



Consolidated Financial Results for the Second Quarter of Term Ending December 2019 (Based on J-GAAP)

August 13, 2019

Company name: VELTRA Corporation
Stock code: 7048

Listing: Tokyo Stock Exchange
URL <https://corp.veltra.com>

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Scheduled date to submit the Quarterly Securities Report: August 14, 2019

Scheduled date to commence dividend payments: —

Availability of supplementary briefing material on quarterly results: Available

Scheduled date of Quarterly Results Briefing Session: Scheduled (For institutional investors and analysts)

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of the Term Ending December 2019 (from January 1, 2019 to June 31, 2019)

(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 2019	1,934	—	432	—	387	—	263	—
Second quarter of the term ended December 2018	—	—	—	—	—	—	—	—

(Note) Comprehensive income: Second quarter of the term ending December 2019: 264 million yen (—%)

Second quarter of the term ended December 2018: — million yen (—%)

	Profit per share	Fully diluted profit per share
Second quarter of the term ending December 2019	Yen 9.24	Yen 8.86
Second quarter of the term ended December 2018		

(Note) The Company first initiated quarterly financial disclosure with the second quarter of the term ending December 2019 due to the listing of the Company's shares on the TSE Mothers exchange on December 25, 2018. No data are therefore stated for the second quarter of the term ended December 2018 and year-on-year changes against the second quarter of the term ending December 2019.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Second quarter of the term ending December 2019	6,145	1,804	29.4
Term ended December 2018	5,111	1,374	26.9

(Reference) Shareholders' equity: Second quarter of the term ending December 2019: 1,804 million yen

Term ended December 2018: 1,374 million yen

2. Dividends

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
Term ended December 2018	—	Yen 0.00	—	Yen 0.00	Yen 0.00
Term ending December 2019	—	Yen 0.00	—	—	—
Term ending December 2019 (forecasts)			—	0.00	0.00

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

3. Consolidated Forecasts for the Term Ending December 2019 (from January 1, 2019 to December 31, 2019)

(% indicates YoY changes)

	Operating revenue		Operating profit		Ordinary profit		Profit per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
Full year	4,371	29.6	800	91.9	729	128.5	502	61.6

(Note) Revisions of forecast of financial results from recently announced figures: Applicable

* Notes

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

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

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

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

- 1) Changes in accounting policies due to the revision of accounting standards: Not 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 2019	28,586,000 shares	Term ended December 2018	28,110,000 shares
Second quarter of the term ending December 2019	— shares	Term ended December 2018	— shares
Second quarter of the term ending December 2019	28,525,735 shares	Second quarter of the term ended December 2018	— 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

(Cautionary note on forward-looking statements)

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

◦Table of Contents of Appendix

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information	3
2. Quarterly Consolidated Financial Statements and Principal Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly consolidated statement of income	
Current consolidated second quarter.....	6
Quarterly consolidated statement of comprehensive income	
Current consolidated second quarter.....	7
(3) Quarterly consolidated statement of cash flows	8
(4) Notes on the Quarterly Consolidated Financial Statements.....	9
(Notes on the Going Concern Assumption)	9
(Notes on Significant Changes in the Amount of Shareholders' Equity)	9
(Additional Information)	9
(Segment Information)	9
(Significant subsequent events)	9

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

The operating environment in the period under review was in the international situation beset by risks to the global economy from the effects of trade friction and shifts in financial and capital markets. Even so, the Japanese economy proceeded on a moderate recovery backed by improved conditions for employment and household incomes as well as support from various public policy measures.

Against the backdrop of this economic condition, the travel industry was robust as the number of outbound Japanese travelers between January and June 2019 reached 9.54 million persons, up 8.6% compared with the same period of the previous year. Foreign travelers to Japan increased 4.6% compared with the same period of the previous year to 16.63 million, underscoring the continuing solid trend. (Source: Japan National Tourism Organization (JNTO)). Additionally, travelers across the world in 2018 reached 1.4 billion persons, up 6.0% compared with the same period of the previous year, and increasing trends of travelers in the future are expected (source: World Tourism Organization (UNWTO)).

In this business environment, Our Group, as an online travel agency (OTA) specialized in local experience tours, consists of (1) the "Overseas section" providing overseas travel services mainly for Japanese, (2) the "Inbound section" providing services for travelers visiting Japan, and (3) the "Global section" providing local services all over the world for global travelers, and each section of Our Group offered local experience tours for the target travelers of each section.

As a result, operating revenue in the period under review posted 1,934,856 thousand yen. Meanwhile, dividing the operating revenue by profit category, the Overseas section reported 1,819,546 thousand yen, the Inbound section reported 35,721 thousand yen, and the Global section reported 79,587 thousand yen.

Earnings marked operating profit of 432,734 thousand yen, with ordinary profit of 387,649 thousand yen and with 263,549 thousand yen in profit attributable to owners of parent. These results reflect strong reservation numbers amid a favorable trading environment thanks mainly to the Golden Week holiday as well as cost containment by efficient advertising, and the deferral of initially projected recruitment cost and personnel expenses to the second quarter and beyond.

Meanwhile, regarding local experience tours, because more travelers tend to fly in summer holidays between July and September when travelers can easily take a long period of holidays compared with other seasons, Our Group's operating revenue and profit are also likely to increase between July and September and tend to decrease in other seasons.

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

(2) Explanation of Financial Position

1) Assets, liabilities, and net assets

The Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc. (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from beginning of the consolidated first quarter. Regarding the financial position, comparison is made with previous year-end figures after retrospective application of the previous year-end figures regarding financial results.

(Current assets)

Current assets at the end of the period under review totaled 5,321,518 thousand yen, reflecting an increase of 1,009,330 thousand yen compared with the end of the previous fiscal year. This is mainly because of an increase of 806,698 thousand yen in cash and deposits and an increase of 168,265 thousand yen in trade accounts receivable.

(Non-current assets)

Non-current assets at the end of the period under review totaled 824,040 thousand yen, reflecting an increase of 24,904 thousand yen compared with the end of the previous fiscal year. This is mainly because of an increase of 33,705 thousand yen in software, an increase of 58,826 thousand yen in the software in progress, and a decrease of 68,366 thousand yen in investments and other assets.

(Current liabilities)

Current liabilities at the end of the period under review totaled 4,092,342 thousand yen, reflecting an increase of 702,884 thousand yen compared with the end of the previous fiscal year. This is mainly because of an increase of 50,115 thousand yen in trade accounts payable, an increase of 744,567 thousand yen in advances received, a decrease of 109,808 thousand yen in income taxes payable, and a decrease of 30,976 thousand yen in accounts payable - other.

(Non-current liabilities)

Non-current liabilities at the end of the period under review totaled 248,708 thousand yen, reflecting a decrease of 99,088 thousand yen compared with the end of the previous fiscal year. This is mainly because of a decrease of 98,998 thousand yen in long-term borrowings.

(Net assets)

Net assets at the end of the period under review totaled 1,804,508 thousand yen, reflecting an increase of 430,438 thousand yen compared with the end of the previous fiscal year. This is mainly because of an increase of 82,979 thousand yen in share capital and an increase of 82,979 yen in capital surplus due to new share issues by over-allotment, and an increase of retained earnings by reporting 263,549 thousand yen in profit attributable to owners of parent.

2) Cash flows

Cash and cash equivalents ("Cash") at the end of the period under review totaled 3,978,593 thousand yen, which is 807,704 thousand yen more than at the end of the previous fiscal year.

Cash flows in the period under review and their underlying factors developed as follows.

(Cash flows from operating activities)

Net cash provided by operating activities in the period under review totaled 962,115 thousand yen. Cash provided by operating activities comprised mainly 746,235 thousand yen in advances received and 387,649 thousand yen in profit before income taxes. Cash used in operating activities consisted of a 170,280 thousand yen increase in trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities in the period under review totaled 206,299 thousand yen. Cash used in investing activities comprised mainly 160,664 thousand yen in expenditure for the purchase of non-current assets.

(Cash flows from financing activities)

Net cash provided by financing activities in the period under review totaled 66,961 thousand yen. Cash provided by financing activities comprised mainly 165,959 thousand yen in proceeds from issuance of shares. Cash used in financing activities comprised mainly 98,998 thousand yen in expenditure for repayment of long-term borrowings.

(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information

Based on recent business performance trends, business results projections for the term ending December 2019 have been revised from the previous release of May 14, 2019. Details are set out in the "Notice on Variance Between Consolidated Results Projections and Actual Results for the Second Quarter of the Term Ending December 2019 and on Revised Results Projections for the Full Fiscal Year."

VELTRA Corporation (7048)
Consolidated Financial Results of the Second Quarter of the Term Ending December 2019

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous consolidated fiscal year (December 31, 2018)	Current consolidated second quarter (June 30, 2019)
Assets		
Current assets		
Cash and deposits	3,171,894	3,978,593
Trade accounts receivable	1,031,051	1,199,317
Other	109,241	143,607
Total current assets	<u>4,312,187</u>	<u>5,321,518</u>
Non-current assets		
Property, plant and equipment	32,307	33,046
Intangible assets		
Software	409,018	442,723
Software in progress	69,938	128,764
Other	216	216
Total intangible assets	<u>479,172</u>	<u>571,703</u>
Investments and other assets	<u>287,656</u>	<u>219,290</u>
Total non-current assets	<u>799,136</u>	<u>824,040</u>
Total assets	<u>5,111,324</u>	<u>6,145,558</u>
Liabilities		
Current liabilities		
Trade accounts payable	1,299,676	1,349,791
Current portion of long-term borrowings	197,996	197,996
Accounts payable - other	232,200	201,223
Income taxes payable	121,500	11,691
Advances received	1,304,392	2,048,960
Provision for point card certificates	142,996	167,546
Other	90,695	115,132
Total current liabilities	<u>3,389,457</u>	<u>4,092,342</u>
Non-current liabilities		
Long-term borrowings	347,511	248,513
Other	285	195
Total non-current liabilities	<u>347,796</u>	<u>248,708</u>
Total liabilities	<u>3,737,254</u>	<u>4,341,050</u>

VELTRA Corporation (7048)
Consolidated Financial Results of the Second Quarter of the Term Ending December 2019

(Thousands of yen)

	Previous consolidated fiscal year (December 31, 2018)	Current consolidated second quarter (June 30, 2019)
Net assets		
Shareholders' equity		
Share capital	441,030	524,009
Capital surplus	551,421	634,400
Retained earnings	404,975	668,525
Total shareholders' equity	1,397,426	1,826,935
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(2,939)	(3,009)
Foreign currency translation adjustment	(20,416)	(19,417)
Total accumulated other comprehensive income	(23,356)	(22,426)
Total net assets	1,374,070	1,804,508
Total liabilities and net assets	5,111,324	6,145,558

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Consolidated Financial Results of the Second Quarter of the Term Ending December 2019

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(Quarterly consolidated statement of income)

(Current consolidated second quarter)

(Thousands of yen)

Current consolidated second quarter (From January 1, 2019 to June 30, 2019)	
Operating revenue	1,934,856
Operating expenses	1,502,121
Operating profit	432,734
Non-operating income	
Interest income	91
Other	207
Total non-operating income	298
Non-operating expenses	
Interest expenses	1,634
Foreign exchange losses	43,662
Other	86
Total non-operating expenses	45,383
Ordinary profit	387,649
Profit before income taxes	387,649
Income taxes - current	5,184
Income taxes - deferred	118,915
Total income taxes	124,099
Profit	263,549
Profit attributable to owners of parent	263,549

VELTRA Corporation (7048)
Consolidated Financial Results of the Second Quarter of the Term Ending December 2019

(Quarterly consolidated statement of comprehensive income)

(Current consolidated second quarter)

(Thousands of yen)

Current consolidated second quarter (From January 1, 2019 to June 30, 2019)	
Profit	263,549
Other comprehensive income	
Deferred gains or losses on hedges	(69)
Foreign currency translation adjustment	999
Total other comprehensive income	929
Comprehensive income	264,479
(Comprehensive income attributable to)	
Comprehensive income attributable to owners of parent	264,479

VELTRA Corporation (7048)
Consolidated Financial Results of the Second Quarter of the Term Ending December 2019

(3) Quarterly consolidated statement of cash flows

(Thousands of yen)

Current consolidated second quarter (From January 1, 2019 to June 30, 2019)	
Cash flows from operating activities	
Profit before income taxes	387,649
Depreciation	72,289
Increase (decrease) in provision for point card certificates	24,717
Interest income	(91)
Interest expenses	1,634
Foreign exchange losses (gains)	10,834
Decrease (increase) in trade receivables	(170,280)
Decrease (increase) in other assets	(38,641)
Increase (decrease) in trade payables	54,852
Increase (decrease) in accounts payable - other	(38,422)
Increase (decrease) in advances received	746,235
Increase (decrease) in other liabilities	23,830
Other	1,293
Subtotal	1,075,900
Interest received	91
Interest paid	(1,534)
Income taxes paid	(112,342)
Net cash provided by (used in) operating activities	962,115
Cash flows from investing activities	
Proceeds from withdrawal of time deposits	1,005
Expenditure for purchase of non-current assets	(160,664)
Expenditure for payment of leasehold deposits	(46,640)
Net cash provided by (used in) investing activities	(206,299)
Cash flows from financing activities	
Expenditure for repayment of long-term borrowings	(98,998)
Proceeds from issuance of shares	165,959
Net cash provided by (used in) financing activities	66,961
Effect of exchange rate change on cash and cash equivalents	(15,072)
Net increase (decrease) in cash and cash equivalents	807,704
Cash and cash equivalents at beginning of period	3,170,888
Cash and cash equivalents at end of period	3,978,593

(4) Notes on the Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

The share capital and capital surplus of the Company increased by 82,667 thousand yen due to issuance of 468,000 new shares in connection with an over-allotment of a secondary distribution for a private placement with payment due date January 22, 2019.

Additionally, share capital and capital surplus increased by 312 thousand yen due to the exercise of stock warrants.

As a result, share capital and capital surplus at the end of the period under review amounted to respectively 524,009 thousand yen and 634,400 thousand yen.

(Additional Information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

Beginning with the period under review, the Company applies the "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc. (ASBJ Statement No. 28, February 16, 2018), such that deferred tax assets are presented under investments and other assets.

(Segment Information)

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

(Significant subsequent events)

(Establishment of important subsidiaries)

At the meeting of the board of the directors of the Company convened on July 12, 2019, it was resolved to establish together with 12CM.Inc ("12CM") a joint-venture company in the Republic of Korea.

1. Purpose of establishing a subsidiary

The Company has concluded a joint business agreement with 12CM, an IT company based in the Republic of Korea, under which the Company provides local experience tours and operating know-how and 12CM provides IT system development and system operations, etc. Since December 2017, a VELTRA branded website written in Hangul is in operation ("Korea Business").

The Korea Business has been developing steadily and continues to establish its business base. In order to further accelerate business progress, the Company has resolved to establish jointly with 12CM a joint venture company with a view to proactive marketing efforts geared at the Korean market and efficiency gains through system unification.

2. Outline of the subsidiary to be established

(1) Name: VELTRA KOREA Inc.

(2) Address: A-501, Silicon Park, 35, Pangyo-ro 255 Beon-gil, Bundanggu, Seongnam-si, Gyeonggi-do, Korea

(3) Representative: Seiryu Kou

(4) Business line: Operation of online and mobile platforms for the distribution of domestic and foreign travel products in Korea

(5) Capital: KRW 3,100 million

(6) Date of establishment: August 2019 (planned)

(7) Fiscal year end: December

(8) Investment ratios: Veltra Corporation 83.87%, 12CM.Inc 16.13%