

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

November 11, 2022

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 Scheduled date to submit Quarterly Securities Report: Friday, November 11, 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 Third Quarter of the Term Ending December 2022 (from January 1, 2022 to September 30, 2022)

(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	%
Third quarter of the term ending December 2022	771	117.0	(626)	—	(581)	—	(629)	—
Third quarter of the term ended December 2021	355	(57.7)	(834)	—	(842)	—	(884)	—

(Note) Comprehensive income: Third quarter of the term ending December 2022: -534 million yen (-%)

Third quarter of the term ended December 2021: -871 million yen (-%)

	Profit per share	Fully diluted profit per share
	Yen	Yen
Third quarter of the term ending December 2022	(18.31)	—
Third quarter of the term ended December 2021	(26.89)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Third quarter of the term ending December 2022	3,172	1,609	50.2
Term ended December 2021	1,870	1,175	61.4

(Reference) Shareholders' equity: Third quarter of the term ending December 2022: 1,591 million yen

Term ended December 2021: 1,148 million yen

2. Dividends

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Term ending December 2021	—	0.00	—	—	—
Term ending December 2022	—	—	0.00	—	—
Term ending December 2022(forecasts)	—	—	—	—	—

(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): 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: 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)

Third quarter of the term ending December 2022	35,514,400 shares	Term ended December 2021	33,271,400 shares
Third quarter of the term ending December 2022	97 shares	Term ended December 2021	97 shares
Third quarter of the term ending December 2022	34,371,418 shares	Third quarter of the term ending December 2021	32,897,978 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of operating results

During the first nine months of the current fiscal year, the Japanese economy is expected to recover as a result of various policies intended as countermeasures against the new coronavirus infection (hereinafter referred to as COVID-19). Nonetheless, the economic situation remained severe, as the downside risks increased due to the rising prices of raw materials and supply-side constraints caused by the weak yen and other factors amid global financial tightening.

In the travel industry, the focus of our services, the number of Japanese departing Japan from January to September 2022 increased 346.6% year-on-year to 1.61 million, against a backdrop of social conditions in which measures were taken to prevent the spread of COVID-19 infection and economic activities beginning to normalize. The number of Japanese entering Japan, which had been restricted due to the global expansion, increased markedly especially from July onward due to the accelerated global movement to ease or completely abolish restrictions. The number of foreign visitors to Japan also increased 438.5% year-on-year to 1.03 million, and with the resumption of unaccompanied package tours for foreign tourists from September and the abolition of the requirement to present negative certificates for vaccination recipients, the number of foreign visitors to Japan in September totaled 206,500, exceeding 200,000 for the first time since the reopening of entry to foreign nationals in March of this year. (Source: Japan National Tourism Organization (JNTO)).

The Group operates one of Japan's largest online travel services, specializing in the sale of tours in Japan and 150 countries around the world. The Group's business areas are classified into the following revenue categories: (1) Online booking sites for local experience tours operated by the Group (VELTRA, a Japanese-language site and Hawaii Activities in English), (2) Businesses that generate revenues outside of the OTA business, such as services that provide IT infrastructure for tourism-related businesses and the ticket platform business operated by consolidated subsidiary LINKTIVITY CORPORATION ("Tourism IT Business").

In this business environment, there were signs of resumption of overseas travel, such as the lowering of the infectious disease risk level that had been issued to various countries and the removal of the daily cap on the number of visitors to Japan as a move to ease waterfront measures against COVID-19 infection in Japan. The Japanese government's "Prefectural Citizens' Discount and Block Discount" program, which supports tourism, has led to an increase in demand for micro-tourism on a nationwide scale.

As a result, consolidated operating revenues for the third quarter of the current fiscal year totaled 771,809 thousand yen (up 117.0% from the same period of the previous year). Looking at operating revenue by revenue category, the OTA business posted 656,149 thousand yen (up 154.5% year-on-year) and the tourism IT business 115,659 thousand yen (up 18.2% year-on-year).

As for profits, since March 2020, when the worldwide spread of COVID-19 infection became apparent, we have conducted a company-wide cost review and have made efforts to thoroughly control costs by drastically reducing advertising expenses, reducing executive compensation, and responding to employee absences, etc. Although operating revenue recovered due to an increase in the number of reservations, operating losses amounted to 626,297 thousand yen (operating loss of 834,151 thousand yen for the same period last year), ordinary loss amounted to 581,777 thousand yen (ordinary loss of 842,709 thousand yen for the same period last year), and net loss attributable to owners of the parent amounted to 629,384 thousand yen (net loss attributable to owners of the parent of 884,612 thousand yen for the same period last year).

As our group consists of a single segment of travel-related business, segment information is omitted.

(2) Description of financial position

(Current assets)

Current assets at the end of the third quarter of the current consolidated fiscal year were 2,800,857 thousand yen, an increase of 1,386,390 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 1,064,495 thousand yen in cash and deposits.

(Fixed assets)

Fixed assets at the end of the third quarter of the current consolidated fiscal year totaled 371,639 thousand yen, a decrease of 84,213 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a 103,309 thousand yen decrease in software and a 5,842 thousand yen decrease in investments and other assets.

(Current liabilities)

Current liabilities at the end of the third quarter of the current fiscal year totaled 1,562,832 thousand yen, an increase of 871,748 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 440,823 thousand yen in operating accounts payable and 368,786 thousand yen in advances received, respectively.

(Long-term liabilities)

Noncurrent liabilities at the end of the third quarter amounted to 68 thousand yen, down 3,488 thousand yen from the end of the previous fiscal year.

(Net assets)

Net assets at the end of the third quarter were 1,609,595 thousand yen, an increase of 433,917 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 484,821 thousand yen in common stock and capital surplus, respectively, resulting from the issuance of new shares through third-party allotment, etc., and a decrease of 628,420 thousand yen in retained earnings, mainly due to the net loss attributable to parent company shareholders for the period.

(3) Explanation of future forecast information such as consolidated earnings forecasts

Although there are signs of a recovery in demand in the travel industry due to the success of the measures taken in response to COVID-19, the future of the economy is still uncertain due to the weak yen and inflationary pressures. Therefore, the consolidated earnings forecast for the fiscal year ending December 31, 2022 remains undecided, as it is difficult to make a reasonable earnings forecast. We will promptly disclose the forecast of operating revenues and other financial results as soon as it becomes possible to do so.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of December 31, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	1,197,174	2,261,670
Trade accounts receivable	115,189	493,664
Work in process	1,579	-
Other	100,523	45,522
Total current assets	1,414,466	2,800,857
Non-current assets		
Property, plant and equipment	17,924	19,125
Intangible assets		
Software	380,802	277,492
Software in progress	25,554	49,290
Other	216	216
Total intangible assets	406,572	326,999
Investments and other assets	31,356	25,514
Total non-current assets	455,853	371,639
Total assets	1,870,320	3,172,497
Liabilities		
Current liabilities		
Trade accounts payable	221,472	662,295
Current portion of long-term borrowings	25,019	-
Accounts payable - other	43,440	107,109
Income taxes payable	48,527	68,216
Advances received	129,361	498,147
Provision for point card certificates	186,811	40,925
Contract liabilities	-	154,969
Other	36,451	31,168
Total current liabilities	691,084	1,562,832
Non-current liabilities		
Total non-current liabilities	3,557	68
Total liabilities	694,642	1,562,901
Net assets		
Shareholders' equity		
Share capital	1,336,372	1,821,194
Capital surplus	1,585,238	2,070,059
Retained earnings	△1,778,132	△2,406,553
Treasury shares	△70	△70
Total shareholders' equity	1,143,408	1,484,629
Accumulated other comprehensive income		
Deferred gains or losses on hedges	-	53
Foreign currency translation adjustment	4,747	106,539
Total accumulated other comprehensive income	4,747	106,592
Share acquisition rights	15,820	13,166
Non-controlling interests	11,702	5,206
Total net assets	1,175,678	1,609,595
Total liabilities and net assets	1,870,320	3,172,497

(2) Consolidated Quarterly Statements of Income and Comprehensive Income
(Consolidated Quarterly Statements of Income)
(Third quarter consolidated cumulative period)

(Thousands of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Operating revenue	355,676	771,809
Operating expenses	1,189,827	1,398,106
Operating loss	△834,151	△626,297
Non-operating income		
Interest income	40	22
Subsidy income	40,810	-
Gain on investments in silent partnerships	-	50,970
Other	2,195	4,130
Total non-operating income	43,046	55,123
Non-operating expenses		
Interest expenses	1,556	29
Foreign exchange losses	723	10,247
Share issuance costs	49,325	-
Loss on retirement of non-current assets	-	301
Other	0	24
Total non-operating expenses	51,604	10,603
Ordinary loss	△842,709	△581,777
Extraordinary losses		
Extra retirement payments	14,074	-
Loss on liquidation of subsidiaries and associates	2,195	-
Total extraordinary losses	16,269	-
Loss before income taxes	△858,979	△581,777
Income taxes - current	25,486	54,104
Income taxes - deferred	146	-
Total income taxes	25,633	54,104
Loss	△884,612	△635,881
Loss attributable to non-controlling interests	-	△6,496
Loss attributable to owners of parent	△884,612	△629,384

(Quarterly Consolidated Statement of Comprehensive Income)
(Third quarter consolidated cumulative period)

(Thousands of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Loss	△884,612	△635,881
Other comprehensive income		
Deferred gains or losses on hedges	-	53
Foreign currency translation adjustment	13,578	101,792
Total other comprehensive income	13,578	101,845
Comprehensive income	△871,034	△534,035
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△871,034	△527,539
Comprehensive income attributable to non-controlling interests	-	△6,496

(3) Notes to Quarterly Consolidated Financial Statements
(Notes on Going Concern Assumption)
Not applicable.

(Changes in accounting policies)

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) 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 has been transferred to the customer.

As a result of this change, the amount of future costs incurred from the use of points granted to customers was recognized as "selling, general and administrative expenses" and unused points were presented as "provision for points" on the balance sheet before the adoption of the new accounting standard. The Company now separately recognizes points as goods or services to be delivered in the future, defers the transaction price allocated to the performance obligation for the rewards to be redeemed for the points as "contract liabilities" from revenue, and recognizes revenue in accordance with the customer's use of the points.

As a result, operating revenue and operating expenses decreased by 13,863 thousand yen and 13,916 thousand yen, respectively, and operating loss, ordinary loss, and loss before income taxes and minority interests decreased by 54 thousand yen, respectively, for the third 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 reflect the new presentation for the previous consolidated 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), the Company has not presented information that breaks down revenue from contracts with customers for the third quarter of the previous fiscal year. Information that disaggregates revenue 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. Hereinafter referred to as "Accounting Standard for Calculation of Fair Value") are applied from the beginning of the first quarter of the fiscal year ending March 31, 2013. 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 on significant changes in the amount of shareholders' equity)

The Company issued the 6th and 7th series of stock acquisition rights on December 2, 2021. During the third quarter of the current consolidated cumulative period, capital stock and capital surplus increased by 484,821 thousand yen each due to the exercise of the 6th series of stock acquisition rights. As a result, capital stock and capital surplus amounted to 1,821,194 thousand yen and 2,070,059 thousand yen, respectively, at the end of the third quarter of the current fiscal year.

(Additional Information)

(The impact of the COVID-19 on accounting estimates)

The impact of the COVID-19 on accounting estimates is based on the status of travel restrictions, curfews in countries around the world and travel demand forecasts. Travel demand forecasts are based on the recovery outlook for global air travel demand published by the International Air Transport Association (IATA).

IATA has announced its forecast for the future recovery of global air travel demand, with global air passengers in 2022 expected to increase by approximately 70% year-on-year to 3.8 billion (a recovery to 80% of the pre-COVID-19 level). In addition, the number of airline seats to/from Japan is returning to the pre-COVID-19 level, and we are confident that the capacity for overseas travel will increase, and we expect a steady recovery in our group's bookings and revenues.

Taking the above into account, we assume that the Group's operating revenues will recover to 2019 levels by the end of FY2024.

(Segment Information)

I Nine months ended September 30, 2021 (January 1, 2021 through September 30, 2021)

This information is omitted because the Group has only one segment, travel-related business.

II Nine months ended September 30, 2022 (January 1, 2022 through September 30, 2022)

Information is omitted because the Group's only reporting segment is travel-related business.

(Significant Subsequent Events)

Not applicable.