothers | <https://corp.veltra.com/en/ir/>

Results trends



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



Prepared by FISCO from the Company's results briefing materials

Meanwhile, despite COVID-19, HawaiiActivities is performing well in tandem with vaccination progress in the US. Reservation volume increased to just over three times the 1Q level in 2Q FY12/21 and significantly surpassed the recovery rate in the number of people visiting Hawaii compared to FY12/19 levels prior to COVID-19. FISCO thinks robust appeal of HawaiiActivities contributed to these results, including the presence of staff members with highly specialized knowledge even compared to global companies, such as local experts specializing in Hawaii; ability to recruit products that other companies have trouble offering through utilization of on-site network communication within the local area; and aggressive promotions.

Increased cash and reduced liabilities via the capital alliance with OpenDoor, maintained financial soundness with an equity ratio of 64.4%

3. Financial condition and management indicators

The Company reported ¥1,666mn in current assets at the end of 1H FY12/21 (up ¥568mn from the end of FY12/20), mainly resulting from a ¥603mn increase in cash and deposits due to a capital increase through private placement accepted by OpenDoor. Non-current assets totaled ¥537mn (down ¥82mn) mainly due to declines of ¥56mn in software and ¥38mn in investments and other assets. Current liabilities were ¥773mn (down ¥363mn) mainly due to a ¥599mn decline in short-term borrowings and a ¥202mn increase in advances received. Non-current liabilities totaled ¥3mn (down ¥25mn), primarily due to a decline in long-term borrowings. Net assets totaled ¥1,427mn (up ¥874mn) with increases of ¥755mn in both share capital and capital surplus from issuing new shares in a capital increase through private placement. As a result, the equity ratio rebounded sharply to 64.4% (31.9% in FY12/20), sustaining financial soundness.

Net cash used in operating activities was ¥199mn. This was mainly due to ¥98mn in depreciation and increases of ¥112mn in trade payables, ¥196mn in advances received and ¥35mn in trade receivables, and a ¥644mn loss before income taxes. Net cash used in investing activities was ¥15mn. This was mainly due to ¥53mn in expenditure for purchase of non-current assets and ¥38mn in proceeds from refund of leasehold deposits. Net cash provided in financing activities was ¥798mn. This was mainly due to ¥1,461mn in proceeds from issuance of shares and ¥588mn in decrease in short-term borrowings. As a result, cash and cash equivalents at the end of 1H FY12/21 totaled ¥1,521mn (up ¥603mn).

■ Outlook

Yet to declare forecasts for FY12/21, though the worst is over for the tourism industry and shift to online transactions is accelerating

● Market forecast

The Company has not prepared FY12/21 forecasts as a result of uncertainty regarding the impact of COVID-19 on business activities and an inability to compile reasonable targets at this point, but intends to disclose this information promptly once it is capable of calculating forecasts again.

Regarding market trends in overseas travel, the outlook for recovery in overseas travel remains unclear and the Company continues to project full-fledged recovery in 2022. With emergence of substantial vaccine effect likely from late November 2021, it expects gradual resumption of cross-border travel and incremental recovery in activity. The Company calculated three cases as recovery scenarios in the number of Japanese people traveling abroad. Activity appears to be proceeding within the anticipated range (Case 3), albeit with some delay due to impact from the current fifth wave. Meanwhile, FISCO thinks income should rebound with recovery in travel activity, despite COVID-19, thanks to vaccination progress in Japan and the US. The Company is currently at a stage of rolling out measures that are more competitive and advantageous as needed. FISCO expects these measures to sustain a high level of reservations in the short term and to deliver further growth over the long term.

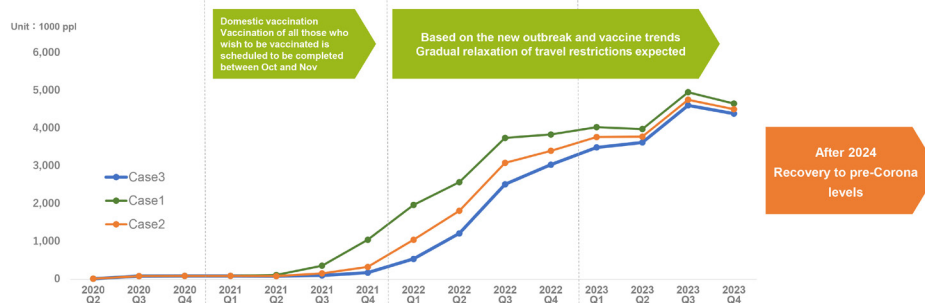
VELTRA Corporation
7048 TSE Mothers

20-Oct.-2021

<https://corp.veltra.com/en/ir/>

Outlook

Recovery scenarios for the number of Japanese people traveling abroad



Note: Forecast values prepared by the Company based on the SARS example
Source: The Company's results briefing materials

Additionally, online travel reservations should accelerate at an unprecedented pace in the “With COVID-19” phase. In past market disruptions from terrorist attacks, pandemics, and other events, not only travel, but other existing services, such as phone and face-to-face communication, encountered difficulties, and consumers who were not proactively embracing internet services ended up utilizing online services. Internet services are likely to become increasingly routine. While this requires major reforms, it also offers significant opportunities for the Company by accelerating growth of the online travel market itself.

Medium- to long-term growth strategies and topics

Aims to maximize corporate value by revamping the business portfolio

1. Revamping the business portfolio

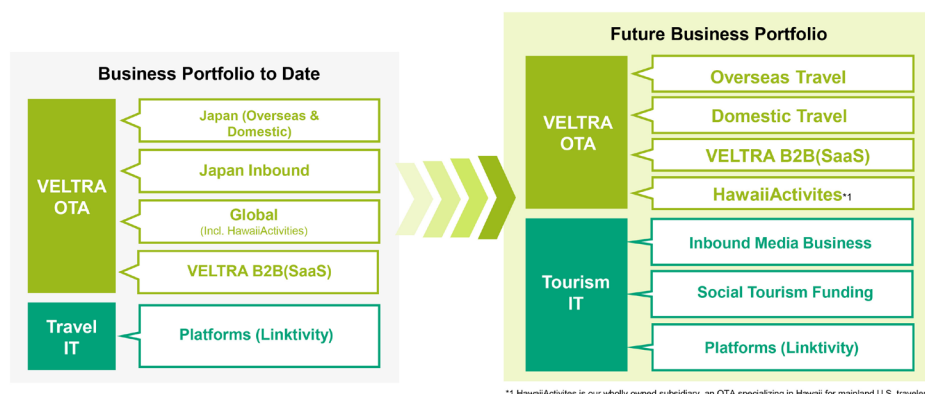
The Company is currently pursuing business expansion mainly with VELTRA services as an OTA for local-experience tours. Going forward, it will also strengthen new tourism IT business by utilizing assets with the potential to be sources of competitive advantage, and intends to promote diversifying business beyond OTA-led expansion with the aim of maximizing corporate value on the two axes of recovery in travel activity and opportunities in new tourism IT business. Specifically, it is planning a portfolio with four categories in the VELTRA OTA business (overseas travel, domestic travel, VELTRA B2B (SaaS), and HawaiiActivities) and three categories in the tourism IT business (inbound media business, crowdfunding to support the tourism industry, and a platform business (led by subsidiary LINKTIVITY)).

Considering proactive advances in the various portfolio areas during 1H FY12/21, the Company's top-line growth potential in the “After COVID-19” phase is steadily rising. By pursuing a wide range of services utilizing technology with a “travel” theme, the Company's business domains and overall image seems likely to change gradually. FISCO expects the Company to increase contacts with customers and diversify income opportunities in this process.

VELTRA Corporation | 20-Oct.-2021 7048 TSE Mothers | <https://corp.veltra.com/en/ir/>

Medium- to long-term growth strategies and topics

Revamping the business portfolio



Source: The Company's results briefing materials

*1 HawaiiActivities is our wholly owned subsidiary, an OTA specializing in Hawaii for mainland U.S. travelers.

2. VELTRA OTA business

In FY12/21, faced with the prospect of demand not recovering promptly on a global scale, the Company is optimizing use of business resources and bolstering sales efforts in markets with improving demand and aims to bolster services to expand pre-travel and post-travel value, in addition to experiences during travel, as preparation for the “After COVID-19” phase.

For the overseas market, travel to other countries remains effectively unavailable as of July 2021. The Company expects evidence of vaccination effect in 2022 and plans to deploy business resources when demand recovers. In the domestic market, meanwhile, it projects earlier recovery by domestic travel once vaccinations reach a certain level and is steadily bolstering the lineup of domestic products.

The Company provides tour formulation assistance and consulting services to local governments and companies that are considering offering online tours, and has started an online academy targeting companies that also factors in pre-travel and post-travel markets in the “After COVID-19” phase as part of these efforts. One example is the Company’s assistance of the online tour formation promotion initiative as a joint project of Ise City and the Ise City Tourist Association. The Company is conducting online tour formulation courses that explain construction of the distribution environment, distribution method, and other aspects needed in planning and execution leveraging its own experiences and holding model tours with the Ise City Tourist Association. It intends to cultivate supporters by maintaining and broadening contacts with tourism operators in this manner.

Another topic is the full-fledged launch of the “Sekai no GOHAN” home meal delivery service in March 2021. “Sekai no GOHAN” is a service that delivers restaurant meals to the Company’s members and others under the concept of “global cuisine travel.” Use of home meal delivery services are increasing amid continued calls on restaurants to operate with shorter hours and an anticipated ongoing decline in eating-out opportunities. The Company, meanwhile, devised provision of a service for “meals,” an important aspect of travel, to offer new added value to its 2.1mn members. Given the difficulty of going out, it envisions utilization of the service in scenarios such as remote get-togethers among women who want to enjoy the same meal or sending meals to family members or relatives who live in other locations as a gift. The Company plans to assemble an abundant lineup of options from various countries, covering foods from the world’s five continents, and deliver an even broader lineup and arrange and host special events to experience the feeling of travel while enjoying home-delivered meals in collaboration with the “Online Academy” that makes online connections to places around the world.

VELTRA Corporation
7048 TSE Mothers

20-Oct.-2021

<https://corp.veltra.com/en/ir/>

Medium- to long-term growth strategies and topics

FISCO expects this approach of rolling out new services that reflect market conditions and integrate its strengths and corporate image and pursuing further service reinforcement to enhance the Company's potential to expand top-line income despite COVID-19.

3. Tourism IT business

(1) Platform business

Subsidiary LINKTIVITY operates a reservation platform system business that connects domestic public transportation entities and travel companies in other countries. It is also strengthening domestic sales channels, besides inbound demand, amid growing efforts to promote MaaS that connects a variety of services and a shift to electronic tickets. The number of products sold at domestic railway companies, prefectural facilities, and others has been steadily increasing from 30 at the end of 2020 to 63 at the end of June 2021. This business has increased sales channels to over 200 companies as well. It intends to continue strengthening products sold and building direct-sale sites and bolstering collaboration with companies promoting MaaS.



Source: The Company's results briefing materials

(2) Inbound media business

In the tourism IT business, the Company operates multiple media around an axis of providing experiences and distributing information for the new normal era. An example is YOKKA, a new online media that proposes ideas for new experiences and hobbies in daily life, launched in March 2021. YOKKA is a new experience media that provides information on how to enhance free time, such as discovering easy-to-start hobbies and finding ways to enjoy holidays. With a theme of "enjoying and enriching time at home and during holidays even when it's difficult to travel," the site offers how-to articles written by external writers referred to as "leisure planners." It also has a highly convenient function for users that implements curation of leisure ideas by themes and purposes, such as hobby discovery, getting out, and trips. By increasing the number of leisure planners from the current team of 10 people, the Company plans to deliver over 1,000 articles by the end of 2021 with various topics ranging from camping, hiking, and other outdoor activities to yoga, DIY, and other healthy lifestyle information. It aims to improve the user experience with a search function that allows users to find new experiences they want to try from among articles using various tags, such as time required, budget, ease of getting equipment, ease of starting, and skill level, and a personalization function that presents recommended articles as matches to hobbies and interests.

VELTRA Corporation | 20-Oct.-2021

7048 TSE Mothers | <https://corp.veltra.com/en/ir/>

Medium- to long-term growth strategies and topics

As an overseas media initiative, the Company started Umami Recipe, an English-language site that aims to broaden awareness of homemade Japanese dishes throughout the world and promote cultural interaction via cooking, in March 2021. Amid growing interest in Japanese foods in other countries, the site introduces authentic Japanese meals supervised by chefs, nutritionists, and others and provides recipes that range from beginner to advanced levels. The Company aims to be the top Japanese meal recipe site in user volume by boosting convenience with robust functionality and services, including a mail magazine for members and recipe distribution in videos and online courses.

The Company hopes to direct users to its own services and generate advertising income via such media and anticipates top-line growth in existing services and acquisition of new income sources.

Proposing experiences and distributing information for a new normal era

YOKKA

A new online media site where you can find ideas for new experiences and hobbies in daily life

Helping you start a new hobby! The "Leisure Planner" will provide you with ideas for experiences that interest you.



More than 1,000 leisure articles to be provided by the end of this year.

A new experience media site that provides information that enriches leisure time, helping users discover easy to start hobbies.

Umami Recipe

An English-language information site that promotes Japanese food prepared at home to the world and to promote cultural exchange through cooking.

Creating new cultural exchange through home-cooked Japanese food anywhere in the world



Aiming to become the No. 1 Japanese food recipe website in terms of user share

By communicating the spirituality and philosophy of Japanese food to the world, Umami Recipe creates cultural exchange through Cuisine. An information site to help people discover a richer and more sustainable diet.

Source: The Company's results briefing materials

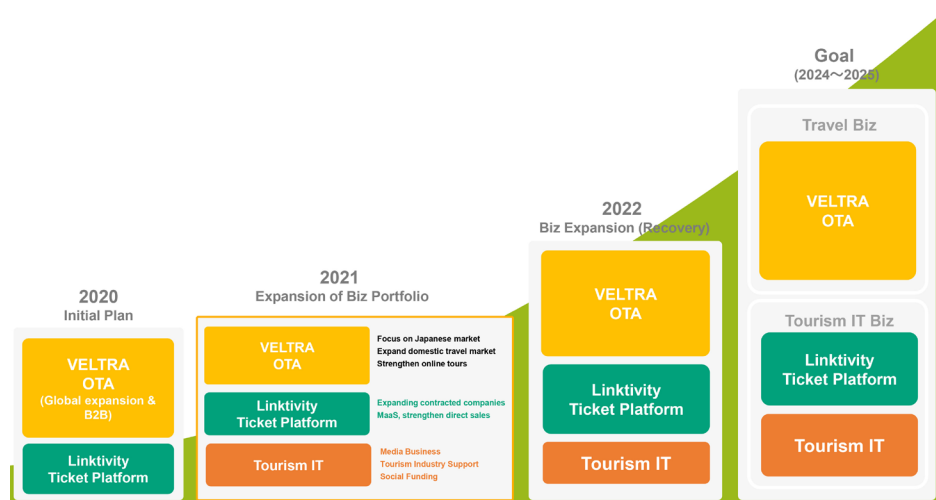
(3) Crowdfunding to support the tourism industry

The Company started the Zenes crowdfunding service that specializes in tourism-related services in May 2021. Zenes is a crowdfunding service dedicated to the tourism industry that provides revitalization assistance aimed at reopening tourism in "With COVID-19" and "After COVID-19" environments and opportunities to conduct test marketing for creation of new tourism business and product development. It intends to plan and implement projects mainly related to travel and tourism via its network of businesses providing experiences that exceeds 5,000 companies in 150 countries. Purchase-type crowdfunding involves proposal of exclusive travel, food, and experience events that deliver special experiences not normally available and services that offer more than just the purchased value in limited amounts. Donation-type crowdfunding, meanwhile, provides an opportunity to support local revitalization and sustainable tourism with assistance through donations to tourism service operators and regions heavily affected by COVID-19 in Japan and worldwide. The Company uses responses to these projects as test marketing and is capable of adding popular projects to its tours. This is commendable for the point of being a low-cost type of product development that realizes marketing and planning through funds from contributing parties.

4. Future growth strategy

As a future growth strategy, the Company hopes to maximize corporate value in the recovery phase from the COVID-19 pandemic by fully leveraging assets that might be sources of competitive advantage and achieving growth in IT business related to tourism that goes beyond travel itself. Even when faced with new challenges, the Company aims to realize sustainable growth together with all involved and be a leader with a unique presence in the tourism industry and international exchange by providing services that value genuine connections between people and international exchange, which is its mission and philosophy.

Future growth strategy



Source: The Company's results briefing materials

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 increase internal reserves for the time being. Meanwhile, it is likely to have opportunities to leverage strength in local-experience optional tours in 150 countries in a shareholder benefit program.

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