

Consolidated Financial Results for the Third Quarter of Term Ending December 2023 (Based on J-GAAP)

November 14, 2023

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Scheduled date to submit Quarterly Securities Report: Friday, November 14, 2023

Scheduled date to commence dividend payments: —

Availability of supplementary briefing material on quarterly results: Available

Scheduled date of Quarterly Results Briefing Session: Not scheduled

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter of the Term Ending December 2023 (from January 1, 2023 to September 30, 2023)

(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 2023	2,228	188.8	(84)	—	(133)	—	(172)	—
Third quarter of the term ended December 2022	771	117.0	(626)	—	(581)	—	(629)	—

(Note) Comprehensive income: Third quarter of the term ending December 2023: -96 million yen (-%)

Third quarter of the term ended December 2022: -534 million yen (-%)

	Profit per share	Fully diluted profit per share
	Yen	Yen
Third quarter of the term ending December 2023	(4.84)	—
Third quarter of the term ended December 2022	(18.31)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Third quarter of the term ending December 2023	6,837	1,289	18.4
Term ended December 2022	4,051	1,381	33.4

(Reference) Shareholders' equity: Third quarter of the term ending December 2023: 1,259 million yen

Term ended December 2022: 1,354 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 2022	—	0.00	—	0.00	0.00
Term ending December 2023	—	0.00	—		
Term ending December 2023(forecasts)				0.00	0.00

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

3. Consolidated Forecasts for the Term Ending December 2023 (from January 1, 2023 to December 31, 2023)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	3,420	294.0	(103)	—	(139)	—	(189)	—	(5.35)

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

* Notes

- (1) Significant changes of subsidiaries during the consolidated cumulative current quarter (changes in specific subsidiaries involving changes in the scope of consolidation): Not applicable
New: — (company name) , Excluded: — (company name)
- (2) Adoption of specific accounting treatments to the preparation of consolidated quarterly financial statements: Not applicable
- (3) Changes in accounting policies, changes in accounting estimates and restatements
- 1) Changes in accounting policies due to the revision of accounting standards: 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 2023	35,580,100 shares	Term ended December 2022	35,517,500 shares
Third quarter of the term ending December 2023	97 shares	Term ended December 2022	97 shares
Third quarter of the term ending December 2023	35,562,576 shares	Third quarter of the term ending December 2022	34,371,418 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) Business Performance

In the context of the cumulative period of the third quarter in our country's economy, amid expectations of economic recovery due to the transition of COVID-19 to the same category as seasonal influenza on May 8, there are factors such as the suppression of crude oil production by major oil-producing countries and the rise in prices due to the uncertain depreciation of the yen, similar to the second quarter. On the other hand, there is an anticipation of improvement in income and mindset as a result of accumulated savings and the increase in the minimum wage during the pandemic, leading to recovery. (Source: Mitsubishi Research Institute, "Outlook for the Post-COVID World and the Japanese Economy")

In the travel industry, which is the target of our services, the impact of the widespread infection of COVID-19 has been significant. However, with the lifting of travel restrictions in Japan on April 29 and the approaching summer vacation season, the number of Japanese nationals departing for overseas travel from January to September 2023 increased by 316.7% compared to the same period in 2022, reaching 6.71 million people. This substantial increase is attributed to the recovery of international scheduled flights to 60% of pre-pandemic levels as of the summer schedule, and the continued increase and resumption of flights, especially in East Asia. Looking at specific regions, there is a noticeable increase in visitors from Southeast Asia, including Singapore, and a significant recovery surpassing the levels of the same month in 2019 in regions such as the United States, Canada, and others in Europe, America, Australia, and the Middle East. The number of foreign visitors to Japan reached 17.37 million, showing a remarkable 1,588.9% increase compared to the same period in the previous year, surpassing the number of departing Japanese nationals and approaching the pre-COVID-19 expansion records. (Source: Japan National Tourism Organization (JNTO)). In addition, for domestic travel, the extension of the "National Travel Support" program, which started in October 2022 under the With Covid policy, was announced to continue until December 27, 2023. This, combined with the overlap of the summer vacation season, has led to a significant recovery trend, with some prefectures continuing and others resuming support.

Our group operates Japan's largest online travel service specializing in the sale of local experience tours in approximately 150 countries worldwide. The business domain classifies travel-related activities into revenue segments, consisting of: 1. Online Travel Agency (OTA) Business—this segment involves earning revenue through the online reservation of tours on our group-operated local experience tour online booking sites. These include the Japanese site "VELTRA" and the English site "Hawaii Activities," which is specialized in tours in Hawaii. 2. Tourism IT Business—apart from the OTA business, our group generates revenue through services that supply IT infrastructure to tourism-related businesses. This includes services provided to tourism-related businesses and the ticket platform business operated by our consolidated subsidiary, Linktivity Corporation. These two segments, the OTA business and the Tourism IT business, constitute the revenue streams of our group in the field of travel-related activities.

In the current business environment, as we navigate the post-COVID era and return to normalcy, the third quarter has witnessed a notable recovery in demand, driven by the summer vacation season and the heightened travel mindset spurred by the last-minute rush for the "National Travel Support" program, both domestically and internationally. With a substantial increase in inbound travelers to Japan, our consolidated subsidiary, Linktivity Corporation, has experienced significant growth in the handling volume of the ticket platform business due to the increased number of bookings. Additionally, VELTRA STORE, our e-commerce site integrated in September 2022, has demonstrated robust sales, and our Ticket sales service, under strategic partnerships, has initiated API integration with Asobu Co., Ltd. since February, Good Fellows Co., Ltd. since July, and a business partnership with Jetstar Japan Co., Ltd. in July, aiming to expand our sales channels. In this evolving travel landscape, we have set the goal of reaching "1 million VELTRA Fans (customers who use our services twice a year or more)" and are reinforcing our product offerings for both international and domestic markets, including inbound travel.

As a result, the operating revenue for the cumulative period of the third quarter reached 2,228,640 thousand yen, marking an increase of 188.8% compared to the same period last year. Breaking down the operating revenue by revenue segments, the OTA business contributed 1,805,166 thousand yen, reflecting a 175.1% increase compared to the previous year, while the Tourism IT business amounted to 423,474 thousand yen, representing a 266.1% increase over the same period last year.

Regarding profits, while not reaching pre-pandemic levels, the financial results for the third quarter have turned positive, marking the first profitable quarter since the fourth quarter of 2019. There are promising signs on the horizon. Since the third quarter of 2022, we have been investing in the expansion of personnel and strengthening advertising efforts to acquire revenue in response to the recovery in travel demand. As a result, the operating loss is 84,681 thousand yen (compared to an operating loss of 626,297 thousand yen in the same period last year), ordinary loss is 133,673 thousand yen (compared to an ordinary loss of 581,777 thousand yen in the same period last year), and the quarterly net loss attributable to the parent company's shareholders is 172,073 thousand yen (compared to a quarterly net loss attributable to the parent company's shareholders of 629,384 thousand yen in the same period last year). The profit and loss situation has significantly improved compared to the same period last year.

Furthermore, as our group operates within a single segment of the travel-related business, specific details for individual segments are omitted.

(2) Description of financial position

(Current assets)

As of the end of the third quarter consolidated accounting period, current assets increased by 2,562,645 thousand yen compared to the end of the previous consolidated fiscal year, reaching 6,241,597 thousand yen. This is primarily attributed to an increase in cash and deposits by 1,122,418 thousand yen and an increase in trade receivables by 1,246,096 thousand yen.

(Fixed assets)

As of the end of the third quarter consolidated accounting period, fixed assets increased by 223,351 thousand yen compared to the end of the previous consolidated fiscal year, totaling 596,343 thousand yen. This increase is mainly attributed to a rise of 215,323 thousand yen in investments and other assets.

(Current liabilities)

As of the end of the third quarter consolidated accounting period, current liabilities increased by 2,877,938 thousand yen compared to the end of the previous consolidated fiscal year, reaching 5,548,680 thousand yen. This is primarily attributed to increases in trade payables by 1,620,112 thousand yen and advances received by 1,162,019 thousand yen.

(Fixed liabilities)

As of the end of the third quarter consolidated accounting period, fixed liabilities increased slightly to 70 thousand yen compared to the end of the previous consolidated fiscal year.

(Net assets)

As of the end of the third quarter consolidated accounting period, net assets decreased by 91,942 thousand yen compared to the end of the previous consolidated fiscal year, totaling 1,289,190 thousand yen. This decrease is primarily attributed to a reduction of 172,073 thousand yen in retained earnings due to the recognition of quarterly net losses attributable to the parent company's shareholders.

(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, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	2,799,164	3,921,582
Trade accounts receivable	820,544	2,066,640
Other	59,243	253,374
Total current assets	3,678,951	6,241,597
Non-current assets		
Property, plant and equipment	21,747	32,407
Intangible assets		
Software	239,995	243,708
Software in progress	78,178	71,832
Other	216	216
Total intangible assets	318,389	315,756
Investments and other assets	32,855	248,179
Total non-current assets	372,992	596,343
Total assets	4,051,944	6,837,940
Liabilities		
Current liabilities		
Trade accounts payable	1,219,424	2,839,537
Short-term borrowings	500,000	500,000
Accounts payable - other	85,935	187,713
Income taxes payable	74,711	42,371
Advances received	514,942	1,676,961
Provision for point card certificates	41,515	41,573
Contract liabilities	160,923	156,027
Other	73,292	104,496
Total current liabilities	2,670,745	5,548,680
Non-current liabilities		
Total non-current liabilities	66	70
Total liabilities	2,670,811	5,548,750
Net assets		
Shareholders' equity		
Share capital	1,821,276	1,823,717
Capital surplus	2,060,164	2,062,606
Retained earnings	△2,571,615	△2,743,688
Treasury shares	△70	△70
Total shareholders' equity	1,309,754	1,142,564
Accumulated other comprehensive income		
Deferred gains or losses on hedges	△776	1,227
Foreign currency translation adjustment	45,491	115,718
Total accumulated other comprehensive income	44,714	116,945
Share acquisition rights	12,370	12,370
Non-controlling interests	14,293	17,310
Total net assets	1,381,132	1,289,190
Total liabilities and net assets	4,051,944	6,837,940

(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, 2022	Nine months ended September 30, 2023
Operating revenue	771,809	2,228,640
Operating expenses	1,398,106	2,313,322
Operating loss	△626,297	△84,681
Non-operating income		
Interest income	22	26
Gain on investments in silent partnerships	50,970	-
Other	4,130	651
Total non-operating income	55,123	677
Non-operating expenses		
Interest expenses	29	1,813
Foreign exchange losses	10,247	46,137
Loss on retirement of non-current assets	301	-
Other	24	1,717
Total non-operating expenses	10,603	49,669
Ordinary loss	△581,777	△133,673
Loss before income taxes	△581,777	△133,673
Income taxes - current	54,104	35,382
Total income taxes	54,104	35,382
Loss	△635,881	△169,056
Profit (loss) attributable to non-controlling interests	△6,496	3,017
Loss attributable to owners of parent	△629,384	△172,073

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

(Thousands of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Loss	△635,881	△169,056
Other comprehensive income		
Deferred gains or losses on hedges	53	2,004
Foreign currency translation adjustment	101,792	70,227
Total other comprehensive income	101,845	72,231
Comprehensive income	△534,035	△96,824
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△527,539	△99,841
Comprehensive income attributable to non-controlling interests	△6,496	3,017

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Changes in accounting policies)

(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)

Not applicable.

(Additional Information)

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

There have been no significant changes to the disclosure concerning the impact of COVID-19 in the additional information section of the consolidated financial statements for the previous fiscal year.

(Segment Information)

I Previous consolidated Third quarter (from January 1, 2022 to September 30, 2022)

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

II Current consolidated Third quarter (from January 1, 2023 to September 30, 2023)

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

(Significant Subsequent Events)

Not applicable.