

COMPANY RESEARCH AND ANALYSIS REPORT

VELTRA Corporation

7048

TSE Mothers

2-Aug.-2019

FISCO Ltd. Analyst

Tomokazu Murase



FISCO Ltd.

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

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Summary

Actively promoting the transition to online within the favorable business environment for VELTRA, a reservation website specializing in local-experience optional tours covering 150 countries around the world

VELTRA Corporation <7048> (hereafter, also “the Company”) manages VELTRA (<https://www.veltra.com/en/>), which is an online reservation website specializing in local-experience optional tours covering 150 countries around the world. The Company believes that “extraordinary memories from travel are not determined by where you go, but what you do once at the destination.” The trend of group package tours, which has been the mainstream up until now, is changing to individuals travelling freely. The Company has grown by responding to meet the increasing need for this type of travel through its reservation website that specializes in experience-type optional tours in countries throughout the world.

1. Overview of the FY12/19 1Q results

In the FY12/19 1Q (January to March) results, operating revenue was ¥929mn (up 25.9% year-on-year (YoY)), operating profit was ¥240mn (up 13 times), ordinary profit was ¥214mn (compared to a loss of ¥13mn in the previous fiscal year), and profit attributable to owners of parent was ¥146mn (a loss of ¥14mn). According to statistics announced by the Japan National Tourism Organization (JNTO), in January to March, 2019, the number of Japanese visitors to overseas countries increased 6.4% YoY to 4.91million people and the number of overseas visitors to Japan increased 5.7% to 8.05 million people. In this sort of favorable business environment, the number of reservations trended stably, which pushed-up results, and operating profit grew by 13 times YoY.

2. FY12/19 results forecasts

For the FY12/19 results, the Company is forecasting operating revenue of ¥4,055mn (up 20.3% YoY), operating profit of ¥600mn (up 43.9%), ordinary profit of ¥547mn (up 71.5%), and profit attributable to owners of parent of ¥356mn (up 14.5%). In addition to progressing the discovery of experience-type activities, it will implement measures to “Expand sales channels” through strengthening alliances with travel-related companies in Japan and overseas, “Expand products for visitors to Japan” through developing local experience tours for overseas travelers in 47 prefectures, and “Expand products for arrival” through enhancing the lineup of products that can be reserved even when traveling (including on the day of arrival). Through these measures, the Company plans to further expand the Overseas section, generate earnings from the Inbound section and the Global section, and to actively promote the transition to online of the offline market.

3. Mr. Rodney Cuthbert appointed as an outside director

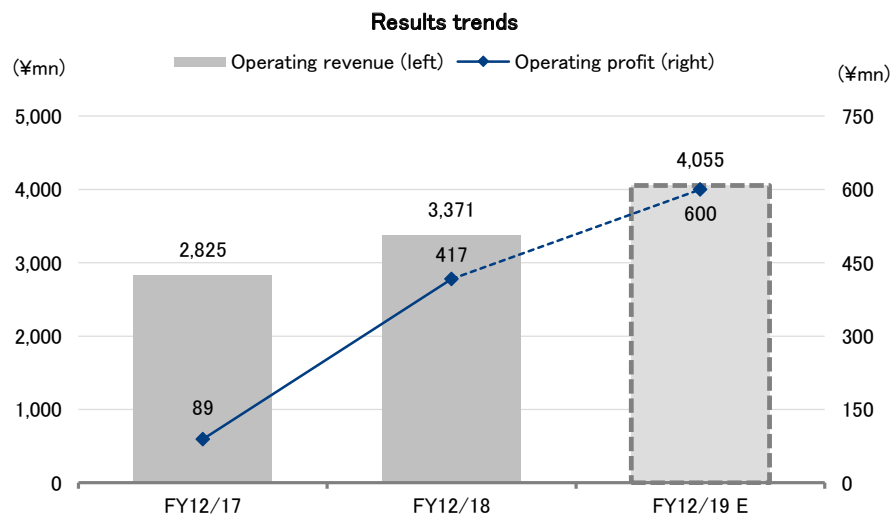
The Company resolved to newly appoint Mr. Rodney Cuthbert as an outside director at the 29th Ordinary General Meeting of Shareholders held on March 28, 2019. If speaking from the conclusion, by appointing Mr. Cuthbert as an outside director, we can expect a further leap forward of the VELTRA brand, because in addition to having the work history of being a manager in companies in Western countries and an extensive network in the travel industry, he possesses an abundance of experience and broad-ranging insights.

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Summary

Key Points

- Is discovering experience-type activities, expanding the Overseas section, and promoting the transition to online of the offline market
- The Company's value is increasing from the more than 400,000 customer testimonials
- The impact of appointing Mr. Rodney Cuthbert as an outside director will be great



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

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. That was a time when overseas auto-manufacturers were seeking to expand in Japan, and in response to an order from overseas, the Company conducted a survey of the Tokyo Motor Show event and other measures. However, it decided not to focus on the original business and instead to develop businesses in various directions. Among these multiple businesses, in 2000 it started a golf online reservation business, and this business grew rapidly and was sold to Rakuten. Using the proceeds from this sale, in 2004 it started the current business. Although it was conducting multiple businesses, in particular it found that there were hardly any companies that were able to provide reservation services for activities, and so decided that it made sense to start this business from scratch.

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. The current President and Representative Director, Mr. Futagi, was working as the director of a Hawaiian company at that time, and through these acquisitions, it was able to acquire expertise and contracting parties for the initial period.

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History

However, it was not all plain sailing from the beginning in 2004, because it was conducting a business for which there was no market at that time. In addition, there did not exist a mechanism by which local business companies could themselves accept reservations and have direct contact with customers. Moreover, there were many barriers between the travelers and businesses, including differences in countries' cultures, differences in languages, time differences, and differences in values, so the Company decided to review the business. It asked how could it realize a method to have customers steadily participate online, and it concentrated its management resources after once again redefining the business. After this the business grew, and the areas covered expanded to not only around beach resorts, but to other areas as well, and also to Asia, Europe, and the United States.

Within this global business development, in 2012 the Company launched an English-language website 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, in 2016 the Company acquired all of the shares of City Discovery SAS, and in 2017 it launched a Korean-language website through a business alliance with 12cm of South Korea.

History

Year	Description
1991	Established Alan Co., Ltd. (now VELTRA Corporation) as a marketing-related consulting business
2003	Transferred the GORA business, a specialist golf reservation website, to Rakuten (currently, Rakuten GORA)
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 "Hawaii Activities.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 "Alan 1.net" to "VELTRA", and also changed 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	Targeting the English-speaking-countries market, acquired all of the shares of City Discovery SAS that managed "City Discovery.com," a local tours reservation site for the global market
2017	Changed the company name of the local Paris corporation to VELTRA SAS and made it a CS 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 of South Korea
2018	Listed on the Tokyo Stock Exchange (TSE) Mothers market

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

Business overview

Manages VELTRA, a reservation website specializing in local experience-type optional tours covering 150 countries

1. VELTRA, a reservation website specializing in local experience-type optional tours

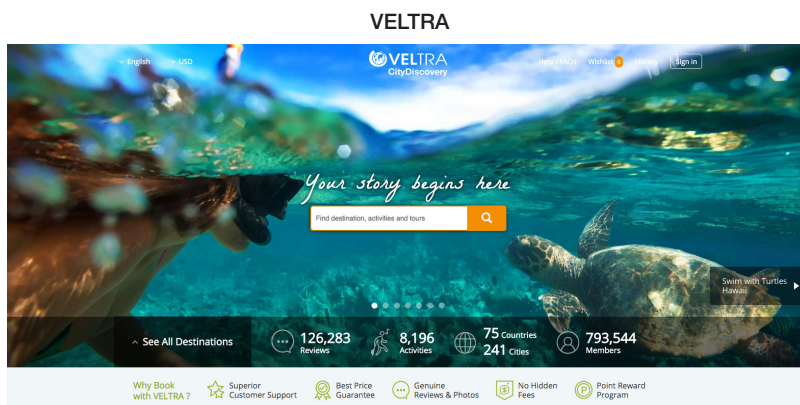
The Company manages VELTRA (<https://www.veltra.com/en/>), which is an online reservation website specializing in local-experience optional tours covering 150 countries around the world with more than 10,000 types. The Company believes that "extraordinary memories from travel are not determined by where you go, but what you do once at the destination." The trend of group package tours, which has been the mainstream up until now, is changing to individuals travelling freely. It has grown by responding to meet the increasing need for this type of travel through its specialized reservation website for experience-type optional tours in countries throughout the world.

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Business overview

In terms of business carried out before, during, or after a trip, the Company limits its business to sales for products used during a trip. Therefore, rather than sales toward accommodation or airline tickets, its signature products consist of a rich lineup with a variety of experiences and activities at the travel sites during the trip, including tours, entertainment shows, world heritage sites, spas and aesthetic treatments, cultural experiences, theme parks, cruises, nature tours, gourmet tours, water sports, and airport pickups. It currently provides Japanese-language services in 150 countries for more than approximately 10,000 types of local experience tours at the same prices as if booked locally. Therefore, the price is the same even if the customer makes the reservation during or before travelling, so demand is also growing from customers who plan before they travel.

In the travel services industry up to the present time, the elements for the travel destination itself, such as airline tickets and hotels, have been abundantly handled as travel products. But in fact, there have been no services that focused on the activities that can be done once at the destination. As the way of deciding on activities has been to first decide on the destination and then on what can be done, the Company sends information to potential customers on the experiences they can have when at the destination, and these customers then want to receive these experience services, so they want to go to the destination. This idea for making customers want to go to a certain destination is changing the definition of travel held up to the present time. The Company name VELTRA is a rearrangement of the word “travel” to symbolize this change.



Source: The Company's website

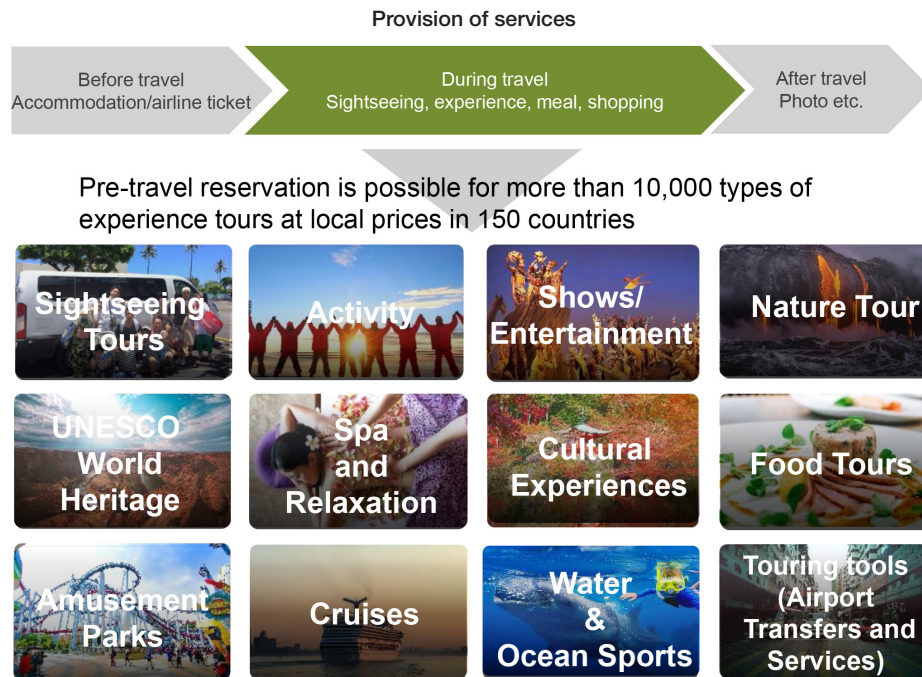
2. The business model

For product purchasing, the Company enters-into contracts directly with local business companies that provide the tours in regions around the world. In this sense of multi-lingual business development, it does not translate one product into multiple languages, but ultimately develops products that are optimized for each market. It provides 10,000 services in Japanese, but it is not the case that it provides the same 10,000 services in English, and in the end the product lineup is mainly of Japanese products that focus on the Japanese market. In other words, it creates products that are optimized according to the market and then develops sales promotions and conducts sales.

The sales prices are displayed the same as the local prices (in the local currency), and then paid in the currency of the user at the time of payment. Operating revenue is the total amount of commission fees after subtracting the purchase prices from the sales prices. The Company does have sales and other sources of earnings, but commission fees provide around 95% of its earnings. One of its features is that it works to improve products. Travelers have the option of posting a testimonial about their experience on the Company's site, and the posting rate is more than 15%. Based on these posted testimonials, the Company works thoroughly to improve the products, particularly the negatively reviewed experiences that received only one or two stars.

Business overview

The Company does not purchase products, so it does not acquire inventory. Ultimately, it pursues collaborations with the core systems of local business companies, or it realizes inventory registration and other aspects on its own management page, and it is promoting the shift to real time.



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

3. Composition of sections

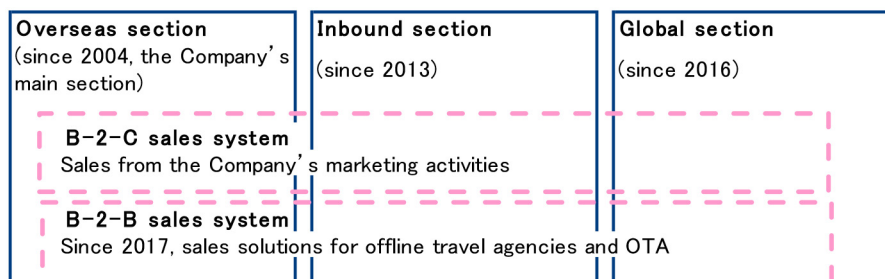
The business sections are comprised of the Overseas section, the Inbound section, and the Global section. The mainstay Overseas section provides services mainly for Japanese travelers visiting overseas countries, which contribute more than 90% of sales. The Inbound section was started in 2013 and provides services to travelers visiting Japan. The Global section was launched in 2016 and provides mainly B-to-B services (primarily transactions with other travel-related companies) to the markets of English-speaking countries, Chinese-speaking countries, and South Korea.

For B-to-C (transactions between companies and consumers), which is the business with the longest history, the Company conducts direct purchases and then sales and marketing activities. For B-to-B, the Company's products are the secondary use. It provides sales solutions to and enters-into alliances with travel-related companies to enable reservations using the Company's system.

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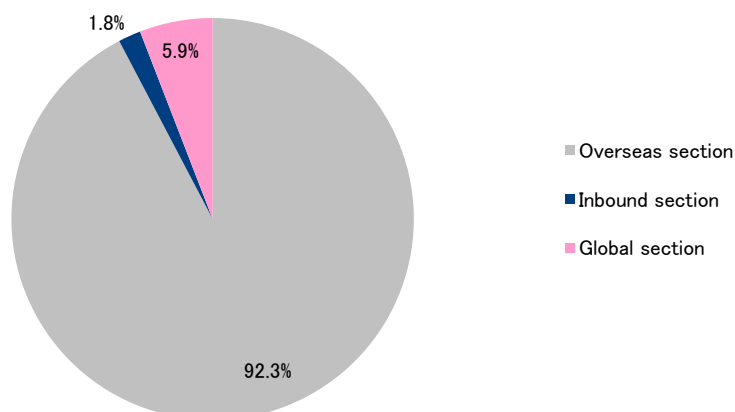
Business overview

Composition of sections



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

Percentages of operating revenue by section (FY12/18)



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

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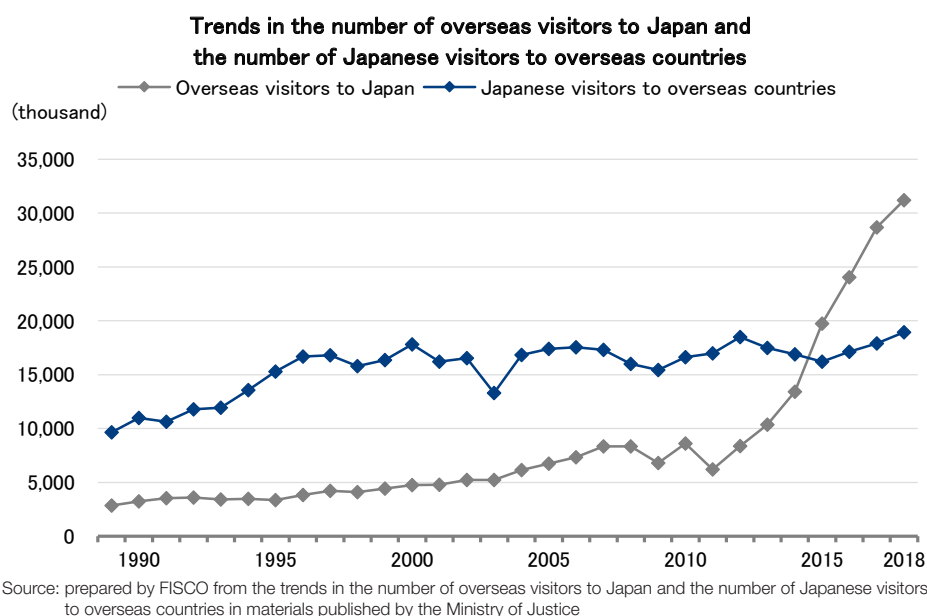
Business environment

Conditions in Japan are benefiting from the global scale of the travel industry

1. Is actively progressing the transition to online

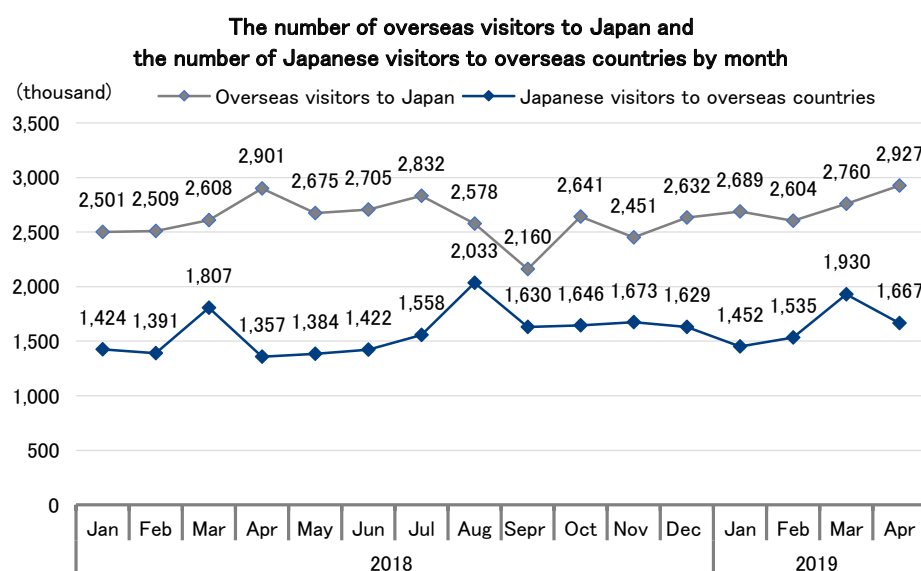
The Company is benefiting from the favorable conditions in its business environment. The United Nations World Tourism Organization (UNWTO) announced in January that the number of international tourists arriving at destinations in 2018 reached 1.4 billion people, up 6% on the previous year. The UNWTO's long-term forecast released in 2010 had predicted that this number of 1.4 billion people would be reached in 2020, so it was reached two years ahead of this. Also, according to the statistics of the JNTO on the number of overseas visitors to Japan and the number of Japanese visitors to overseas countries, in 2018 the number of overseas visitors to Japan was 31.19 million people, meaning it has increased by more than three times in the six years since 2013, when it was 10 million people. According to a travel forecast report by the JTB Group, which is a major group of travel companies, the number in 2019 will be 35.50 million people, in sight of the Japanese Government's target of 40 million people in 2020. The Government's forecast sets a target value of 60 million people by 2030. The number of Japanese visitors to overseas countries was 18.95 million people in 2018, exceeding the number of 18.49 million people in 2012. For 2019, JTB is forecasting that this number will be 19.10 million people.

The transition to online of consumption during travel, which is the Company's business area, is in the range of 20%. Offline sales by hotels and travel companies before and during travel and direct sales locally during travel constitute around 80%. So it is considered that there remains plenty of room for the Company to grow by actively promoting the transition to online.



2. In April 2019, the number of Japanese visitors to overseas countries grew 22.8% compared to the same month in the previous year

In the monthly statistics on the number of overseas visitors to Japan and the number of Japanese visitors to overseas countries in January to April, 2019, announced by the JNTO, compared to the same month in the previous year, the number of overseas visitors to Japan was +7.5% in January, +3.8% in February, +5.8% in March, +0.9% in April, while the number of Japanese visitors to overseas countries was +2.0% in January, +10.4% in February, +6.8% in March, and then in April it increased significantly to +22.8%. The mainstay Overseas section, which provides more than 90% of the Company's sales, mainly entails the provision of services for Japanese travelling overseas, so the increase in the number of Japanese visitors to overseas countries is likely to prove beneficial to the Company's growth.



Source: prepared by FISCO from the statistics on the number of overseas visitors to Japan and the number of Japanese visitors to overseas countries in January to April, 2019, announced by the JNTO

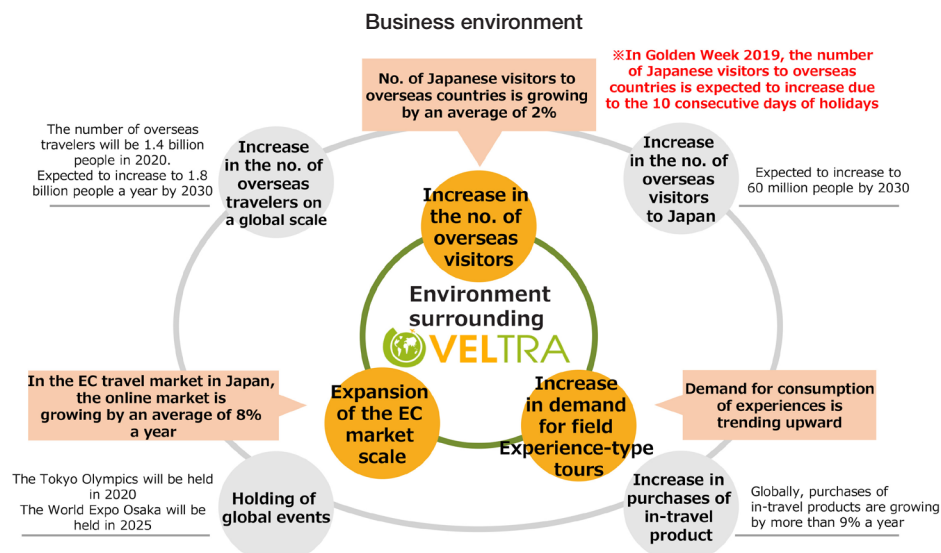
3. Due to the series of international events, demand is expected to increase for field experience-type tours

In 2019, there were 10 consecutive days of holidays to mark the ascension to the throne of the new Emperor of Japan, while three consecutive days of holidays will occur once in August and twice in September. Also, there will be a maximum of 9 consecutive days of holidays from the end of 2019 to the New Year in 2020. Through the progression of work-style reforms by companies, an environment in which it is easier for employees to take holidays is being created, and demand for travel is expected to grow. In terms of large events, the Company will benefit from the holding from September 20 to November 2 of the 2019 Rugby World Cup in Japan, which will be the first time it has been held in Asia. The number of spectators was 2.47 million in England in 2015 at the rugby World Cup and 3 million in Russia in 2018 at the soccer World Cup. The event will be held for 44 days and is likely to have a major impact on inbound demand. Also, at the 2015 Rugby World Cup 2015 in England, Japan's national team beat South Africa, and this team's activities have attracted attention and awareness of it has increased. However, the level of awareness is still low compared to other sports, and since watching sporting events can also be done at the travel destinations, it is considered that its effect of reducing the number of Japanese visitors to overseas country will be limited.

Business environment

The Tokyo Olympics (July 24 to August 9) will be a major event in 2020. Subsequently also, the World Masters Games (May 14 to 30) will be held in Osaka in 2021, and the World Expo Osaka (May 3 to November 3) is scheduled for 2025. There will be many overseas visitors to Japan through this series of international events, and moreover when viewing the trend of the increase in consumer demand for experiences, demand for the Company's field experience-type tours can also be expected to increase.

On the other hand, it is difficult to read what will be the effects of the 2020 Tokyo Olympics (July 24 to August 9). Demand is high from direct spectators for the Tokyo Olympics to be held in Japan, such as the overwhelmingly large number of ticket applications, and it is possible that this will have an effect on the number of Japanese visitors to overseas countries. In particular, it will be held in the summer, the busy season, so the current situation is that the outlook is somewhat cautious for the next fiscal period. That said, in individual travel, people tend to avoid the season with high prices and to enjoy local activities, and due to the occurrence of dispersion-type travel, of people traveling to avoid the Olympics, it is difficult to image a development in which demand itself will decrease. Also, for global events such as the Olympics, after the event, demand for travel to the country where it was held tends to increase as awareness of that country rises, so the number of overseas visitors to Japan is likely to increase.



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

4. Growth is possible even when considering the impact of the declining population

Looking ahead, it would be easy to feel a sense of concern about a decline in the number of travelers because of the situation of the declining population in Japan due to the reduction in the birthrate and the aging of the population. However, according to the view of the Company President Futagi, the number of overseas trips is not expected to decrease even as the population declines. Low-prices services by airlines, such as LCC, are increasing. So his view is that since the majority of travel costs are for the plane ticket, travel will become more affordable through low-price airline services, so demand will still grow.

Business environment

Also, for example in South Korea, one in two people have traveled overseas and the passport ownership rate is 70%. Conversely, the ownership rate in Japan is only around 25%, so there is still a market of 75%. Supposing that number multiplied to 70%, there would still be potential for growth would even in consideration of the impact of a population decline. In addition, the desire to purchase goods is decreasing across the generations and instead is shifting to a desire to purchase experiences, which is leading to a growth in demand for the Company's services. Except in the event of war or terrorism, the market conditions are considered to be positive.

Results trends

Sales and profits increased significantly in the FY12/18 results. Made a good start in FY12/19 1Q. Operating revenue is steadily increasing through the solid rise in demand for in-travel products

1. Overview of the FY12/18 results

In the FY12/18 results, operating revenue was ¥3,371mn (up 19.3% YoY), operating profit was ¥4,17mn (up 365.7%), ordinary profit was ¥319mn (up 795.1%), and profit attributable to owners of parent was ¥311mn (up 789.1%). In operating revenue by section, it was ¥3,111mn in the Overseas section (up 29.5%), ¥61mn in the Inbound section (up 85.1%), and ¥198mn in the Global section (down 56.4%).

FY12/18 results

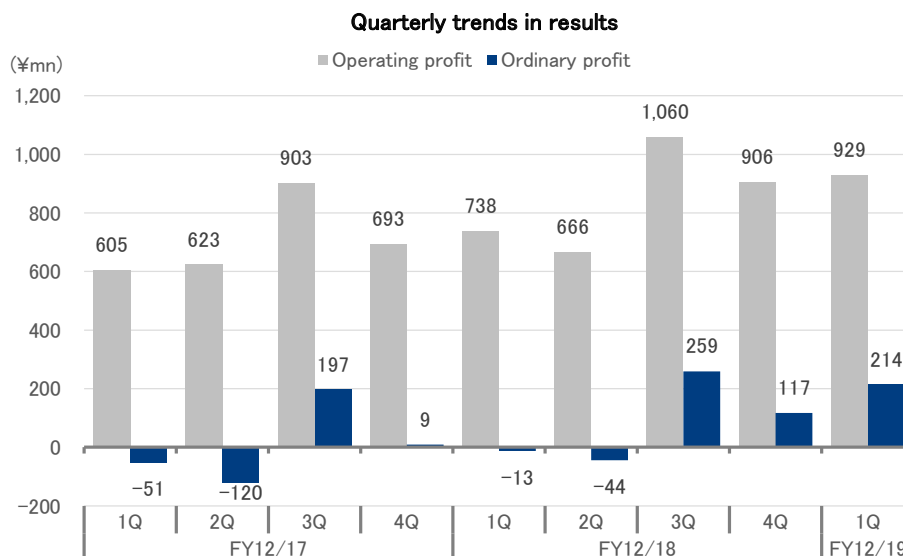
	FY12/17	FY12/18	YoY
Operating revenue	2,825	3,371	546
Operating profit	89	417	328
Ordinary profit	35	319	284
Profit attributable to owners of parent	35	311	276
EPS	-	11.68	
Dividend	-	-	

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

Although profits tend to increase in the travel season from July to September due to seasonality, in this fiscal year they were affected by the volcanic eruption on the island of Hawaii in May and the typhoon in Japan and the closure of airports in September. However, on a quarterly basis, profits improved greatly in the 2H against the backdrop of factors including the shift to individual travel, the increase in demand for in-travel products, the transition to online, and the Company's wide-ranging product lineup and support capabilities. Also, due to the solid increase in demand for in-travel products, operating revenue is steadily increasing, and in the previous fiscal year, the Company in particular increased advertising expenses and actively conducted upfront investment, including to recruit employees, so profits improved significantly YoY. The ordinary profit margin rose to 9.5% (from 1.3% in FY12/17).

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Results trends



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

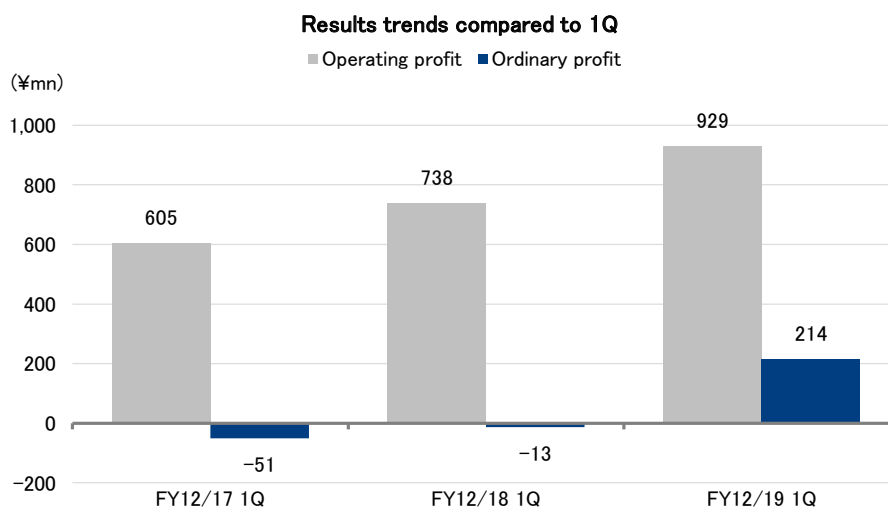
The FY12/19 1Q results benefited from the favorable business environment and were better than expected

2. FY12/19 1Q results

In the FY12/19 1Q results, operating revenue was ¥929mn (up 25.9% YoY), operating profit was ¥240mn (up 13 times), ordinary profit was ¥214mn (compared to a loss of ¥13mn in the same period in the previous fiscal year), and profit attributable to owners of parent was ¥146mn (a loss of ¥14mn). According to statistics announced by the JNTO, in January to March, 2019, the number of Japanese visitors to overseas countries increased 6.4% YoY to 4.91 million people and the number of overseas visitors to Japan increased 5.7% to 8.05 million people. In this sort of favorable business environment, the number of reservations trended stably, which pushed-up results, and operating profit grew by 13 times YoY. In addition, there were also effects from keeping down costs through efficient advertising, and that the initially planned recruitment and personnel costs were pushed back to 2Q and beyond, so both ordinary profit and profit attributable to owners of parent were recorded compared to the losses in the previous fiscal year. Although there were effects from keeping down advertising costs and other costs, the losses became profits in the context of the tendency for profits to increase in the July-to-September travel season, and better-than-expected progress was made.

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Results trends



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

The number of reservations exceeded expectations, mainly due to the long period of consecutive holidays

3. The FY12/19 2Q results forecasts have been upwardly revised

In the context of the favorable business environment in 1Q, the number of reservations trended solidly and operating revenue steadily grew. For the 2Q results also, the number of reservations was higher than originally expected, mainly due to the long period of consecutive holidays in Golden Week (GW). As a result, compared to the previous forecasts announced on February 14, 2019, the Company upwardly revised the forecasts for operating revenue, operating profit, ordinary profit, and profit attributable to owners of parent. But from June onwards, results are expected to trend in line with the initial forecasts, and moreover advertising costs are scheduled to increase alongside the growth strategy, while other costs will also rise due to the business expansion. Therefore, the Company has left unchanged the initial forecasts for the full fiscal year.

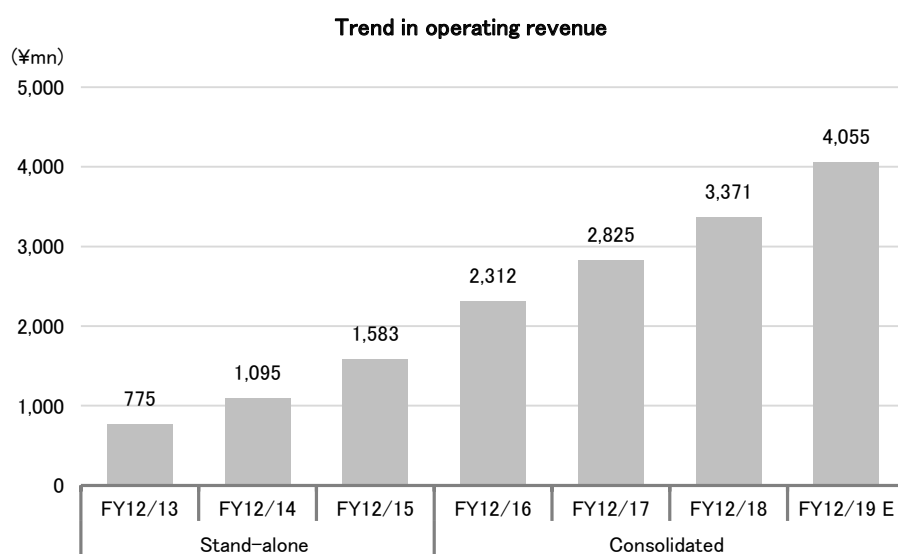
FY12/19 2Q financial forecasts

	Previously announced forecasts	Current revised forecasts	Change
Operating revenue	1,694	1,876	182
Operating profit	89	300	211
Ordinary profit	63	259	196
Profit attributable to owners of parent	32	174	142
Profit per share	1.12	6.11	-

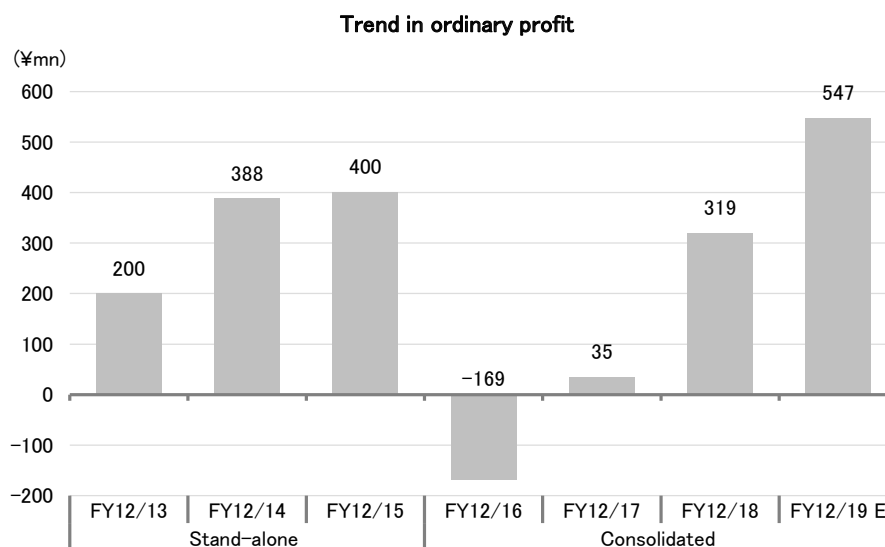
Source: Prepared by FISCO from the Company's financial results

CAGR was 34% and has transitioned to a phase of generating profits

In the results trends also, operating revenue continue to trend steadily upward, and the CAGR (compound annual growth rate) up to FY12/18 was 34%. For ordinary profit, an ordinary loss was temporarily recorded in FY12/16 (the Company transitioned to consolidated results from this fiscal year) due to the effects of investment for business expansion, but it once again recorded ordinary profit in FY12/17, which then grew significantly in FY12/18, up 9.1 times YoY, and it has transitioned to a phase of generating profits. In addition to increasing the number of employees (up 15 people) in order to acquire new customers and new products and to strengthen systems development, the Company succeeded in various measures, including to strengthen customer visits to the website and to enhance advertising activities to increase the use of its services. In FY12/16, investment for business expansion temporarily had an impact on ordinary profit, but subsequently it transitioned to a phase of generating profits.



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



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

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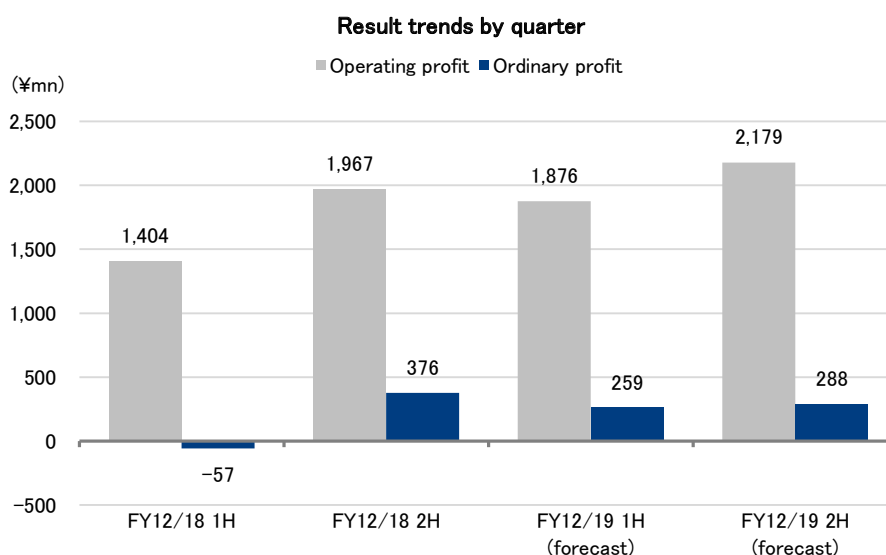
■ Outlook

The FY12/19 forecasts are for operating revenue to increase 20.3% and operating profit to rise 43.9%

● FY12/19 results forecasts

For the FY12/19 results, the Company is forecasting operating revenue of ¥4,055mn (up 20.3% YoY), operating profit of ¥600mn (up 43.9%), ordinary profit of ¥547mn (up 71.5%), and profit attributable to owners of parent of ¥356mn (up 14.5%). Together with the progress made in discovering experience-type activities, it will implement measures to “Expand sales channels” through strengthening alliances with travel-related companies in Japan and overseas, “Expand products for visitors to Japan” through developing local experience tours for overseas travelers in 47 prefectures, and “Expand products for arrival” through enhancing the lineup of products that can be reserved even when traveling (including on the day of arrival). Through these measures, the Company plans to further expand the Overseas section, generate earnings from the Inbound section and Global section, and to actively promote the transition to online of the offline market.

When looking at comparisons of operating revenue and ordinary profit in 1H and 2H, profit levels are improving to the point where ordinary profitability can be expected in 1H, despite no changes in seasonality for tourism for the time when earnings are most concentrated.



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

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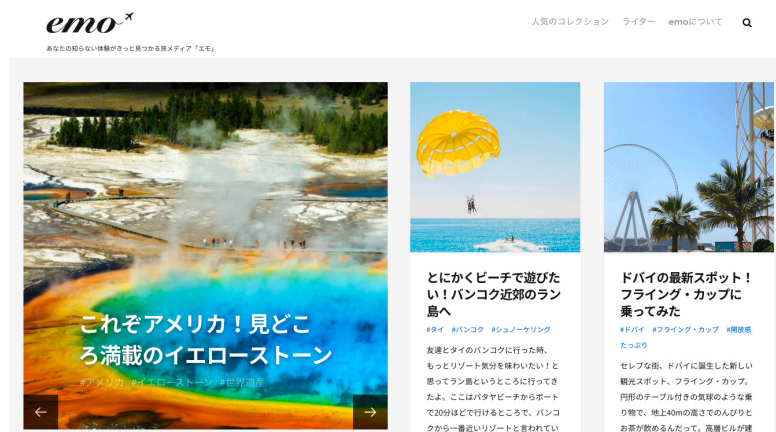
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Growth Strategy

Set measures of “pursuing originality,” “service expansion after arrival on location,” and “expanding sales channels”

The Company has set “pursuing originality,” “service expansion after arrival on location” and “expanding sales channels” as the key measures in its growth strategy. For “pursuing originality,” the Company’s mainstay products are tours & activities that promote international exchanges between people (travelers) and people (guides), and it will conduct activities to visualize this service quality. On the website “Colorier (meaning colorful people),” which connects tour guides at famous sites around the world with travelers and proposes new styles of traveling, the focus is placed on professional guides, and the hospitality of guides is evaluated to realize travel experiences with hospitable guides. It will also implement public relations activities to raise the interest in local field experience-type tours, while the “emo” travel media to find your travel through travelers’ testimonials is a collection of testimonials about the special trips experienced by someone somewhere in the world.

"emo" to find your travel through travelers' experiences



Source: The Company's website

Proposing new style of travel on the “Colorier” site



Source: The Company's website

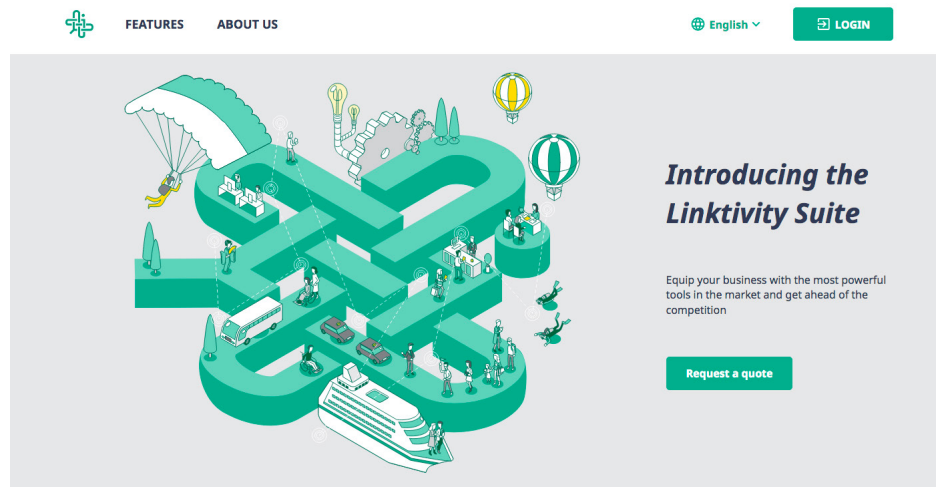
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Growth Strategy

For “service expansion after arrival on location” although most of the reservations of the Company’s services are prior to departure, it is actively developing products and services to increase the use of services that are reserved locally after arrival. Online applications are increasing, such as for products that can be reserved during the stay at the destination. This field is the Company’s main battleground, and through the transition to online, it is aiming to acquire customers for services for which fundamentally there is a lot of demand on the same day, like for spa visits, and also through improving the convenience of activities for customers.

The Company will “expand sales channels” through enhancing products for visitors to Japan, and bolster B-to-B-to-C by strengthening alliances with travel-related companies. In products for visitors to Japan, it is developing the Linktivity platform for visitors to Japan and is building and supporting an online sales management system (B-to-B) for overseas consumers for public transportation and ticketing in Japan. Offline is the main method of obtaining transportation for visitors to Japan, such as for trains and pickups, but especially in regional areas, there is the issue of a lack of transportation, and transportation is essential in order to revitalize the regional tourism industry. At the Linktivity base in Singapore, the Company is building a platform system for reserving methods of public transport in Japan, such as for trains and pickups, and it is constructing an online sales system for B-to-B for travel companies around the world. As of January 2019, it had launched railway passes for four companies, and it is currently expanding the network to include railway companies in Japan. In conjunction with this, it is partnering with 130 companies around the world and is currently expanding at all times. In this field, where offline is still the mainstream, there remains plenty of room for the Company to grow, such as by developing the market through its supports of the transition to online.

The Linktivity inbound platform



Source: The Company’s website

Strengths

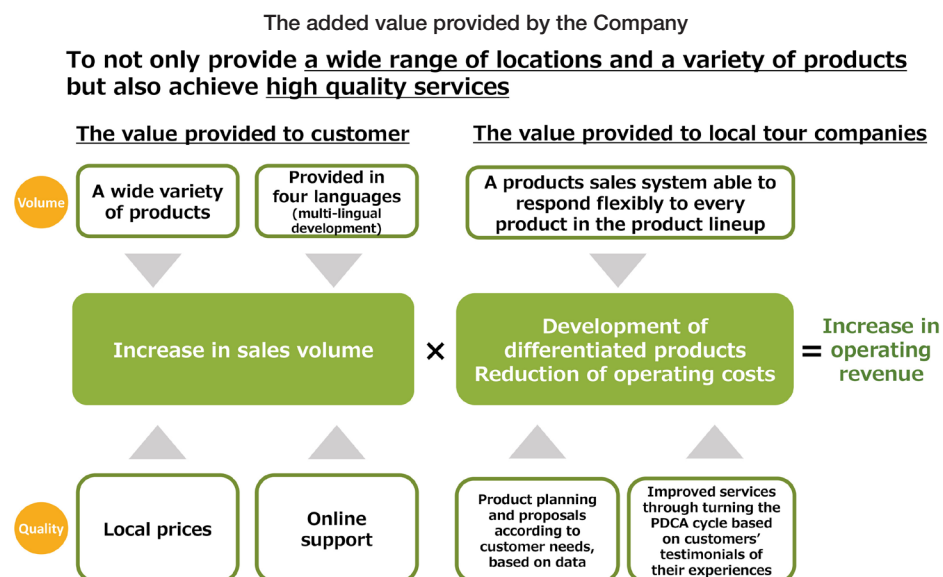
Partnerships with travel companies, guides, and instructors around the world

1. The added value provided by the Company

(1) Does not only focus only on the customers' perspective, but also takes the standpoints of businesses

The Company has entered-into contracts with 5,000 carefully selected travel-related companies outside of Japan. It considers its greatest strength to be that it provides “services that are delivered by people,” and it has partnership agreements with more than 6,000 highly trained hospitality professionals, tour guides, and instructors who are active worldwide. Its stakeholders are its customers (travelers) and local suppliers, but in the respective provision of value to them, in terms of volume it provides customers with products in four languages in an abundance of variations in 150 countries around the world, and it is conducting marketing activities that are optimized for each respective country. Moreover, in local areas also, it provides value to customers through a price system in which its prices for services reserved before the trip or departure are the same as local prices, and all the reservations are made online with complete online support.

For local suppliers, the Company actively handles many product variations and products of value, such as those that customers want to experience. They can improve efficiency through using the Company's products sales systems, which can respond flexibly to any product in the product lineup. In order to actively propose products and planning to businesses that meet customers' needs according to marketing activities that are based on customer data, and moreover to improve quality, it feeds back to local suppliers the voices of customers and their postings of testimonials, which leads to a process of improvements for the next products. On the other hand, in order to improve quality, while it utilizes customers' testimonials of their experiences, it does not only focus only on the customer's perspective if there is a problem with a service, but also takes the standpoint of the business. The Company's strengths is that it defines the issue while believing in both parties and then focuses on solving the problems and contradictions that occur between them.



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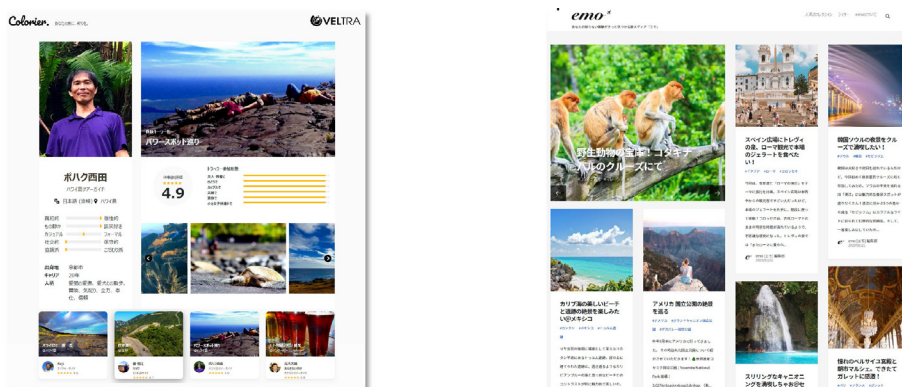
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Strengths

(2) Is striving to improve the brand value of local businesses

Local businesses and the Company seem to have a WIN-WIN relationship in terms of their positioning. It is generally said that many local businesses are positioned as business companies in the form of being contractors or sub-contractors of major travel companies. If speaking of the manufacturing industry, they are likely to be considered small businesses. In the past, the seller would issue various instructions, so it seems that local businesses were unable to determine prices themselves, and that in some cases, they could neither propose nor pass-on new services to customers. In this sort of situation, the Company is concluding contracts directly with local businesses and striving to improve their brand value, which is one of the reasons why it can provide even more services.

Pursuing originality

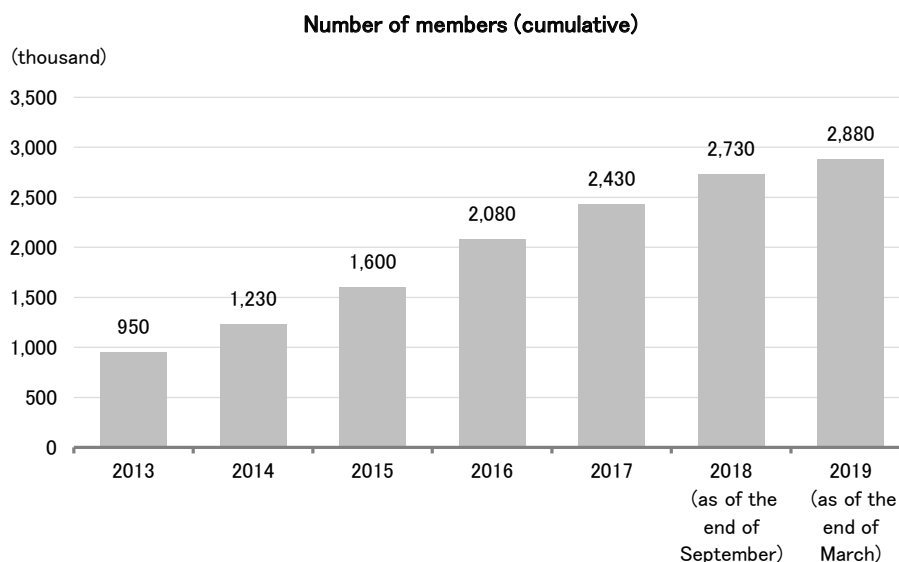


Source: Prepared by FISCO from the Company's results briefing materials

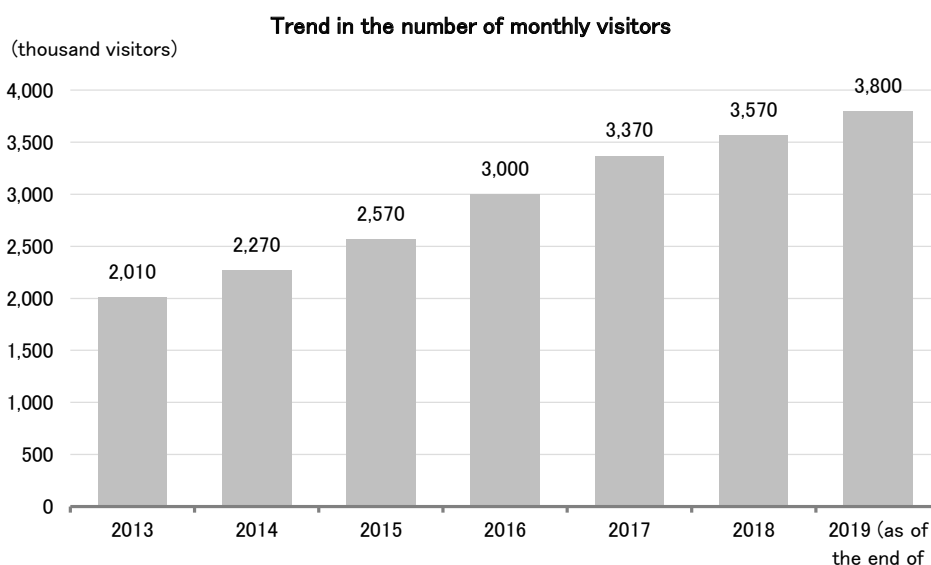
(3) Product lineup to meet consumers' various needs and highly unique, professional tours guides around the world

The Company handles the products of the approximately 5,000 companies covering 150 countries around the world with which it has concluded contracts, making it the largest such company in Japan, and it provides services in four languages. It offers products that meet consumers' various needs, and in particular it is acquiring the support of individual travelers. Looking at a survey of trends in the travel market in January to March 2019 by the Japan Association of Travel Agents (JATA), travel in Japan was basically unchanged from the previous survey (October to December, 2018), but individual travel in Japan is recovering, while overseas individual travel is also performing well. Against this backdrop, the Company's number of members is steadily increasing, and at the end of March 2019, it had a total of 2.88 million members, and the number of site visitors per month is continuing to grow by double digits, steadily increasing to 3.80 million at the end of March 2019. Also, according to gender, 58% were women and 42% were men, and in the case of a family, the contract is often entered-into in the name of the man, so it seems that the percentage of women is actually more than 70%.

Strengths



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



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

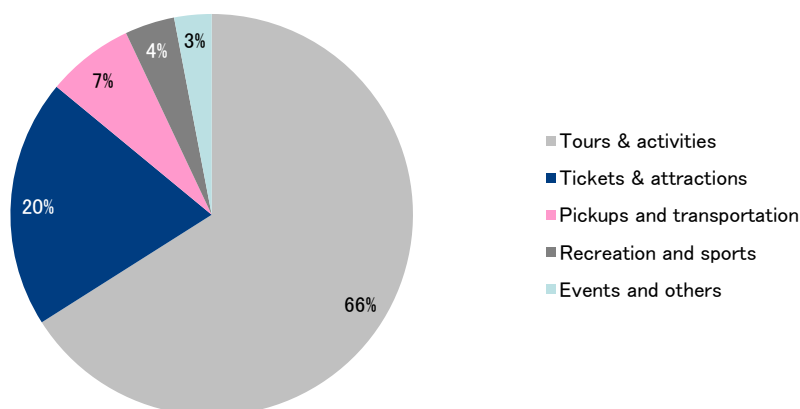
(4) Tours & activities provide 66% of sales, and a strength is the strong relationships

In the percentages of total sales provided by products, tours & activities (services involving a guide) provide 66%, and other than these, tickets & attractions (art museums and galleries, theme parks, etc.) 20%, pickups and transportation 7%, recreation and sports (diving, golf, etc.) 4% and events and others (events at New Year, Christmas, festivals, etc.) 3%.

Strengths

The Company's core products are tours & activities to promote international exchanges between people (travelers) and people (guides), and it engages in activities to visualize this service quality. Drivers, who are professionals in each field and who are fully familiar with the local area, provided efficient and safe transportation. Another of the Company's strengths is that it has strong relationships with tour companies that provide both high quality and safe services.

Percentages of total sales by product

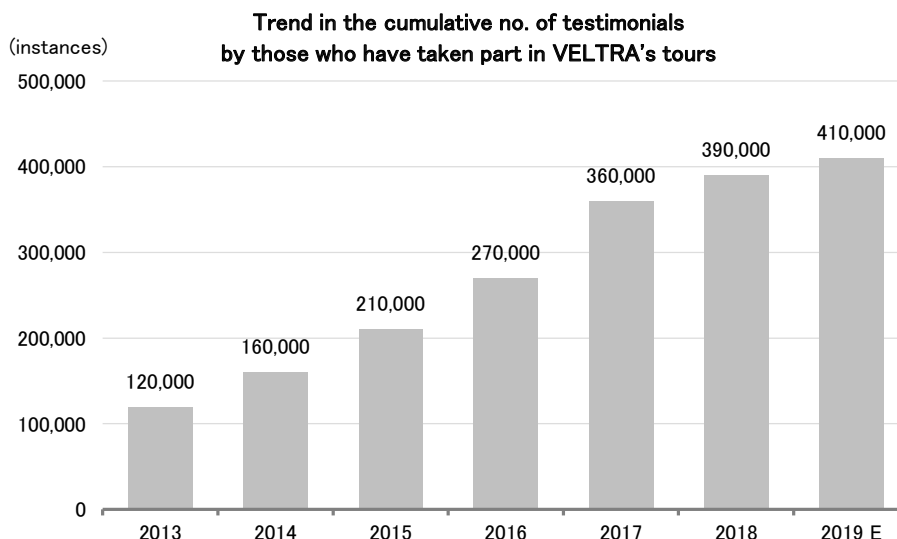


Source: Prepared by FISCO from the Company's results briefing materials

(5) The Company's value is increasing from the more than 40,000 customer testimonial postings on their experiences

The Company's value is increasing from the testimonials posted by the customers who have taken part in its services. The number of testimonials posted had reached a cumulative total of 410,000 as of the end of March 2019, and the posting rate is high. An overwhelmingly large number of these postings are messages of gratitude sent to local guides, and one of the Company's world views is to act as the medium by which customers can convey these messages. On the other hand, in the case of a complaint or other problem, customer services thoroughly deal with the customers and work with the local businesses to resolve the problem.

Strengths



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

(6) Relative evaluation using the Net Promoter Score

Also, the Net Promoter Score, (NPS) is an index to quantify customer loyalty (the extent of their attachment to and trust in a company or brand). It asks "To what extent would you recommend this product to close friends and family? Please pick a number from 0 to 10."

It is a severe indicator, which conducts a rating evaluation of the top 3 in the 10-level evaluation and discards the rest. The Company investigates NPS internally and is currently in its third year of using it, while it has continuously grown by double digits. In the future, it will use NPS to conduct relative evaluations and make judgments on the value of the Company for customers.

(7) Prioritizes the quality of products

The Company prioritizes the quality of products. For example, many of the testimonials posted on the website give five stars or four stars. There are few one star and two star reviews, so in the past there seems to have been some people saying that these reviews might be fake. However, it is the result of a process of thoroughly improving those services that received only one or two stars. The present situation, of the increase in the number of four and five star testimonials, was arrived at by the accumulation of such efforts. The Company focuses on quality to the extent that it will cancel the contracts of businesses that cannot improve while undergoing this process, and while it presently has around 5,000 contracting companies, in the past it has cancelled approximately 10% of contracts.

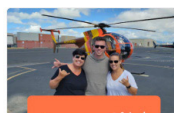
On the one hand, the Company considers scale merits to be important for the product lineup, but on the other hand, it is building trust with customers by thoroughly excluding services that do not have the required levels of quality and by continuously improving them.

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Strengths

Posting of testimonials from prioritizing quality

Latest 5-Star Reviews



by: Lea
AMAZING EXPERIENCE!!
I loved this experience. Location was easier to find. Check in was simple and easy. I liked the safety vi...[more](#)

- ▶ Magnum Helicopters - Oahu's Best Helicopter Tour with Doors Off Flights (from Hawaii, Oahu)



by: Penny
Sunset Sailing
We had a beautiful night onboard Makani Catamaran. Sailing out from Waikiki Beach was a dream for us. Once ...[more](#)

- ▶ Makani Catamaran Waikiki Sunset Dinner Sail & City Lights Cruise (from Hawaii, Oahu)



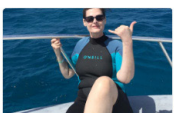
by: M.Greco
Awesome Experience!
Everything was perfect from the first step!! Highly recommended!!

- ▶ Kualoa Ranch ATV Tour - ATV at Oahu's Jurassic Park Film Location & Other Sites (from Hawaii, Oahu)



by: Jay
The weight limit is not flexible. I...
They were very professional, but one person in our party was 2kg over the weight limit and they were not al...[more](#)

- ▶ Okinawa Family-Friendly Powered Paragliding Flight Adventure in Nakagusuku (from Japan, Okinawa, Okinawa Main Island)



by: Scuff
One of the best!
This was one of the best activities I tried in Hawaii!...[more](#)

- ▶ BOB's Underwater Scooter Adventure (from Hawaii, Oahu)

[See All 5-Star Reviews](#)

Source: The Company's website

A company that is rewarding for work for. Selected among the best companies for three consecutive years.

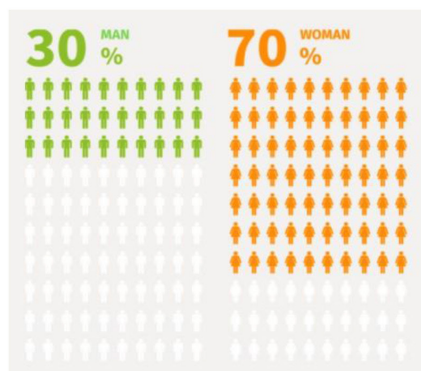
2. The work environment

The number of employees in the Company itself (at the end of March 2019) was 143 people (228 people on a consolidated basis), of who, nearly 70% were women. It is considerate of creating a work environment for women and recommends home work. The average mobilization rate is that more than 10% of work is done at home every day. It also gives consideration to maintaining a work-life balance. For example, many of its employees are of a child-raising age, and it makes it easy for them return to work after taking maternity leave. It also works to create an environment that is easy for employees to work in by taking into account factors such as working hours, while they also develop their careers.

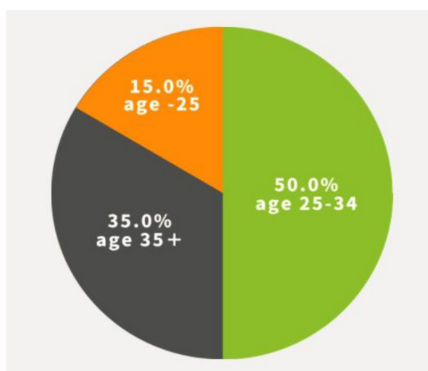
The Company has a history of more than 20 years since it was established, but its fully fledged expansion as an organization has only been in the last few years. The employees who are currently active in the field are young employees aged in their twenties and thirties who joined the Company in the last five years.

Features of the working environment

Focuses on a work-life balance because many employees are women



Young employees, who joined the Company for a career, are currently active



Source: The Company's website

We encourage readers to review our complete legal statement on "Disclaimer" page.

Strengths

Every year, the Great Place to Work® Institute Japan (GPTW Japan) announces the “best companies to work for” from among the Japanese companies that have reached a certain level from among the companies participating in its Best Companies Survey. In its ranking of best companies, it has selected the Company as a best company for three consecutive years, in 2017, 2018, and 2019.

Great Place to Work® is a specialist institute active in approximately 60 countries around the world that surveys and analyzes the “best companies to work for.” It announces the results to the leading media in each country, of those companies and organizations that it recognizes as having reached a certain level.

The impact of appointing Mr. Rodney Cuthbert as an outside director will be great

3. Mr. Rodney Cuthbert appointed as an outside director

The Company resolved to newly appoint Mr. Rodney Cuthbert as an outside director at the 29th Ordinary General Meeting of Shareholders held on March 28, 2019. If speaking from the conclusion, by appointing Mr. Cuthbert as an outside director, we can expect a further leap forward of the VELTRA brand, because in addition to having the work history of being a manager in companies in Europe and the United States and an extensive network in the travel industry, he possesses an abundance of experience and broad-ranging insights.

Mr. Cuthbert has had a glittering career so far. As well as being the founded of Viator Inc. (hereafter, Viator), which he founded in Sydney in 1995, he also worked as its Chairman and CEO. Viator launched the world’s first online tour reservation site specializing in local- experience tours, and since then, it has established a position as the market leader.

Viator was acquired by the travel industry major TripAdvisor Inc., in 2014, at which time Viator had grown to have more than 3 million site visitors and to list more than 20,000 kinds of local experience tours as its services. As a result of the efforts of Mr. Cuthbert, it realized alliances with the main travel brands, including Expedia, Booking.com, British Airways, and Lonely Planet. Currently, as a business section in TripAdvisor, Viator is generating annual net sales of more than US\$1 billion.

Mr. Cuthbert was also the Chairman and CEO of Rome2rio, an online travel company based in Melbourne, from 2012 to 2018. During that time, this company’s online traffic increased from 30,000 site visitors a month to more than 15 million visitors.

Mr. Cuthbert currently continues to be active in the industry, including being a speaker at the main international travel conferences like ARIVAL, WiT, and Phocuswright. He is also active as an investor in start-up companies, such as Magpie Travel.

Shareholder return policy

Is currently focusing on business growth

The Company is currently focusing on business growth, so it does not pay dividends. However, for its shareholder benefits program in the future, developments are expected through it utilizing its strength in local experience-type optional tours in 150 countries around the world.

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■ For inquiry, please contact: ■

FISCO Ltd.

5-11-9 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (Financial information Dept.)

Email: support@fisco.co.jp