



Consolidated Financial Results for the Term Ended December 2020 (Based on J-GAAP)

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Scheduled date to submit the Annual Securities Report: March 25, 2021

Scheduled date to commence dividend payments: —

Availability of supplementary briefing materials on financial results: Available

Financial Results Briefing Session: Scheduled (For institutional investors and analysts)

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Term Ended December 2020 (January 1, 2020 to December 31, 2020)

(1) Consolidated Results of Operations

(% 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	%
Term ended December 2020	890	(79.5)	(1,333)	—	(1,250)	—	(1,547)	—
Term ended December 2019	4,351	29.0	844	102.5	768	140.8	521	67.6

(Note) Comprehensive income: Term ended December 2020: -1,581 million yen (—%)

Term ended December 2019: 536 million yen (75.4%)

	Profit per share	Fully diluted profit per share	Return on equity	Return on assets	Operating profit margin
	Yen	Yen	%	%	%
Term ended December 2020	(53.58)	—	(117.5)	(30.7)	(149.8)
Term ended December 2019	18.26	17.51	30.1	13.3	19.4

(Reference) Equity in earnings of affiliates: Term ended December 2020: -million yen

Term ended December 2019: -million yen

(Note) Diluted profit per share for the term ended December 2020 is not stated, irrespective of the existence of dilutive shares, given that the term resulted in a net loss.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Term ended December 2020	1,718	552	31.9	18.94
Term ended December 2019	6,424	2,125	32.5	72.86

(Reference) Shareholders' equity: Term ended December 2020: 547 million yen

Term ended December 2019: 2,085 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Term ended December 2020	(3,244)	(213)	417	917
Term ended December 2019	1,281	(491)	14	3,978

2. Dividends

	Annual dividends					Dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Term ended December 2019	—	0.00	—	0.00	0.00	—	—	—
Term ended December 2020	—	0.00	—	0.00	0.00	—	—	—
Term ending December 2021 (forecasts)	—	0.00	—	0.00	0.00		—	

3. Consolidated Forecasts for the Term Ending December 2021 (from January 1, 2021 to December 31, 2021)

Financial results projections for the term ending December 2021 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 period (changes in specific subsidiaries involving changes in the scope of consolidation): Yes

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

- (2) 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

Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury shares)	Term ended December 2020	28,934,700 shares	Term ended December 2019	28,621,000 shares
2) Total number of treasury shares at the end of the period	Term ended December 2020	97 shares	Term ended December 2019	20 shares
3) Average number of shares during the period (cumulative)	Term ended December 2020	28,879,352 shares	Term ended December 2019	28,562,056 shares

(Reference) Summary of non-consolidated results

Non-consolidated results for the term ended December 2020 (January 1, 2020 to December 31, 2020)

(1) Non-consolidated Results of Operations

(% indicates YoY changes)

	Operating revenue		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Term ended December 2020	954	(77.6)	(1,137)	—	(1,059)	—	(1,455)	—
Term ended December 2019	4,267	31.6	893	111.0	828	142.1	484	27.3

	Profit per share	Fully diluted profit per share
	Yen	Yen
Term ended December 2020	(50.39)	—
Term ended December 2019	16.96	16.27

(Note) Diluted profit per share for the term ended December 2020 is not stated, irrespective of the existence of dilutive shares, given that the term resulted in a net loss.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Term ended December 2020	1,628	492	30.0	16.88
Term ended December 2019	6,031	1,919	31.8	67.08

(Reference) Shareholders' equity: Term ended December 2020: 488 million yen
Term ended December 2019: 1,919 million yen

* The summary of financial results is not subject to audit by a certified public accountant or an audit corporation.

* Explanation for the appropriate use of performance forecasts and other special notes

Forward-looking statements such as business results projections set forth in this report have been prepared based on information available at the time of publication of this report and on certain assumptions judged to be reasonable. Note that actual business results, etc., may differ due to future uncertain factors.

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1. Summary of Results of Operations

(1) Summary of Results of Operations for the Period Under Review

The business environment in the period under review was impacted by the worldwide spread of the new coronavirus (hereafter, "COVID-19"), with no sign of an end to the pandemic and affected by a significant economic slowdown despite global efforts to reconcile COVID-19 countermeasures and economic activities. Japan showed signs of a temporary recovery in personal consumption after the state of emergency was lifted, but with the third wave of the COVID-19 spread continuing unabated, the outlook remains uncertain.

Under these economic conditions, the travel industry saw the number of Japanese departures in 2020 decrease 84.2% year-on-year to 3.17 million, while the number of foreign visitors to Japan declined 87.1% year-on-year to 4.11 million, reflecting the massive impact of the COVID-19 spread (Source: Japan National Tourism Organization (JNTO)).

In this business environment, the Group has traditionally been an online travel agent (OTA) company specializing in local experience tours, comprised of (1) an "Overseas section" that mainly provides services for Japanese overseas travelers, (2) an "Inbound section" that provides services for foreign tourists visiting Japan, and (3) a "Global section" that provides worldwide services for travelers around the globe. However, among these operations, the Greater China Business (the Chinese site), part of the "Inbound section," and the Global Business (the Veltra English site), part of the "Global section," were closed in May 2020 due to the deteriorated business environment in the wake of the COVID-19 pandemic. 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. Although domestic travel demand staged a gradual recovery after the lifting of the state of emergency, adverse conditions continue due to the ongoing restrictions on overseas travel and the resurgent infection spread.

As a result, operating revenue in the period under review posted 890,513 thousand yen (-79.5% compared with the same period of the previous fiscal year). Operating revenue breaks down into 829,352 thousand yen at the Overseas section (-79.7% compared with the same period of the previous fiscal year), 32,960 thousand yen at the Inbound section (-60.0%), and 28,200 thousand yen at the Global section (-84.0%).

Earnings posted an operating loss of 1,333,676 thousand yen (compared with operating income of 844,801 thousand yen in the same period of the previous fiscal year), an ordinary loss of 1,250,233 thousand yen (compared with ordinary profit of 768,789 thousand yen in the same period of the previous fiscal year), and a net loss attributable to owners of the parent company of 1,547,255 thousand yen (compared with a net profit of 521,510 thousand yen in the same period of the previous fiscal year). This result was due to a decline in reservations and a large number of cancellations which outpaced company-wide cost control reviews implemented in early March 2020 when the global spread of COVID-19 became apparent. These cost control reviews involved substantial operating expense reductions centering on advertising expenses, as well as cuts in corporate officers' compensation, suspension of bonus payments, and employee lay-offs, among other measures.

A segment breakdown has been omitted as travel-related businesses constitute the Group's sole business segment.

(2) Summary of Financial Position for the Period Under Review

(Current assets)

Consolidated current assets at the end of the period under review totaled 1,098,057 thousand yen, reflecting a decrease of 4,393,325 thousand yen compared with the end of the previous fiscal year. This decrease was mainly due to 3,060,705 thousand yen lower cash and deposits and 1,262,084 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)

Consolidated non-current assets at the end of the period under review totaled 620,026 thousand yen, reflecting a decrease of 313,200 thousand yen compared with the end of the previous fiscal year. This was mainly due to a decrease of 149,940 thousand yen in investments and other assets due to the reversal of deferred tax assets.

(Current liabilities)

Consolidated current liabilities at the end of the period under review totaled 1,136,339 thousand yen, reflecting a decrease of 3,012,562 thousand yen compared with the end of the previous fiscal year. This decrease was mainly due to 1,706,057 thousand yen lower trade accounts payable and 1,522,958 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)

Consolidated non-current liabilities at the end of the period under review totaled 29,371 thousand yen, reflecting a decrease of 120,343 thousand yen compared with the end of the previous fiscal year. This is mainly because of a decrease of 124,496 thousand yen in long-term borrowings.

(Net assets)

Consolidated net assets at the end of the period under review totaled 552,374 thousand yen, reflecting a decrease of 1,573,620 thousand yen compared with the end of the previous fiscal year. This decrease was mainly due to a drop in retained earnings owing to the recognition of a net loss of 1,547,255 thousand yen attributable to owners of the parent company.

(3) Summary of Cash Flows for the Period Under Review

Cash and cash equivalents ("Cash") at the end of the period under review decreased 3,060,705 thousand yen from the end of the previous fiscal year to 917,334 thousand yen.

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

(Cash flows from operating activities)

Net cash used in operating activities in the period under review was 3,244,881 thousand yen (compared with 1,281,998 thousand yen increase in the previous fiscal year). This was mainly due to (providing cash) a decrease in trade receivables of 1,259,617 thousand yen, and (using cash) a decrease in trade payables of 1,701,670 thousand yen, a decrease in advances received of 1,521,802 thousand yen, and a loss before income taxes of 1,438,690 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities in the period under review was 213,347 thousand yen (491,950 thousand yen in the previous fiscal year). This was due to expenditure of 213,347 thousand yen for the purchase of non-current assets.

(Cash flows from financing activities)

Net cash provided by financing activities in the period under review was 417,237 thousand yen (14,517 thousand yen in the previous fiscal year). Main factors were (providing cash) income of 611,743 thousand yen from short-term borrowings, income of 24,468 thousand yen from the issuance of shares, and (using cash) 197,996 thousand yen in expenditure mainly for the repayment of long-term borrowings.

(4) Outlook

Financial results projections for the term ending December 2021 (full-year) have not been established since a rational basis for results projections is unavailable at present due to the uncertain timing of an end to the COVID-19 pandemic and given that projections for a recovery of travel demand are elusive. Financial results projections will be disclosed promptly as data become available.

(5) Important Events, Etc., Concerning the Going Concern Assumption

While the Group in the previous fiscal year recorded black figures for operating-, ordinary-, and net income attributable to owners of parent, in the period under review the Group posted an operating loss of 1,333,676 thousand yen, an ordinary loss of 1,250,233 thousand yen, and a 1,547,255 thousand yen net loss attributable to owners of the parent. This result is due to the COVID-19 outbreak causing 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. In addition, although domestic travel demand saw a gradual recovery from October to November 2020, given the effects from continuing restrictions on overseas travel and the resurgent COVID-19 spread, at present the impact on the real economy is expected to be long-lasting. This environment creates uncertain conditions for the acquisition of operating revenues in fiscal year 2021 and beyond and entails conditions or circumstances that may raise material doubts about the going concern assumption.

Details are set forth in "3. Consolidated Financial Statements and Principal Notes (5) Notes on the Consolidated Financial Statements (Notes on the Going Concern Assumption)."

2. Fundamental Approach to the Selection of Accounting Standards

It has been a current policy of the Group to prepare consolidated financial statements in accordance with Japanese GAAP so as to enable comparability between different accounting periods and companies.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	Previous consolidated fiscal year (December 31, 2019)	Current consolidated fiscal year (December 31, 2020)
Assets		
Current assets		
Cash and deposits	3,978,040	917,334
Trade accounts receivable	1,292,347	30,262
Other	220,995	150,460
Total current assets	5,491,383	1,098,057
Non-current assets		
Property, plant and equipment		
Buildings	116,324	629
Tools, furniture and fixtures	86,699	65,062
Other	-	7,608
Accumulated depreciation	(54,556)	(55,257)
Total property, plant and equipment	148,467	18,043
Intangible assets		
Software	532,913	508,248
Software in progress	27,810	19,640
Other	216	216
Total intangible assets	560,940	528,104
Investments and other assets		
Deferred tax assets	158,961	2,581
Other	64,857	71,297
Total investments and other assets	223,819	73,878
Total non-current assets	933,226	620,026
Total assets	6,424,610	1,718,084

(Thousands of yen)

	Previous consolidated fiscal year (December 31, 2019)	Current consolidated fiscal year (December 31, 2020)
Liabilities		
Current liabilities		
Trade accounts payable	1,760,270	54,213
Short-term borrowings	-	611,384
Current portion of long-term borrowings	197,996	124,496
Accounts payable - other	339,984	76,469
Income taxes payable	8,723	1,397
Advances received	1,569,244	46,286
Provision for point card certificates	176,728	181,574
Other	95,954	40,516
Total current liabilities	4,148,901	1,136,339
Non-current liabilities		
Long-term borrowings	149,515	25,019
Deferred tax liabilities	199	248
Other	-	4,103
Total non-current liabilities	149,714	29,371
Total liabilities	4,298,616	1,165,710
Net assets		
Shareholders' equity		
Share capital	525,374	537,608
Capital surplus	635,765	648,173
Retained earnings	926,486	(620,768)
Treasury shares	(25)	(70)
Total shareholders' equity	2,087,600	564,943
Accumulated other comprehensive income		
Deferred gains or losses on hedges	580	-
Foreign currency translation adjustment	(2,722)	(16,966)
Total accumulated other comprehensive income	(2,141)	(16,966)
Share acquisition rights	-	4,397
Non-controlling interests	40,535	-
Total net assets	2,125,994	552,374
Total liabilities and net assets	6,424,610	1,718,084

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated statement of income)

(Thousands of yen)

	Previous consolidated fiscal year (From January 1, 2019 to December 31, 2019)	Current consolidated fiscal year (From January 1, 2020 to December 31, 2020)
Operating revenue	4,351,002	890,513
Operating expenses	3,506,200	2,224,189
Operating profit (loss)	844,801	(1,333,676)
Non-operating income		
Interest income	264	237
Subsidy income	855	108,171
Other	1,390	4,583
Total non-operating income	2,509	112,991
Non-operating expenses		
Interest expenses	2,973	2,810
Foreign exchange losses	70,804	86
Compensation expenses	-	10,166
Share issuance costs	-	16,357
Other	4,744	128
Total non-operating expenses	78,521	29,549
Ordinary profit (loss)	768,789	(1,250,233)
Extraordinary losses		
Impairment loss	118,290	140,823
Extra retirement payments	-	47,633
Total extraordinary losses	118,290	188,456
Profit (loss) before income taxes	650,498	(1,438,690)
Income taxes - current	59,451	6,314
Refund of income taxes	-	(36,696)
Income taxes - deferred	76,053	156,531
Total income taxes	135,504	126,149
Profit (loss)	514,993	(1,564,840)
Loss attributable to non-controlling interests	(6,516)	(17,585)
Profit (loss) attributable to owners of parent	521,510	(1,547,255)

(Consolidated statement of comprehensive income)

(Thousands of yen)

	Previous consolidated fiscal year (From January 1, 2019 to December 31, 2019)	Current consolidated fiscal year (From January 1, 2020 to December 31, 2020)
Profit	514,993	(1,564,840)
Other comprehensive income		
Deferred gains or losses on hedges	3,520	(580)
Foreign currency translation adjustment	17,694	(16,085)
Total other comprehensive income	21,214	(16,666)
Comprehensive income	536,208	(1,581,506)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	542,725	(1,562,079)
Comprehensive income attributable to non-controlling interests	(6,516)	(19,427)

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous consolidated fiscal year (From January 1, 2019 to December 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	441,030	551,421	404,975	-	1,397,426
Changes during period					
Issuance of new shares	82,667	82,667			165,335
Issuance of new shares - exercise of share acquisition rights	1,677	1,677			3,354
Profit attributable to owners of parent			521,510		521,510
Purchase of treasury shares				(25)	(25)
Net changes in items other than shareholders' equity					
Total changes during period	84,344	84,344	521,510	(25)	690,173
Balance at end of the period	525,374	635,765	926,486	(25)	2,087,600

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of the period	(2,939)	(20,416)	(23,356)	-	1,374,070
Changes during period					
Issuance of new shares					165,335
Issuance of new shares - exercise of share acquisition rights					3,354
Profit attributable to owners of parent					521,510
Purchase of treasury shares					(25)
Net changes in items other than shareholders' equity	3,520	17,694	21,214	40,535	61,750
Total changes during period	3,520	17,694	21,214	40,535	751,924
Balance at end of the period	580	(2,722)	(2,141)	40,535	2,125,994

Current consolidated fiscal year (From January 1, 2020 to December 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	525,374	635,765	926,486	(25)	2,087,600
Changes during period					
Issuance of new shares					
Issuance of new shares - exercise of share acquisition rights	12,234	12,234			24,468
Profit attributable to owners of parent			(1,547,255)		(1,547,255)
Purchase of treasury shares				(44)	(44)
Net changes in items other than shareholders' equity		173			173
Total changes during period	12,234	12,407	(1,547,255)	(44)	(1,522,657)
Balance at end of the period	537,608	648,173	(620,768)	(70)	564,943

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of the period	580	(2,722)	(2,141)	—	40,535	2,125,994
Changes during period						
Issuance of new shares						
Issuance of new shares - exercise of share acquisition rights						24,468
Profit attributable to owners of parent						(1,547,255)
Purchase of treasury shares						(44)
Net changes in items other than shareholders' equity	(580)	(14,243)	(14,824)	4,397	(40,535)	(50,788)
Total changes during period	(580)	(14,243)	(14,824)	4,397	(40,535)	(1,573,620)
Balance at end of the period	—	(16,966)	(16,966)	4,397	—	552,374

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year (From January 1, 2019 to December 31, 2019)	Current consolidated fiscal year (From January 1, 2020 to December 31, 2020)
Cash flows from operating activities		
Profit before income taxes	650,498	(1,438,690)
Depreciation	172,487	235,316
Impairment loss	118,290	140,823
Increase (decrease) in provision for point card certificates	33,815	5,035
Subsidy income	—	(108,171)
Extra retirement payments	—	47,633
Interest income	(264)	(237)
Interest expenses	2,973	2,810
Foreign exchange losses (gains)	321	8,492
Share-based remuneration expenses	—	4,397
Decrease (increase) in trade receivables	(261,014)	1,259,617
Decrease (increase) in other assets	(117,839)	120,674
Increase (decrease) in trade payables	460,602	(1,701,670)
Increase (decrease) in accounts payable - other	107,020	(263,704)
Increase (decrease) in advances received	265,109	(1,521,802)
Increase (decrease) in other liabilities	20,671	(64,043)
Other	3,685	3,206
Subtotal	1,456,358	(3,270,312)
Interest received	264	237
Interest paid	(2,763)	(2,863)
Proceeds from subsidy income	-	74,002
Extra retirement payments	-	(45,852)
Income taxes (paid) refund	(171,860)	(93)
Net cash provided by (used in) operating activities	1,281,998	(3,244,881)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	1,005	—
Purchase of non-current assets	(490,655)	(213,347)
Payments of leasehold deposits	(46,640)	—
Proceeds from refund of leasehold deposits	44,339	—
Net cash provided by (used in) investing activities	(491,950)	(213,347)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	611,743
Repayments of long-term borrowings	(197,996)	(197,996)
Proceeds from issuance of shares	168,689	24,468
Purchase of treasury shares	(25)	(44)
Proceeds from share issuance to non-controlling shareholders	43,850	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(20,943)
Net cash provided by (used in) financing activities	14,517	417,237
Effect of exchange rate change on cash and cash equivalents	2,586	(19,713)
Net increase (decrease) in cash and cash equivalents	807,151	(3,060,705)
Cash and cash equivalents at beginning of period	3,170,888	3,978,040
Cash and cash equivalents at end of period	3,978,040	917,334

(5) Notes on the Consolidated Financial Statements

(Notes on the Going Concern Assumption)

While the Group in the previous fiscal year recorded black figures for operating-, ordinary-, and net income attributable to owners of parent, in the period under review the Group posted an operating loss of 1,333,676 thousand yen, an ordinary loss of 1,250,233 thousand yen, and a 1,547,255 thousand yen net loss attributable to owners of the parent. This result is due to the COVID-19 outbreak causing 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. In addition, although domestic travel demand saw a gradual recovery from October to November 2020, given the effects from continuing restrictions on overseas travel and the resurgent COVID-19 spread, at present the impact on the real economy is expected to be long-lasting. This environment creates uncertain conditions for the acquisition of operating revenues in fiscal year 2021 and beyond and entails conditions or circumstances that may raise material doubts about the going concern assumption.

The Company, as the filing entity of the consolidated financial statements, will take the following measures to resolve the described situation.

1) Exhaustive cost reductions

At the beginning of March 2020, when the worldwide spread of COVID-19 became apparent, we reviewed company-wide costs and made significant reductions centered on advertising costs. In addition, as a result of exhaustive cost reductions such as cuts in corporate officers' compensation, suspension of bonus payments, and employee lay-offs, among other measures, operating expenses for the period under review decreased by 1,282,011 thousand yen from the previous year. Furthermore, we will implement additional cost controls, such as reducing office maintenance costs through the relocation of the head office function implemented in January 2021, so that our cost structure will be aligned with operating revenue also after fiscal year 2021.

2) Expansion of the business portfolio by establishing a new profit model

The Group owns a network of about 5,000 tour operators in Japan and overseas, built up over many years in the business of online sales of local experience tours, and offers over 15,000 high-quality activity products. Moreover, since the initiation of our operations, we have been striving to enhance customer satisfaction, resulting in a membership base of over 2 million people as of the end of December 2020. Going forward, by leveraging the full potential of assets such as our network with tour operators and our membership base, the Group will transcend the boundaries of travel operations through the transition to services utilizing technologies based on the concepts of "experience" and "interaction," and in this way will establish new earnings models. In addition, we will strive to improve the profitability of the entire Group by strengthening the domestic travel business, which is expected to see recovering travel demand in the near future, and by expanding the business portfolio, which thus far has consisted mainly of the overseas travel business.

3) Secure finance

Cash and deposits at the end of the period under review were 917,334 thousand yen, marking a decrease of 3,060,705 thousand yen from the end of the previous fiscal year, while net assets were 552,374 thousand yen, marking a decrease of 1,573,620 thousand yen from the end of the previous fiscal year. In light of this status, in September 2020, we utilized a previously contracted commitment line of 500,000 thousand yen, thus securing funds in the near term. Furthermore, in January 2021, we raised 1,508,800 thousand yen in capital through a private placement with the aim of preserving the soundness of our financial base while maintaining investments for business growth during the market recovery period after the end of the COVID-19 pandemic. Additionally, we maintain overdraft agreements totaling 1.6 billion yen with our principal transaction banks with whom we enjoy stable relationships and will remain engaged in discussions surrounding their continuous support. At the end of the period under review, unused borrowing facilities at our disposal consisted of 1.5 billion yen in overdraft agreements.

By implementing the above countermeasures, we will work to stabilize the business and financial sides of our operations, and strive to resolve and improve the current situation. As to the financial side, with the capital increase from the above-mentioned private placement, we took steps to maintain the soundness of our financial base above a fixed level. However, regarding the business side, there is continuing uncertainty as to when the COVID-19 pandemic will end, uncertainty over the extent of a recovery of travel business operating revenue, and uncertainty over the timing of a new revenue model taking hold. In light of this, taking into consideration that the implementation of countermeasures is still in progress, material uncertainties exist at present regarding the going concern assumption.

Notably, the consolidated financial statements have been prepared on a going-concern premise, and any effects of material uncertainties regarding the going concern assumption are not therein reflected.

(Additional Information)

(Impact of the COVID-19 spread on accounting estimates)

Due to the spread of COVID-19 pandemic, travel restrictions and lockdowns have been enforced in countries around the world, causing a decline in travel demand which has left the Group's operating revenue for the period under review at 890,513 thousand yen (-3,460,488 thousand yen compared with the previous fiscal year). Depending on when these restrictions will be lifted, we expect that the Group's business activities and business performance will continue to be affected.

Assuming no significant relaxation of overseas travel restrictions and continued uncertainty, the Group expects domestic travel to return to previous levels during 2021, while overseas travel is seen to gradually recover as cross-border traffic slowly resumes beginning in the latter half of 2021. Based on the above premises, it is assumed that the Group's business performance will recover to the level of 2019 during fiscal year 2023. Moreover, amid continuing controls on operating expenses, measures such as cost reductions and a selective and focused investment stance are expected to raise productivity, with operating income expected to recover faster than operating revenues.

Group reviews surrounding impairment losses on non-current assets and the recoverability of deferred tax assets during the period under review are based on calculations of future profits and cash flows premised on the assumptions set forth above. Impairment loss recognition on non-current assets has been judged unnecessary except for an impairment loss of 140,823 thousand yen recognized on non-current assets related to businesses determined to be discontinued, and non-current assets related to buildings and equipment of the former head office due to the transfer of head office functions. Regarding the recoverability of deferred tax assets, based on careful consideration, a corporate tax adjustment of 156,531 thousand yen was recognized due to the reversal of deferred tax assets.

Note that since the timing of the end of COVID-19 is uncertain, impairment losses on non-current assets may increase if the above assumptions cease to apply.

(Segment Information)

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

(Per Share Information)

	Previous consolidated fiscal year (From January 1, 2019 to December 31, 2019)	Current consolidated fiscal year (From January 1, 2020 to December 31, 2020)
Net assets per share	72.86 yen	18.94 yen
Net income (net loss) per share	18.26 yen	(53.58 yen)
Fully diluted profit per share	17.51 yen	— yen

(Note) 1. Diluted profit per share for the period under review is not stated, irrespective of the existence of dilutive shares, given that the period resulted in a net loss.

2. The basis for calculating profit per share and fully diluted profit per share is as follows.

	Previous consolidated fiscal year (From January 1, 2019 to December 31, 2019)	Current consolidated fiscal year (From January 1, 2020 to December 31, 2020)
Profit per share		
Profit (loss) attributable to owners of parent (thousand yen)	521,510	(1,547,255)
Amount not attributable to common shareholders (thousand yen)	—	—
Profit attributable to owners of parent related to common stock (thousand yen)	521,510	(1,547,255)
Average number of common shares during the period (shares)	28,562,056	28,879,398
Fully diluted profit per share		
Profit adjustment attributable to owners of parent (thousand yen)	—	—
Increase in the number of common shares (shares)	1,218,091	—
(Share acquisition rights)	1,218,091	—
Summary of dilutive shares not included in the calculation of fully diluted profit per share due to the absence of dilutive effects	—	—

(Significant Subsequent Events)

(New share issuance for private placement)

At the board of directors' meeting of the Company held on December 25, 2020, it was resolved to issue new shares to be allotted to OpenDoor Inc. as a private placement ("the private placement"). The allotment was paid in the full amount on January 12, 2021.

1. Summary of the private placement

- (1) Payment date: January 12, 2021
- (2) Number of new shares to be issued: 4,100,000 shares of common stock of the Company
- (3) Issue price: 368 yen per share
- (4) Total issue amount: 1,508,800,000 yen
- (5) Allocation amount to capital: 184 yen per share
- (6) Total allocation amount to capital: 754,400,000 yen
- (7) Offer or allotment method (allottee)

Allotted to OpenDoor Inc. by private placement.

(8) Use of funds

Funds are scheduled to be used in the main as product acquisition and development funds for the domestic travel business, development funds related to the promotion of digitalization such as last-minute local reservations, and repayment funds for borrowings to improve the financial base.

2. Change in the total number of issued shares and capital amount due to the private placement

- (1) Total number of issued shares before the capital increase: 28,934,700 shares
(capital amount before the capital increase: 537,608,820 yen)
- (2) Number of shares issued due to the capital increase: 4,100,000 shares
(capital increase amount: 754,400,000 yen)
- (3) Total number of issued shares after the capital increase: 33,034,700 shares
(capital amount after the capital increase: 1,292,008,820 yen)

(* 1) The total number of issued shares after the capital increase is the total number of issued shares as of December 31, 2020 plus the total number of issued shares due to the private placement.

(* 2) The amount of capital after the capital increase is the total amount of capital as of December 31, 2020 plus the amount of capital from the issuance of new shares for the private placement.