



Consolidated Financial Results for the First Quarter of Term Ending December 2020 (Based on J-GAAP)

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Stock code: 7048

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Scheduled date of Quarterly Results Briefing Session: Not scheduled

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

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Term Ending December 2020 (from January 1, 2020 to March 31, 2020)

(1) Consolidated Results of Operations (cumulative)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First quarter of the term ending December 2020	782	(15.8)	(29)	—	(37)	—	(206)	—
First quarter of the term ended December 2019	929	—	240	—	214	—	146	—

(Note) Comprehensive income: First quarter of the term ending December 2020: -230 million yen (-%)

First quarter of the term ended December 2019: 149 million yen (-%)

	Profit per share	Fully diluted profit per share
	Yen	Yen
First quarter of the term ending December 2020	(7.17)	—
First quarter of the term ended December 2019	5.16	4.94

(Note) 1. The Company first initiated quarterly financial disclosure beginning with the first quarter of the term ended December 2019 due to the listing of the Company's shares on the TSE Mothers exchange on December 25, 2018. Changes in the first quarter of the term ended December 2019 compared with the same year-earlier period are therefore not stated.

2. Diluted profit per share for the first quarter of the term ending December 2020 is not stated, irrespective of the existence of dilutive shares, given that the period resulted in a net loss.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First quarter of the term ending December 2020	3,687	1,916	51.1
Term ended December 2019	6,424	2,125	32.5

(Reference) Shareholders' equity: First quarter of the term ending December 2020: 1,883 million yen

Term ended December 2019: 2,085 million yen

2. Dividends

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
Term ended December 2019	—	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Term ending December 2020	—				
Term ending December 2020 (forecasts)		0.00	—	0.00	0.00

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

3. Consolidated Forecasts for the Term Ending December 2020 (from January 1, 2020 to December 31, 2020)

Financial results projections for the term ending December 2020 have not been established as the uncertain effects of the new coronavirus outbreak on business activities render the preparation of plausible calculations impracticable at this time. Financial results projections will be disclosed promptly as data become available.

* Notes

(1) Significant changes of subsidiaries during the consolidated cumulative current quarter (changes in specific subsidiaries involving changes in the scope of consolidation): Applicable

New: 1 company (company name) LINKTIVITY Inc., Excluded: — (company name)

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Principal Notes (3) Notes on the Quarterly Consolidated Financial Statements (Significant changes of subsidiaries during the consolidated cumulative current quarter)" on page 7 of the appendix to this report.

(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)

First quarter of the term ending December 2020	28,882,500 shares	Term ended December 2019	28,621,000 shares
First quarter of the term ending December 2020	20 shares	Term ended December 2019	20 shares
First quarter of the term ending December 2020	28,797,281 shares	First quarter of the term ended December 2019	28,468,800 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

The Japanese economy in the period under review proceeded on a gradual recovery trend at the beginning of the year thanks to improvements in employment and household income environments. However, subsequently the outbreak of the new coronavirus ("COVID-19") caused a steep downturn in economic activity, leaving the outlook uncertain.

In these economic conditions, the travel industry contracted strongly as many countries imposed travel restrictions and curfews, causing the number of outbound Japanese travelers between January and March 2020 to shrink 39.6% from the same period of the previous fiscal year to 2.97 million. Likewise, the number of foreign visitors to Japan marked a steep decline from the same period of the previous fiscal year, falling 51.1% to 3.93 million (source: Japan National Tourism Organization (JNTO)). Although worldwide the number of tourists in 2019 rose 4.0% from the same period of the previous fiscal year to 1.46 billion, the impact of the COVID-19 outbreak is expected to cause a large decline in 2020 (source: United Nations 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. In January and February 2020, COVID-19 was beginning to have an impact, but operating revenue was higher than in the same period of the previous fiscal year. However, due to the worldwide spread of the infection since March, the number of reservations drastically decreased.

As a result, operating revenue in the period under review posted 782,743 thousand yen (-15.8% compared with the same period of the previous fiscal year). Operating revenue breaks down into 738,216 thousand yen at the Overseas section (-16.5% compared with the same period of the previous fiscal year), 17,325 thousand yen at the Inbound section (+36.5%), and 27,201 thousand yen at the Global section (-16.7%).

Financial results, reflecting in the main a significant fall in operating revenue caused by the COVID-19 outbreak, posted an operating loss of 29,649 thousand yen (compared with operating profit of 240,947 thousand yen in the same period of the previous fiscal year), with ordinary loss of 37,923 thousand yen (compared with ordinary profit of 214,094 thousand yen in the same period of the previous fiscal year), and net loss attributable to owners of the parent of 206,512 thousand yen (compared with net profit of 146,792 thousand yen for the same period of the previous fiscal year).

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

(Current assets)

Current assets at the end of the period under review totaled 2,906,774 thousand yen, reflecting a decrease of 2,584,609 thousand yen compared with the end of the previous fiscal year. This decrease was mainly due to 1,280,402 thousand yen lower cash and deposits and 1,277,876 thousand yen lower trade accounts receivable, accounting for the reduced number of reservations and a large number of cancellations following the COVID-19 outbreak.

(Non-current assets)

Non-current assets at the end of the period under review totaled 780,387 thousand yen, reflecting a decrease of 152,839 thousand yen compared with the end of the previous fiscal year. This decrease was mainly due to 155,612 thousand yen lower investments and other assets.

(Current liabilities)

Current liabilities at the end of the period under review totaled 1,670,574 thousand yen, reflecting a decrease of 2,478,327 thousand yen compared with the end of the previous fiscal year. This decrease was mainly due to 1,168,056 thousand yen lower trade accounts payable and 1,312,506 thousand yen lower advances received, accounting for the reduced number of reservations and a large number of cancellations following the COVID-19 outbreak.

(Non-current liabilities)

Non-current liabilities at the end of the period under review totaled 100,205 thousand yen, reflecting a decrease of 49,509 thousand yen compared with the end of the previous fiscal year. This is mainly because of a decrease of 49,499 thousand yen in long-term borrowings.

(Net assets)

Net assets at the end of the period under review totaled 1,916,381 thousand yen, reflecting a decrease of 209,612 thousand yen compared with the end of the previous fiscal year. Main factors comprised 10,198 thousand yen in capital from the issuance of new shares associated with the exercise of stock options, a 10,198 thousand yen increase in capital surplus, a 206,512 thousand yen decrease in retained earnings reflecting the period's net loss attributable to shareholders of the parent company, and a 15,136 thousand yen decrease in foreign currency translation adjustments.

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

Consolidated financial results projections for the term ending December 2020, as announced in the "Notice Concerning Revision of Earnings Forecast" released on March 23, 2020, have not been established given that the end of the COVID-19 infection spread is inestimable and the preparation of plausible calculations impracticable at this time. Financial results projections will be disclosed promptly as data become available.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous consolidated fiscal year (December 31, 2019)	Current consolidated first quarter (March 31, 2020)
Assets		
Current assets		
Cash and deposits	3,978,040	2,697,637
Trade accounts receivable	1,292,347	14,471
Other	220,995	194,664
Total current assets	5,491,383	2,906,774
Non-current assets		
Property, plant and equipment	148,467	137,852
Intangible assets		
Software	532,913	540,552
Software in progress	27,810	33,559
Other	216	216
Total intangible assets	560,940	574,327
Investments and other assets	223,819	68,206
Total non-current assets	933,226	780,387
Total assets	6,424,610	3,687,161
Liabilities		
Current liabilities		
Trade accounts payable	1,760,270	592,213
Current portion of long-term borrowings	197,996	197,996
Accounts payable - other	339,984	355,520
Income taxes payable	8,723	1,787
Advances received	1,569,244	256,737
Provision for point card certificates	176,728	199,967
Other	95,954	66,351
Total current liabilities	4,148,901	1,670,574
Non-current liabilities		
Long-term borrowings	149,515	100,016
Other	199	189
Total non-current liabilities	149,714	100,205
Total liabilities	4,298,616	1,770,779
Net assets		
Shareholders' equity		
Share capital	525,374	535,573
Capital surplus	635,765	645,964
Retained earnings	926,486	719,974
Treasury shares	(25)	(25)
Total shareholders' equity	2,087,600	1,901,485
Accumulated other comprehensive income		
Deferred gains or losses on hedges	580	-
Foreign currency translation adjustment	(2,722)	(17,858)
Total accumulated other comprehensive income	(2,141)	(17,858)
Non-controlling interests	40,535	32,755
Total net assets	2,125,994	1,916,381
Total liabilities and net assets	6,424,610	3,687,161

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

(Thousands of yen)

	Previous consolidated first quarter (From January 1, 2019 to March 31, 2019)	Current consolidated first quarter (From January 1, 2020 to March 31, 2020)
Operating revenue	929,213	782,743
Operating expenses	688,266	812,393
Operating profit (loss)	240,947	(29,649)
Non-operating income		
Interest income	88	106
Foreign exchange gains	-	92
Subsidy income	-	2,280
Other	87	136
Total non-operating income	175	2,615
Non-operating expenses		
Interest expenses	858	640
Foreign exchange losses	26,084	-
Compensation expenses	-	10,166
Other	86	83
Total non-operating expenses	27,029	10,890
Ordinary profit (loss)	214,094	(37,923)
Extraordinary losses		
Impairment loss	-	14,075
Total extraordinary losses	-	14,075
Profit (loss) before income taxes	214,094	(51,999)
Income taxes - current	3,615	3,081
Income taxes - deferred	63,685	157,028
Total income taxes	67,301	160,109
Profit (loss)	146,792	(212,109)
Loss attributable to non-controlling interests	-	(5,597)
Profit (loss) attributable to owners of parent	146,792	(206,512)

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

(Thousands of yen)

	Previous consolidated first quarter (From January 1, 2019 to March 31, 2019)	Current consolidated first quarter (From January 1, 2020 to March 31, 2020)
Profit (loss)	146,792	(212,109)
Other comprehensive income		
Deferred gains or losses on hedges	1,737	(580)
Foreign currency translation adjustment	1,078	(17,319)
Total other comprehensive income	2,815	(17,899)
Comprehensive income	149,608	(230,009)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	149,608	(222,229)
Comprehensive income attributable to non-controlling interests	-	(7,780)

(3) 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)

Not applicable.

(Significant Changes in Subsidiaries During the Consolidated Cumulative Current Quarter)

LINKTIVITY Inc. was newly established and included in the consolidation in the period under review. VELTRA KOREA Inc. is a specific subsidiary of the Company.

(Segment Information)

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

(Significant Subsequent Events)

(Conclusion of overdraft agreements)

At the Board of Directors meeting held on April 15, 2020, the Company resolved to conclude overdraft agreements as follows.

1. Purpose of concluding overdraft agreements

In order to prepare for the wider impact of the COVID-19 outbreak, the Company aims to secure readily available stable funding to strengthen the Company's liquidity and reinforce management stability.

2. Agreement provisions

Lender	MUFG Bank, Ltd.
Borrowing limit	1,000,000 thousand yen
Agreement date	April 2020
Agreement term	September 30, 2020 (automatic renewal every 6 months)
Loan interest rate	Base rate + spread

Lender	Sumitomo Mitsui Banking Corporation
Borrowing limit	500,000 thousand yen
Agreement date	April 2020
Agreement term	September 30, 2020
Loan interest rate	Base rate + spread

(Closure of some businesses)

At the Board of Directors meeting held on April 15, 2020, the Company resolved to close some of its businesses.

1. Businesses to be closed and reason of closure

The Company will close its "Global Business," which operates Veltra sites in English for audiences in English-speaking countries and Europe, etc., and its "Greater China Business," which operates sites in traditional Chinese for audiences in Hong Kong and Taiwan, etc.

The "Global Business" and "Greater China Business," with a view to global expansion, were aimed at achieving profitability under the medium-term management plan. However, the impact of the COVID-19 outbreak is expected to be prolonged, and it is anticipated that travel styles will change significantly also after COVID-19 has subsided. For this reason, with respect to certain businesses where adjustments to these changes have been judged impracticable, the Company has decided on their closure, in favor of a selective and focused investment stance. At present, the Company is implementing exhaustive cost reductions in preparation for the challenging times ahead, while starting with reforms to flexibly engage with new travel styles once COVID-19 has subsided.

2. Outline of businesses to be closed

(1) "Global Business"

1) Business line

BtoC business operations through VELTRA-brand websites operated in English for foreign visitors to Japan mainly from English-speaking countries in Europe and North America, etc.

2) Size of operations

Term ended December 2019: Operating revenue of 92,509 thousand yen

3) Employees belonging to the subject business and consolidated subsidiaries

The subject business is operated by a number of employees of the Company and employees of consolidated subsidiary VELTRA PHILIPPINES, INC. Associated with this business closure, a voluntary retirement scheme and negotiation-based terminations will be implemented at the operations concerned. In addition, the Company plans to close and retire the employees of VELTRA PHILIPPINES, INC., a consolidated subsidiary directly related to this business.

The subsidiary to be closed is outlined below.

Name	VELTRA PHILIPPINES, INC.
Location	#2202 107 The Peak, Leviste Street, Salcedo Village, Makati City, Philippines
Business line	Business site for customer services and information creation on posted products
Share capital	6,810 thousand Philippine pesos
Date of establishment	August 22, 2005
Equity interest	99.9%

The closure will affect 53 employees of the Company and consolidated subsidiaries. Except for employees related to other operations, staff reductions, etc., are implemented based on negotiated terminations.

(2) Greater China Business

1) Business line

BtoC business operations through VELTRA-branded websites operated in Chinese (traditional) targeting travelers from Hong Kong and Taiwan

2) Size of operations

Term ended December 2019: Operating revenue of 28,506 thousand yen

3) Employees belonging to the subject business

This business is operated by a number of employees of the Company. The closure will affect 6 employees engaged in the operations concerned. Except for employees related to other operations, staff reductions, etc., are implemented based on negotiated terminations.

3. Business closure schedule

Board resolution date: April 15, 2020

Business closure date: May 31, 2020 (scheduled)

4. Significant impact of the closures on business activities, etc.

The impact of the business closures on the financial results for the term ending December 2020 is currently under examination.

The impact of the business closures on business activities, etc., is insignificant.

3. Other

Important Events, Etc., Concerning the Going Concern Assumption

While in the previous fiscal year the Group recorded black figures for operating-, ordinary-, and net results, for the period under review the Group posted an operating loss of 29,649 thousand yen, an ordinary loss of 37,923 thousand yen, and a 206,512 thousand yen net loss attributable to owners of the parent, as the COVID-19 outbreak caused a sudden steep fall in operating revenues starting in March, in a sharp turn from operating revenues in January and February 2020 which were higher than in the same period of the previous fiscal year. Moreover, due to travel restrictions to destinations around the world, including countries visited by many Japanese tourists, the Company has currently no perspective on second-quarter operating revenue, with uncertain prospects for operating revenue from the third quarter onward due to the expected long-term impact of the COVID-19 outbreak on the real economy raising the possibility of significant operating-, ordinary-, and net losses.

While these events have created circumstances and conditions that may put the going concern assumption into doubt, the Company has in anticipation of these developments initiated measures to resolve the seriousness of the situation and improve operations.

1) Exhaustive cost reductions

As of the beginning of March 2020, when the global spread of COVID-19 became apparent, a Company-wide cost review was conducted, followed by a significant reduction in advertising costs. In addition, the Company is implementing sweeping cost reductions with expense cuts in excess of 1 billion yen compared with the previous fiscal year through exhaustive cost control measures such as reductions of executive compensation, suspension of bonus payments, suspension of new hiring, furloughing of employees, drastic reductions of travel-, meeting-, and entertainment expenses, as well as lower outsourcing fees and reviews of commission expenses.

2) Closure of some investment operations

Among the Group's investment operations, the Company has decided on the closure of the Global Business and Greater China Business in favor of a more selective and focused investment stance, as the COVID-19 outbreak is expected to cause significant delays compared with original plans, and based on the judgment that the subject operations' growth under the current plan will not be attainable. In this way, the Company will implement flexible organizational management and take measures for future cost reductions and rising profit margins when business conditions begin to recover.

3) Secure finance

As of the end of the first quarter of the term ending December 2020, the Company had cash and deposits of 2,697,637 thousand yen, reflecting sufficient funding to continue operations for the foreseeable future. Moreover, in addition to a pre-existing 500 million yen commitment line, the Company concluded overdraft agreements with its main transaction banks for a total amount of 1.5 billion yen, thereby securing readily available stable funding to strengthen the Company's liquidity and reinforce management stability, underscoring the Company's ability to maintain a sufficient level of operating funds for the Group's business also in the current business environment.

Based on the foregoing, in the judgment of the Company no significant uncertainty exists regarding the going concern assumption.