

Consolidated Financial Results for the First Quarter of Term Ending December 2022 (Based on J-GAAP)

May 12, 2022

Company name: VELTRA Corporation
Stock code: 7048 URL <https://corp.veltra.com>

Listing: Tokyo Stock Exchange

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Scheduled date to submit Quarterly Securities Report: Friday, May 13, 2022
Scheduled date to commence dividend payments: —
Availability of supplementary briefing material on quarterly results: Available
Scheduled date of Quarterly Results Briefing Session: Not scheduled

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(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Term Ending December 2022 (from January 1, 2022 to March 31, 2022)

(1) Consolidated Results of Operations (cumulative) (% indicates YoY changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
First quarter of the term ending December 2022	Millions of yen 139	% 168.6	Millions of yen (271)	% —	Millions of yen (218)	% —	Millions of yen (229)	% —
First quarter of the term ended December 2021	51	(93.4)	(348)	—	(385)	—	(400)	—

(Note) Comprehensive income: First quarter of the term ending December 2022: -203 million yen (-%)

First quarter of the term ended December 2021: -390 million yen (-%)

	Profit per share	Fully diluted profit per share
First quarter of the term ending December 2022	Yen (6.84)	Yen —
First quarter of the term ended December 2021	(12.31)	—

(Note) The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others have been applied from the beginning of the current fiscal year, and the figures for the fiscal year ended December 31, 2022 are after the application of these accounting standards.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
First quarter of the term ending December 2022	Millions of yen 2,094	Millions of yen 1,234	% 57.7
Term ended December 2021	1,870	1,175	61.4

(Reference) Shareholders' equity: First quarter of the term ending December 2022: 1,209 million yen

Term ended December 2021: 1,148 million yen

(Note) The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others have been applied from the beginning of the current fiscal year, and the figures for the fiscal year ended December 31, 2022 are after the application of these accounting standards.

2. Dividends

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
Term ending December 2021	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Term ending December 2022	—	—	—	—	—
Term ending December 2022 (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 2022 (from January 1, 2022 to December 31, 2022)

The earnings forecast for the fiscal year ending December 31, 2022 has not yet been determined due to the impact of COVID-19 on our business activities and the uncertainty it has caused. We will promptly disclose the earnings forecast when it becomes possible to do so.

* 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: — (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)	First quarter of the term ending December 2022	34,055,400 shares	Term ended December 2021	33,271,400 shares
2) Total number of treasury shares at the end of the period	First quarter of the term ending December 2022	97 shares	Term ended December 2021	97 shares
3) Average number of shares during the period (cumulative)	First quarter of the term ending December 2022	33,586,199 shares	Term ended December 2021	32,548,751 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

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.

o List of additional information

1. Qualitative information on current quarter accounts	2
(1) Description of operating results	2
(2) Financial Statement	2
(3) Information on future projections of consolidated results	3
2. Quarterly consolidated statements and principal notes	4
(1) Quarterly reconciliation of loans and borrowings	4
(2) Calculation of quarterly consolidated profit and loss and the calculation of benefits	5
Calculation of quarterly consolidated profit and loss	
First quarter cumulative period	5
Calculation of quarterly consolidated profits	
First quarter consolidated accrual period	6
(3) Notes to first quarter consolidated financial statements for consolidated first quarter.....	7
(Notes on the premise of continuing operations)	7
(Changes in accounting policies)	8
(Note on significant changes in the amount of the Company's capital)	8
(Additional information)	8
(Segmentation information)	8
(Important events)	8
3. Other	9
Important events related to the prerequisites for sustainable business.....	9

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the first quarter of the consolidated fiscal year under review, the Japanese economy continued to feel the impacts of COVID-19. In addition to the detection of the Omicron strain of the virus and the rise in prices due to the curbing of crude oil production increase in major oil-producing countries due to the continued tension regarding the situation in Ukraine, the future outlook continues to be uncertain.

The travel industry, the main industry of our business, continues to be significantly affected by COVID-19, with the number of Japanese departing Japan from January to March 2022 falling 96.1% to 190,000 compared to the same period in FY2019 before COVID-19. This result underscores the significant travel restrictions and curfews in many countries. The number of foreign visitors to Japan also decreased by 98.8% from the same period of FY2019 to 100,000, a significant drop similar to the number of outbound Japanese (Source: Japan National Tourism Organization (JNTO)). At this point in time, travel restrictions such as entry and exit bans and curfew restrictions are still in place in many countries around the world, and travelers continue to face difficulties in traveling, and the impact of COVID-19 both domestically and internationally is a situation that should be closely monitored.

VELTRA Group operates one of Japan's largest online travel services, specializing in the sale of tours in Japan and 150 countries around the world. (1) Online travel agent (OTA) business, which generates revenues from tour reservations made through the Group's online reservation sites for local experience tours ("VELTRA" in Japanese and "Hawaii Activities" in English, which specializes in Hawaii), and (2) IT infrastructure supply services for tourism-related businesses, which are provided by the consolidated subsidiary, LINKTIVITY Corporation.

In this business environment, the global spread of COVID-19 after March 2020 is still not expected to be resolved, and overseas travel restrictions are still in place, but travel demand in Japan is gradually recovering against the backdrop of progress in vaccination and the lifting of the emergency declaration and priority measures to prevent the spread of the disease.

As a result, operating revenue for the first quarter of the current fiscal year totaled 139,156 thousand yen (up 168.5% from the same period of the previous year). Looking at operating revenue by revenue category, the OTA business totaled 105,080 thousand yen (up 255.4% year-on-year), and the tourism IT business totaled 34,076 thousand yen (up 53.0% year-on-year).

As for profits, since March 2020, when the global spread of COVID-19 infection became apparent, we have been conducting a company-wide cost review and have been making efforts to thoroughly control costs, including drastic reductions in advertising expenses, reductions in executive compensation, and measures to reduce employee salaries. However, the number of travelers has not reached pre-COVID levels, and the Company recorded an operating loss of 271,633 thousand yen (operating loss of 348,150 thousand yen for the same period last year), ordinary loss of 218,725 thousand yen (ordinary loss of 385,617 thousand yen for the same period last year), net loss attributable to owners of the parent of 229,850 thousand yen (net loss attributable to owners of the parent of 400,689 thousand yen for the same period last year).

As the Group consists of a single segment of travel-related business, segment information is omitted.

(2) Explanation of Financial Conditions

(Current assets)

Current assets at the end of the first quarter of the current consolidated fiscal year were 1,676,401 thousand yen, an increase of 261,934 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a 200,873 thousand yen increase in cash and deposits.

(Fixed Assets)

Fixed assets at the end of the first quarter of the current consolidated fiscal year totaled 418,596 thousand yen, a decrease of 37,257 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 37,368 thousand yen in software amortization.

(Current Liabilities)

Current liabilities at the end of the first quarter of the current consolidated fiscal year were 860,010 thousand yen, an increase of 168,926 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a 59,585 thousand yen increase in operating accounts payable and a 136,366 thousand yen increase in advances received.

(Fixed Liabilities)

Noncurrent liabilities at the end of the first quarter totaled 64 thousand yen, down 3,493 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 3,496 thousand yen in provision for retirement benefits included in other long-term liabilities.

(Net Assets)

Net assets at the end of the first quarter of the current consolidated fiscal year were 1,234,922 thousand yen, an increase of 59,244 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 131,910 thousand yen in capital stock and capital surplus, respectively, as a result of the exercise of stock acquisition rights, and a decrease in retained earnings due to the net loss attributable to parent company shareholders of 229,850 thousand yen for the quarter.

(3) Explanation of consolidated earnings forecasts and other forward-looking information

The future remains uncertain due to a lack of clarity as to when COVID-19 will be adequately controlled. For this reason, the consolidated earnings forecast for the fiscal year ending December 31, 2022 remains undecided, as the timing of the convergence of COVID-19 is still unpredictable at this point, and it is difficult to calculate a reasonable earnings forecast. We will promptly disclose the forecast of operating revenues and other financial results as soon as they become possible.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	1,197,174	1,398,047
Trade accounts receivable	115,189	237,600
Other	102,102	40,752
Total current assets	<u>1,414,466</u>	<u>1,676,401</u>
Non-current assets		
Property, plant and equipment	17,924	16,424
Intangible assets		
Software	380,802	343,433
Software in progress	25,554	31,222
Other	216	216
Total intangible assets	<u>406,572</u>	<u>374,872</u>
Investments and other assets	31,356	27,299
Total non-current assets	<u>455,853</u>	<u>418,596</u>
Total assets	<u>1,870,320</u>	<u>2,094,997</u>
Liabilities		
Current liabilities		
Trade accounts payable	221,472	281,057
Current portion of long-term borrowings	25,019	-
Accounts payable - other	43,440	44,912
Income taxes payable	48,527	53,694
Advances received	129,361	265,727
Provision for point card certificates	186,811	40,712
Contract liabilities	-	146,936
Other	36,451	26,969
Total current liabilities	<u>691,084</u>	<u>860,010</u>
Total non-current liabilities	<u>3,557</u>	<u>64</u>
Total liabilities	<u>694,642</u>	<u>860,075</u>
Net assets		
Shareholders' equity		
Share capital	1,336,372	1,468,283
Capital surplus	1,585,238	1,717,148
Retained earnings	△1,778,132	△2,007,018
Treasury shares	△70	△70
Total shareholders' equity	<u>1,143,408</u>	<u>1,178,342</u>
Accumulated other comprehensive income		
Foreign currency translation adjustment	4,747	30,716
Total accumulated other comprehensive income	<u>4,747</u>	<u>30,716</u>
Share acquisition rights	15,820	16,114
Non-controlling interests	11,702	9,748
Total net assets	<u>1,175,678</u>	<u>1,234,922</u>
Total liabilities and net assets	<u>1,870,320</u>	<u>2,094,997</u>

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(Thousands of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Operating revenue	51,834	139,156
Operating expenses	399,984	410,790
Operating loss	△348,150	△271,633
Non-operating income		
Interest income	23	6
Subsidy income	13,697	-
Gain on investments in silent partnerships	-	50,970
Other	252	2,718
Total non-operating income	13,973	53,695
Non-operating expenses		
Interest expenses	1,133	29
Foreign exchange losses	979	471
Share issuance costs	49,325	-
Other	2	285
Total non-operating expenses	51,440	787
Ordinary loss	△385,617	△218,725
Extraordinary losses		
Extra retirement payments	13,961	-
Total extraordinary losses	13,961	-
Loss before income taxes	△399,579	△218,725
Income taxes - current	1,132	13,078
Income taxes - deferred	△22	-
Total income taxes	1,110	13,078
Loss	△400,689	△231,803
Loss attributable to non-controlling interests	-	△1,953
Loss attributable to owners of parent	△400,689	△229,850

(Quarterly Consolidated Statement of Income)

(Current Consolidated First Quarter)

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

(Thousands of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Loss	△400,689	△231,803
Other comprehensive income		
Foreign currency translation adjustment	9,777	25,969
Total other comprehensive income	9,777	25,969
Comprehensive income	△390,911	△205,834
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△390,911	△203,880
Comprehensive income attributable to non-controlling interests	-	△1,953

(3) Notes to Quarterly Consolidated Financial Statements

(4) Notes on Going Concern

Due to the spread of COVID-19 since March 2020, the Group's operating revenues have dropped significantly. As a result, in the previous consolidated fiscal year, the Company recorded an operating loss, ordinary loss, and net loss attributable to owners of the parent company for the second consecutive year. In the first quarter of the current consolidated fiscal year, the Company recorded an operating loss of 271,633 thousand yen, ordinary loss of 218,725 thousand yen, and net loss attributable to owners of the parent of 229,850 thousand yen due to continued restrictions on overseas travel and the spread of the Omicron strain of COVID-19. At this point, since the timing of the convergence of COVID-19 cannot be foreseen, there is uncertainty regarding the posting of operating revenues in the second quarter and beyond, and there are events or circumstances that may raise significant doubts about the premise of a going concern.

VELTRA Corporation, a company submitting quarterly consolidated financial statements, will take the following measures to resolve this situation.

① Thorough cost reduction

As of early March 2020, when the global spread of COVID-19 infection became apparent, we conducted a company-wide cost review, and in addition to relocating our head office functions and significantly reducing advertising expenses, we reduced executive compensation, suspended bonus payments, and reduced employee work hours. We will continue to implement additional cost controls to ensure that our cost structure is commensurate with our business.

② Expand business portfolio by establishing new revenue models

The Group has a network of approximately 5,000 tour operators in Japan and overseas, built up over many years of handling local experience tours online, and offers more than 15,000 high quality activity products. In addition, we have been striving to improve customer satisfaction since the start of our business, and as of March 31, 2022, we have a membership base of over 2 million people. Going forward, the Group will establish a new revenue model by transforming itself into a technology-based service based on "experience" and "exchange" beyond the framework of travel, by maximizing the use of its assets such as its network with tour operators and membership base. In addition, we will strive to implement measures to improve the profitability of the Group as a whole by strengthening the domestic travel business, for which a recovery in travel demand is expected soon, and by expanding our business portfolio, which has been dominated by the overseas travel business.

③ Securing Funds

Cash and deposits at the end of the first quarter of the current consolidated fiscal year totaled 1,398,047 thousand yen, an increase of 200,873 thousand yen from the end of the previous consolidated fiscal year, and net assets totaled 1,234,922 thousand yen, up 59,244 thousand yen from the end of the previous consolidated fiscal year. This was due to an increase of 131,910 thousand yen in capital stock and capital surplus, respectively, resulting from the exercise of stock acquisition rights to further strengthen the financial base.

Through the implementation of the above measures, we will work to resolve and improve the situation by stabilizing the business and financial aspects of the company. On the financial side, the aforementioned capital increase through third-party allotment has improved the financial base to a certain level. However, the timing of the convergence of COVID-19 remains uncertain, and unless the easing of restrictions on overseas travel is foreseen, the timing and degree of recovery in operating revenues from overseas experience tours, our main business, are highly uncertain. Since the establishment of a new profit model is still in the early stages of implementation, these measures are still in the process of being developed, and at this point, significant uncertainties regarding the premise of a going concern are recognized.

The quarterly consolidated financial statements are prepared on the premise of a going concern, and the effects of material uncertainties regarding the premise of a going concern are not reflected in these statements.

(Change in Accounting Policy)

(Application of Accounting Standard for Revenue Recognition)

The Company and its subsidiaries have adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others from the beginning of the first quarter of the current fiscal year, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services have been transferred to the customer.

Before the adoption of the new accounting standard, the Company recognized the future cost of redeeming points granted to customers as selling, general and administrative expenses and presented unused points as reserve for points on the balance sheet. The Company now separately recognizes points as goods or services to be delivered in the future and defers the transaction price allocated to the performance obligation of the rewards to be redeemed for points from revenue as, contract liabilities, and recognizes revenue in accordance with the customers' use of points.

As a result, operating revenue and operating expenses decreased by 2,334 thousand yen and 2,344 thousand yen, respectively, and operating loss, ordinary loss, and loss before income taxes and minority interests decreased by 10 thousand yen, respectively in the first quarter of the current fiscal year. In addition, the balance of retained earnings at the beginning of the period increased by 964 thousand yen.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to conform to the new presentation for the previous fiscal year.

In accordance with the transitional treatment prescribed in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information disaggregating revenue from contracts with customers for the first quarter of the previous fiscal year is not presented.

(Application of Accounting Standard for Measurement of Fair Value)

The Accounting Standard for Calculation of Fair Value (ASBJ Statement No. 30, July 4, 2019. Accounting Standard for Fair Value Calculation) and others are applied from the beginning of the first quarter of the current consolidated fiscal year, as stipulated in Paragraph 19 of the Accounting Standard for Fair Value Calculation and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). In accordance with the transitional treatment, the new accounting policies prescribed by the fair value accounting standard will be applied prospectively. This change has no impact on the quarterly consolidated financial statements.

(Notes in the event of significant changes in the amount of shareholders' equity)

Not applicable.

(Additional Information)

There are no new additional information or material changes to the assumptions of the effect on accounting estimates of the spread of COVID-19 described in (Critical Accounting Estimates) of the Annual Securities Report for the previous fiscal year.

(Segment Information)

I Three months ended March 31, 2021 (January 1, 2021 - March 31, 2021)

This information is omitted because the Group's only reporting segment is in the travel-related business.

II First quarter consolidated accrual period (from January 1, 2022 to March 31, 2022)

This information is omitted because the Group's only reporting segment is in the travel-related business.

(Significant Subsequent Events)

Not Applicable

3. Other

Significant events regarding premise of a going concern

Due to the spread of COVID-19 since March 2020, the Group's operating revenues have dropped significantly. As a result, in the previous consolidated fiscal year, the Company recorded an operating loss, ordinary loss, and net loss attributable to owners of the parent company for the second consecutive year. In the first quarter of the current consolidated fiscal year, the Company recorded an operating loss of 271,633 thousand yen, ordinary loss of 218,725 thousand yen, and net loss attributable to owners of the parent of 229,850 thousand yen due to continued restrictions on overseas travel and the spread of the Omicron strain of COVID-19. At this point, since the timing of the convergence of COVID-19 cannot be foreseen, there is uncertainty regarding the posting of operating revenues in the second quarter and beyond, and there are events or circumstances that may raise significant doubts about the premise of a going concern.

For details, please refer to 2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to Quarterly Consolidated Financial Statements (Notes on Going Concern Assumption).