

# VELTRA Corporation

7048

Tokyo Stock Exchange Growth Market

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## Summary

### **Growth in LINKTIVITY thanks to active inbound tourism, while overseas travel business sees double-digit growth in revenue. Operating loss contracts despite active investment in advertising**

VELTRA Corporation <7048> (hereafter, also “the Company”) manages VELTRA, Japan’s largest online reservation website specializing in local-experience optional tours. The Company achieved growth as a specialty reservation site for experience-type optional tours worldwide by focusing on what can be experienced at travel destinations and reaping the benefits of expanded use of online services and increased demand for individualized travel. It adopted the VELTRA name to communicate that “VELTRA changes TRAVEL” by sharing information on experiences that are possible at destinations (in other words, altering the definition of travel to seeking destinations based on the experiences they offer).

#### **1. Overview of the 1H FY12/24 results**

In the 1H FY12/24 consolidated results, operating revenue increased by 56.8% year on year (YoY) to ¥1,815mn, while the operating loss was ¥197mn (loss of ¥203mn in the same period of the previous fiscal year). With travel demand recovering in stages, all businesses with the exception of HawaiiActivities (overseas travel business, domestic travel business, tourism IT business) recorded double-digit growth in revenue YoY to contribute to topline expansion on a consolidated basis. In particular, the inbound market was buoyant, and operating revenue from LINKTIVITY grew by 60.7%. Record-setting yen depreciation helped increase inbound travelers in the first half by 65.9% YoY to 17,777,200 people, a new record high, and expanding transaction volume while focusing on developing new suppliers and sales channels contributed to the growth in performance. Also, operating revenue in the overseas sales business increased by 77.0% YoY. Due to the protracted weak yen and inflation, the number of outbound Japanese tourists remained lower than before the pandemic, but steadily increasing product volume and the number of reservations contributed to topline growth. On the profit front, there was an operating loss, but the margin of loss was smaller than 1H in the previous fiscal year. This mainly reflected efforts to restrict growth in operating expenses compared to topline growth, even while making active investments in advertising to raise brand awareness.

#### **2. FY12/24 results forecasts**

For the FY12/24 consolidated results forecasts, the Company is expecting operating revenue to increase by 76.4% YoY to ¥5,468mn and operating profit to be ¥350mn (loss of ¥89mn in the previous fiscal year). Having made it through the survival phase during the pandemic, the Company sees FY12/24 as its first fiscal year of sustained growth beyond pre-pandemic levels. While accelerating growth investment to expand the business and raise recognition, the Company is expecting to achieve operating revenue beyond pre-pandemic levels by generating revenue based on a rebuilt and reinforced post-pandemic business portfolio. Regarding profits, the Company is expecting a turn to profitability. While ramping up growth investment to strengthen the foundation for achieving sustained growth, the Company plans to generate profit by achieving record-high operating revenue, more than enough to absorb cost increases. As of the end of 1H, the Company has not revised its full-term results forecasts. However, impacted by record-setting yen depreciation, the recovery in the overseas travel market is proceeding slower than expected. Amid this, moving toward the end of the fiscal year, the Company plans to carry out appropriate cost controls depending on the situation with the top line.

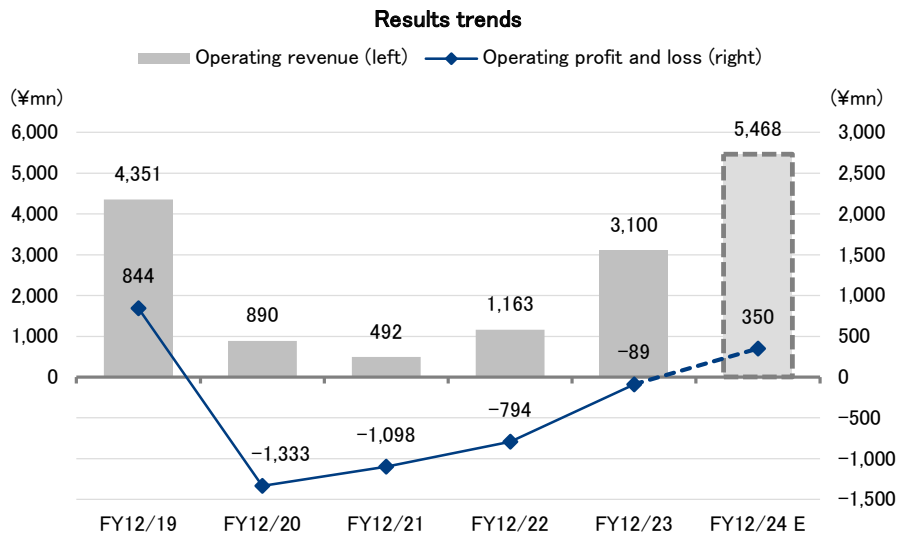
Summary

3. Medium- to long-term growth strategy

Making it through the pandemic and transitioning to a post-pandemic world, the Company has made upfront investments expecting a recovery in the travel market while at the same time focusing on stabilizing its management foundation by rebuilding and expanding its business portfolio. In addition, starting in FY12/24, the Company plans to build a revenue foundation that enables sustained growth beyond pre-pandemic levels while more actively investing to strengthen and enhance its business portfolio and increase performance. While steadily growing the online travel agent (OTA) business centering on VELTRA, to this it will add the growth of the LINKTIVITY business and new business in the inbound area to pursue sustained growth in performance and higher corporate value. In particular, the Company has designated the rapidly growing inbound market as an area to strengthen investment, and it will ramp up investment to bolster performance in the LINKTIVITY business and to develop new business in the inbound market. In addition, regarding the OTA business, the Company plans to focus on increasing the frequency of service usage and opportunities for usage by expanding investment to raise recognition and expanding the domain of value provision.

Key Points

- Operates VELTRA, Japan’s largest online reservation website specializing in local-experience optional tours
- In 1H FY12/24, operating revenue grew sharply amid recovery in travel demand. The scale of loss was reduced through ongoing control of fixed costs
- For FY12/24, expecting operating revenue to exceed pre-pandemic levels
- For FY12/24 and beyond, will pursue sustained growth. In particular, positions inbound-related areas as areas for strengthening investment



Source: Prepared by FISCO from the Company's financial results

## ■ Company profile

### Operates VELTRA, Japan's largest online reservation website specializing in local-experience optional tours

#### 1. History

The Company was established in 1991 by three members of the overseas business division of Nissan Motor <7201>, mainly to conduct automotive-related marketing. Overseas automobile manufacturers were seeking to expand into Japan at that time, and in response to an order from overseas, the Company conducted a survey of the Tokyo Motor Show event and other activities. However, it decided not to focus on just one business and instead to develop businesses in various directions. Among these multiple businesses, it started an online golf reservation (GORA) business in 2000, and this business grew rapidly and was sold to Rakuten (currently, Rakuten Group) <4755>. Using the proceeds from this sale, it started the current business in 2004. In the travel industry, sales related to accommodation and airline tickets had already moved to an online format, and only experiences at destinations were not available through online services. Furthermore, with a vast number of local-experience tours and activities the Company thought it could securely use the scale benefits of e-commerce rather than offline and decided it made sense to start from zero.

On the launch of this business in 2004, the Company did not possess any expertise in the travel business, nor did it have any connections with companies conducting activities businesses. However, in the same year, it acquired companies that conducted sales of activities, mainly offline, in Australia, Bali, and Hawaii. Current President and Representative Director and CEO Wataru Futagi, the Company's fourth president since its founding, assumed the role of President and Representative Director in 2015. He took over management from the founders for the purpose of addressing acceleration in technology advances, looking ahead to the Company's IPO, and pursuing further growth.

However, when the business initially began, it did not have a global online market and local business operators did not have direct contact points with customers to handle reservations online. It was also necessary to revise the business due to many hurdles between travelers and business operators, including differences in culture, language, values, and time zones among countries. For this reason, the Company redefined the method of how customers participate in local-experience tours in an online environment and concentrated business resources in this area. After this, the business grew, and the areas covered expanded to not only around beach resorts, but to other areas such as Asia, Europe, and the United States.

Within this global business development, the Company launched an English-language website in 2012 and started a business for travelers visiting Japan. It also strengthened its structure for systems development, recruited engineers in Japan, established a development base in Malaysia, and shifted the systems company to completely in-house manufacturing. Then in 2015, it launched a Chinese-language (traditional and simplified) website. Moreover, the Company acquired all of the shares of City Discovery SAS in 2016, and in 2017, it promoted global development through measures such as launching a Korean-language website through a business alliance with 12CM Inc. of South Korea. (The Company has currently suspended multilingual initiatives in order to selectively focus business resources on the Japanese market.)

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Company profile

In order to realize the expected synergies, in December 2020, the Company concluded a capital and business alliance with OpenDoor <3926>, which operates travel-related businesses, including the travel comparison website Travelko. Then in December 2021, its subsidiary LINKTIVITY Inc. conducted a capital increase through third-party allocation to Nippon Telegraph and Telephone West Corporation (NTT West Japan) and entered into a capital and business alliance. The Company also raises funds through the issue of stock acquisition rights, and raised ¥955mn through this method in FY12/22. Despite the severe business environment due to the effects of COVID-19, the Company has demonstrated active business and financial developments in anticipation of the period after the COVID-19 pandemic (the “post-pandemic” period) and managed its business both offensively and defensively. Moreover, recently, the Company has conducted capital and business alliances with JTB Corp. and Tokyo Metro Co. Ltd. (LINKTIVITY is carrying out the alliance with Tokyo Metro). Toward sustained growth in FY12/24 and beyond, the Company will promote fund procurement and collaboration to further grow the overseas activities business for Japanese tourists and the ticket platform business.

History

Year	Description
1991	Established Alan Co., Ltd. (currently, VELTRA Corporation) as a marketing-related consulting business
2003	Transferred the GORA business, a dedicated golf reservation website, to Rakuten (currently, Rakuten Group) <4755>
2004	Launched the Alan1.net (currently, VELTRA) site specializing in activities Acquired all of the shares of White Publishing, Inc. (currently, VELTRA Inc.), which managed the HawaiiActivities.com website for local tours in Hawaii for the North American market
2012	With the aim of global business development, changed the brand name from “Alan1.net” to “VELTRA” and the company name from Alan Co., Ltd. to VELTRA Corporation Launched an English-language site and started a business for travelers visiting Japan Established VELTRA Malaysia Sdn. Bhd. (Malaysia) as a system development company in Kuala Lumpur, Malaysia
2015	Established a Chinese-language (traditional and simplified) site
2016	Acquired all of the shares of City Discovery SAS, which managed CityDiscovery.com, a local tours reservation site for the global market targeting English-speaking countries
2017	Changed the company name of the local Paris corporation to VELTRA SAS and made it a sales base of the VELTRA Group Changed the company name of the local Manila corporation to VELTRA Philippines and made it a customer service base of the VELTRA Group Launched a Korean-language site through a business alliance with 12CM Inc. of South Korea Established LINKTIVITY PTE.LTD. in Singapore and started a full-scale B2B business
2018	Listed on the Tokyo Stock Exchange (TSE) Mothers market
2019	Established VELTRA KOREA Inc.
2020	Established LINKTIVITY Inc.
2021	Concluded a capital and business alliance with OpenDoor
2022	Following the Tokyo Stock Exchange’s reorganization of market categories, listing was transferred to the Growth Market
2023	Change to a company with an audit and supervisory committee Capital and business alliance with JTB Corp. in the activities business Consolidated subsidiary LINKTIVITY Inc. entered into a capital and business alliance with Tokyo Metro Co., Ltd. in the ticket platform business for inbound travelers

Source: Prepared by FISCO from the Company’s securities report and results briefing materials

2. Business overview

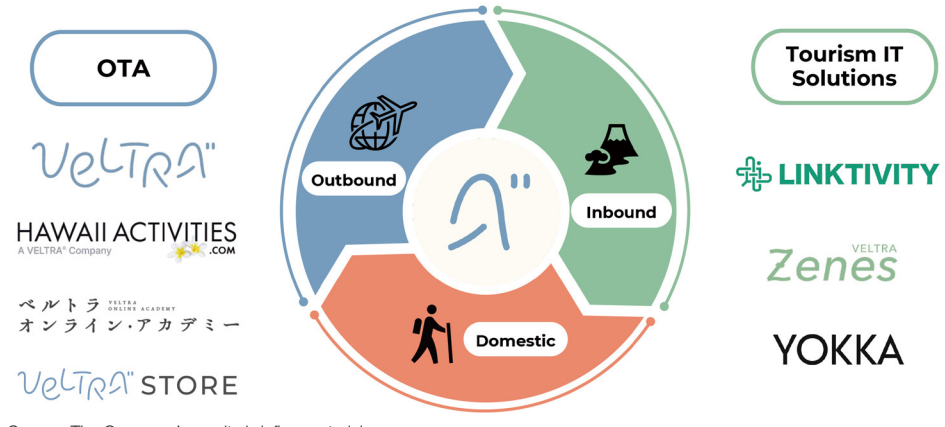
The Company goes beyond the framework of existing travel companies and provides solutions that enable users to encounter “inspirational experiences\*” from Japan to overseas, from before to after travel, and from online to offline. Its business areas are travel-related businesses that are categorized by revenue and consist of the OTA business and the tourism IT business.

\* The Company considers “inspirational experiences” to be those in which people have true experiences that make them feel real emotions and inspire them, such as different cultures and nature around the world, and the splendor of the people who communicate them.

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Company profile

Business segments



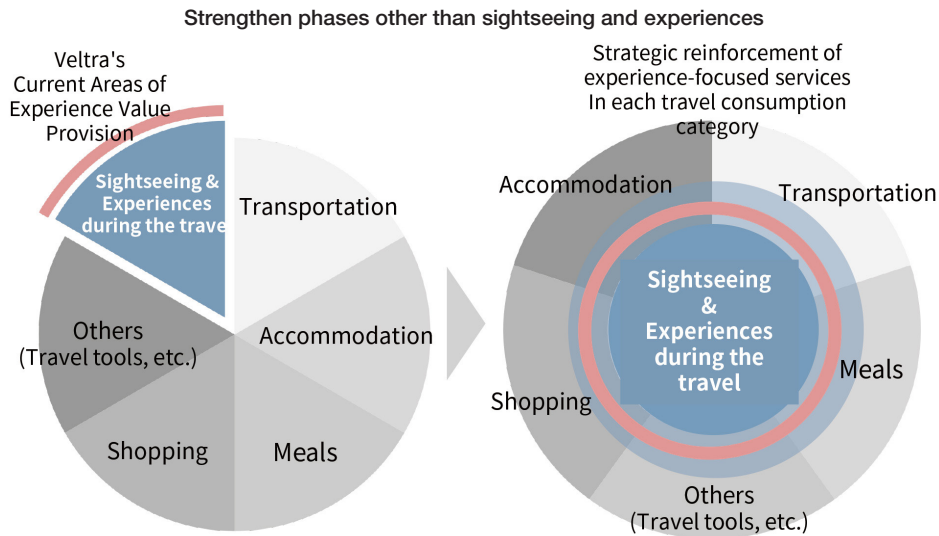
Source: The Company's results briefing materials

**(1) OTA business**

This business is comprised of the local experience tours online reservation websites (VELTRA and HawaiiActivities); VELTRA Online Academy, an online experience service; and the Corporate Service, which sells the Company's products on corporate websites. In addition to its unrivaled member base, it provides "inspirational experience" products not limited to only travel products.

VELTRA, which is the core business, is Japan's largest activity reservation website targeting Japanese people, offering reservations for more than 19,000 types of overseas optional tours (an increase of 3,600 YoY) in 150 countries around the world. Also, HawaiiActivities is an English-language website that specializes in Hawaii as a travel destination, and it provides services mainly for travelers in the United States. For these services, business development is limited to the phases during travel. In the travel industry, sales related to accommodation and airline tickets had already moved to an online format, and only experiences at destinations were unavailable through online services. Moreover, there are countless local experience tours and activities, and in consideration of the fact that these are not offline and can utilize scale merits on the internet, the Company is concentrating management resources and preparing a wide variety of local experiences and activities called "during travel" activities, which include sightseeing tours for experiences at the travel destinations, shows and entertainment, world heritage sites, spas and beauty salons, cultural experiences, theme parks, cruises, nature tours, gourmet tours, water sports, and travel tools, including airport transfers. Among these, the areas of experiential value provision that the Company has placed major weight on are sightseeing tours, cruises and other tourism and experiences. The recovery in the overseas travel market is taking longer than expected, and, going forward, the Company intends to redefine the experiential value of travel and strengthen value provision in tourism consumption activity areas other than sightseeing and experiences. Specifically, it will promote the expansion of services focused on experiences in the food, transportation, and lodging phases. By expanding the range of value provision, it will tie this to growth in financial results.

Company profile



Source: The Company's results briefing materials

In addition, the Company is providing local experience tours at local prices. Whether the reservation is made at the site or before departing, the activity can be had at the same price as the local price, so demand has increased for planning trips beforehand.

**(2) Tourism IT business**

This business consists of providing IT infrastructure to tourism-related businesses, and also the ticket platform business conducted by the subsidiary LINKTIVITY.

The ticket platform business aims to seamlessly connect every transportation entity and tourism facility through the transportation entity and public facility ticket platform. The trend toward mobility as a service (MaaS), which links various services, and electronic tickets is increasing, and amid these conditions, the Company is strengthening sales channels not only for inbound demand, but also for domestic demand. Based on domestic railway companies, prefectural facilities, and others, the Company's number of sales agencies had steadily increased to 502 companies (as of the end of June 2024, 24 companies at the end of December 2020) and its number of customers has increased to 381 companies around the world (as of the end of June 2024, 112 companies at the end of December 2020). In particular, in 1H FY12/24, the number of foreigners traveling to Japan reached a record high level for 1H, and the inbound market is buoyant, so the YoY increases in sales agencies and customers accounted for growth that exceeded the increases in 1H FY12/23.



Company profile

Transportation entity and public facility ticket platform



Source: The Company's results briefing materials

LINKTIVITY, as a channel manager, addresses the issues facing customers. It provides direct sales solutions to support the building, operating and marketing of sales sites, creates planned products and provides corporate product solutions that make possible package and bundle sales, and provides further services that include entry/exit solutions that provide devices related to entry/exit at a low cost via a cloud platform. Channel management referred to here means systems that enable the integrated management of contracts and payments for multiple customers, including overseas and domestic OTA, travel companies, and hotels, etc.

Main services provided by LINKTIVITY



Source: The Company's results briefing materials

## Results trends

**With travel demand returning in stages, operating revenue recorded double-digit growth. The LINKTIVITY business also grew thanks to buoyant inbound demand. Operating loss contracted, despite increased growth investment**

### 1. Overview of the 1H FY12/24 results

In the 1H FY12/24 consolidated results, operating revenue increased by 56.8% YoY to ¥1,815mn, operating loss was ¥197mn (a loss of ¥203mn in the same period of the previous fiscal year), ordinary loss was ¥285mn (loss of ¥233mn) and loss attributable to owners of parent was ¥271mn (loss of ¥254mn). With travel demand recovering in stages, all businesses except HawaiiActivities, (overseas travel business, domestic travel business, and tourism IT business), recorded double-digit growth YoY, leading to topline expansion on a consolidated basis. In particular, bolstered by record-setting yen depreciation, 1H inbound travelers set a new record high, and on the strength of inbound market, the LINKTIVITY business generated favorable results. While focusing on developing new suppliers and sales channels, transaction volume increased, which led to a 60.7% YoY increase in operating revenue. In addition, operating revenue in the overseas travel business, one of the Company's core businesses, grew by 77.0% YoY. Even with the overseas travel market not fully recovering, increasing the number of reservations while steadily increasing the number of products contributed to the revenue increase. Regarding operating loss, the margin of loss was smaller than that of the same period of the previous fiscal year. While the Company made active investments in advertising to raise brand recognition, it reined in operating expenses compared to topline growth, and this contributed to the decrease in the margin of loss. As for ordinary loss, foreign exchange losses from fluctuations in foreign exchange markets were recorded in non-operating expenses, which, along with other factors, caused the margin of loss to expand.

In addition, as a topic for consideration, to raise brand recognition, the celebrity Ano-chan was enlisted and appeared in four versions of a new television commercial that aired nationwide. The plan is to raise recognition by strengthening promotions, which will lead to firmly capturing travel demand.

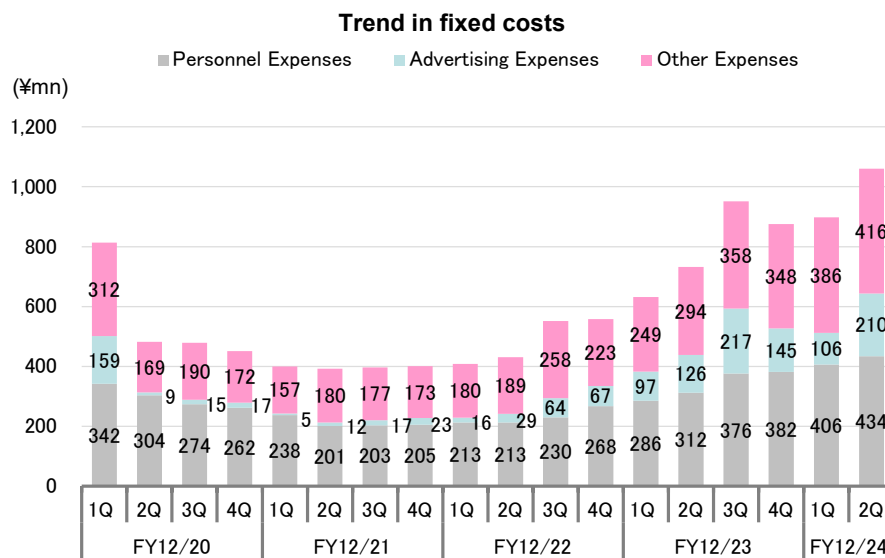
### 1H FY12/24 consolidated results

	1H FY12/23		1H FY12/24		Change	
	Result	Operating revenue ratio	Result	Operating revenue ratio	Amount	%
Operating revenue	1,157	-	1,815	-	657	56.8%
Operating expenses	1,361	117.5%	2,013	110.9%	652	48.0%
Operating loss	-203	-17.5%	-197	-10.9%	5	-
Ordinary loss	-233	-20.1%	-285	-15.7%	-52	-
Loss attributable to owners of parent	-254	-22.0%	-271	-14.9%	-16	-

Source: Prepared by FISCO from the Company's financial results

Results trends

After reviewing company-wide costs during the pandemic, and with travel demand recovering in stages, in 1H FY12/24 the Company actively invested in advertising to raise recognition and in human resources to strengthen its organizational capabilities. Linked to increases in the OTA business's transaction volume, the Company increased its online advertising expenses by 44% YoY, but costs were controlled by keeping increases within an appropriate range. With regard to personnel expenses as well, recruiting activities proceed just as planned, so there was a 40% increase YoY. As a result of these steady investments, operating profit as of end-1H is generally progressing according to expectations.



Source: Prepared by FISCO from the Company's results briefing materials

The status by business is as follows.

**(1) OTA business**

In the OTA business, operating revenue grew sharply by 56.5% YoY to ¥1,439mn. Although operating revenue from Hawaii Activities declined slightly YoY, with travel demand, both domestic and overseas, recovering in stages, the overseas travel business and domestic travel business both had increased revenue that contributed.

**a) Overseas travel business**

Operating revenue from the overseas travel business increased by 77.0% YoY to ¥1,145mn. Moving into the post-pandemic landscape, travel demand has recovered in stages, but with the prolonged weak yen, rising prices, and other factors, the number of outbound Japanese travelers was down by 39.2% compared to FY2019, so travel demand has not fully returned. However, even with this being the case, growth in the number of reservations along with a steady increase in the number of products contributed to topline growth. In addition, impacted by the weak yen and other factors, the Company's commission per customer increased 7.1% YoY to ¥8,045, which also contributed to the increase in revenue. Regarding trends in the number of outbound Japanese travelers, the number still has not completely recovered to pre-pandemic levels. However, it increased by 60.4% to 5.79 million people, so it is steadily recovering. Amid this, going forward the Company plans to increase usage frequency and opportunities by expanding its domain of value provision and tie this to performance growth.

## Results trends

**b) Domestic travel business**

Operating revenue from the domestic travel business increased 17.0% YoY to ¥152mn. The COVID-19 virus was reclassified to Class 5 under the law in May 2023, and society moved to a post-pandemic phase. The number of travelers is returning to pre-pandemic numbers. Amid this, the number of products was steadily increased and growth in reservation numbers helped expand the top line. The number of products as of end-1H FY12/24 was up 15.1% to 8,400 and reservations were up by 7.5% to 32,603. In addition, the Company's commission per customer increased 9.4% to ¥2,566, and this, too, contributed to performance growth.

**c) HawaiiActivities**

Operating revenue from HawaiiActivities edged down by 0.8% YoY to ¥142mn. As a reaction to pent-up demand that occurred last 1H, the number of reservations fell by 12.2% to 6,621, but the number of travelers to Hawaii from the U.S. mainland has recovered to pre-pandemic levels, and the business environment itself has been favorable. As a result of the weak yen and other factors, the Company's commission per customer increased by 11.6% to ¥12,388, offsetting the decline in reservation volume and keeping the margin of YoY decline in revenue minimal. As a result of these factors, cumulative operating revenue in the 1H was up 6% compared to forecasts, so it is progressing steadily. Also, the Company promoted this business under a policy of strengthening sales of the Hawaiian Islands. At some non-central islands, plans had to be curtailed due to a forest fire and other factors, but sales were strengthened centering on Oahu. HawaiiActivities constantly provides 780 types of products.

**(2) Tourism IT business**

Operating revenue from the tourism IT business increased 58.0% YoY to ¥375mn. Of this, operating revenue from LINKTIVITY, a ticket platform business, increased 60.7% to ¥323mn. Impacted by record-setting yen depreciation, the number of inbound travelers in 1H FY12/24 increased by 65.9% to 17,777,200 people, over 1 million more than 2019, when the previous record-high was set. Amid this lively inbound market, growing transaction volume while focusing on developing new sales agencies and new customers helped expand results. With a tailwind from positive external conditions, the utility of the service drew strong reviews from customers, as the number of sales agencies increased by 61 companies from the end of the previous fiscal year to 502 companies and the number of customers increased by 33 companies to 381 companies. Business results proceeded above expectations against the backdrop of a surging inbound market. The inbound market is expected to continue to be strong going forward. With this, the Company intends to strengthen growth investment for the medium term.

## Growth in reservation volume in the OTA business dramatically improved operating cash flow and the equity ratio also improved with a capital injection via third-party allotment

### 2. Financial condition and management indicators

Total assets at the end of 1H FY12/24 rose by ¥2,980mn from the end of the previous fiscal year to ¥9,447mn. Of this, current assets rose by ¥2,815mn to ¥8,620mn. This was mainly attributable to increases of ¥2,452mn in cash and deposits, due to an increase in trade payables and advances received, and ¥420mn in operating accounts receivable, amid a recovery in travel demand and increase in transaction volume. In non-current assets, software rose by ¥97mn and software in progress by ¥32mn to boost non-current assets by ¥165mn to ¥826mn. Current liabilities increased by ¥1,294mn to ¥6,400mn. This was due primarily to an increase in reservations in the OTA business causing increases in trade accounts payable of ¥141mn and advances received of ¥1,009mn. Total net assets increased ¥1,686mn to ¥3,046mn. This was mainly attributable to increases in share capital of ¥254mn and capital surplus of ¥1,233mn, as a result of a third-party allocation of new shares, while retained earnings decreased by ¥271mn due to the recording of loss attributable to owners of parent of ¥271mn. As a result, the equity ratio increased 7.4pp from the end of the previous fiscal year to 27.9%. As business recovered, liabilities increased in the form of trade payables and advances received, but the Company worked to bolster capital through a capital injection via third-party allotment, so the equity ratio improved substantially.

#### Consolidated balance sheet and management indicators

	End of FY12/23	End of 1H FY12/24	Change
			(¥mn)
<b>Current assets</b>	5,805	8,620	2,815
<b>Cash and deposits</b>	3,695	6,148	2,452
<b>Non-current assets</b>	661	826	165
<b>Total assets</b>	6,466	9,447	2,980
<b>Current liabilities</b>	5,105	6,400	1,294
<b>Interest-bearing debt</b>	500	500	-
<b>Non-current liabilities</b>	0	0	0
<b>Total liabilities</b>	5,106	6,400	1,294
<b>Total net assets</b>	1,360	3,046	1,686
<b>[Management indicators]</b>			
<b>Equity ratio</b>	20.5%	27.9%	7.4pp

Source: Prepared by FISCO from the Company's financial results

In 1H FY12/24, cash flow provided by operating activities was ¥696mn. The main increase factors were depreciation expenses of ¥79mn, an increase in trade payables of ¥127mn, and an increase in advances received of ¥995, while the main decrease factors were an increase in trade receivables of ¥410mn and a loss before income taxes of ¥285mn. Cash flow used in investing activities amounted to ¥233mn. This mainly comprised ¥217mn in the purchase of non-current assets. Cash flow provided by financing activities was ¥1,881mn. This was primarily the result of ¥1,372mn in income from investment by non-controlling interests and ¥508mn in income from the issue of stock. As a result, cash and cash equivalents rose ¥2,452mn from the end of the previous fiscal year to ¥6,148mn. Impacted by the pandemic, cash flow deteriorated significantly starting in FY12/20, but with travel demand recovering in stages, operating cash flow has improved substantially, and the Company raised funds through a capital injection by way of third-party allotment leading to a substantial accumulation of cash.

## Results trends

## Consolidated statement of cash flows

	(¥mn)	
	1H FY12/23	1H FY12/24
Cash flow from operating activities	499	696
Cash flow from investing activities	-303	-233
Cash flow from financing activities	4	1,881
Cash and cash equivalents at end of period	3,065	6,148

Source: Prepared by FISCO from the Company's financial results

## ■ Outlook

### For FY12/24, expecting record-high operating revenue and a return to profitability. Trends in the overseas travel market are uncertain

For the FY12/24 consolidated results, the Company is forecasting operating revenue to increase by 76.4% YoY to ¥5,468mn, operating profit of ¥350mn (a loss of ¥89mn in the previous fiscal year), ordinary profit of ¥340mn (a loss of ¥135mn) and profit attributable to owners of parent of ¥264mn (a loss of ¥76mn). There have been no changes made to initial results forecasts. Having it made it through the survival phase of the pandemic, the Company sees FY12/24 as the first fiscal year of sustained growth that exceeds pre-pandemic levels. Toward the fiscal year-end, the Company expects to continue to accelerate growth investment for the purpose of expanding business and raising recognition. At the same time, it will accumulate revenue based on the business portfolio it rebuilt and reinforced during the pandemic in order to achieve operating revenue that surpasses pre-pandemic levels. Regarding growth investment in FY12/24, a total of ¥780mn has been made available, and the Company plans to invest funds in various measures for the OTA business and LINKTIVITY business. Specifically, the planned items and amounts are ¥450mn in investment for the purpose of increasing recognition in the OTA business, ¥120mn to raise usage frequency and usage opportunities, ¥50mn for strengthening Japanese-language tours, and ¥60mn for raising business productivity. Also, in the LINKTIVITY business, the Company plans to invest ¥100mn to expand the business domain by developing new solutions.

In addition, on the profit front as well, the Company is expecting a return to profitability. It will increase profit and absorb cost increases by achieving record-high operating revenue while making more active growth investment to strengthen the foundation for achieving sustained growth. However, impacted by record-setting yen depreciation, the recovery of the overseas travel market has recently been slower than expected. Amid this, moving toward the end of the fiscal year, the Company plans to conduct appropriate cost controls based on the topline situation.

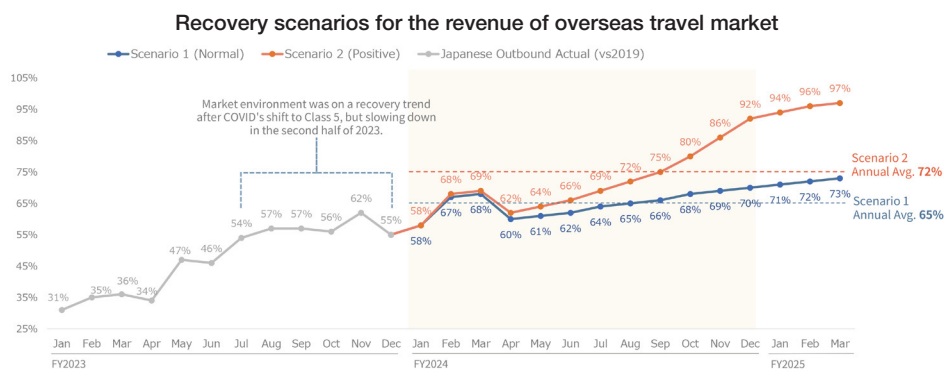
Initiatives for 2H FY12/24 are described below.

Outlook

**(1) Overseas travel business**

Regarding trends in the overseas travel business, though the impact of the COVID-19 pandemic is zero, the recovery is expected to be protracted to a certain extent due to the weak yen and rising fuel prices. Under these assumptions, the Company has put forth a conservative scenario, Scenario 1 (annual average recovery of 65%), and Scenario 2, for the case where the external environment turns positive (average annual recovery of 72%). According to this, under Scenario 1, the conservative scenario, the recovery rate as of December 2024 is expected to be 70%, and under Scenario 2, the pattern in which the external environment turns around, the rate is expected to be 92%. In other words, even if the external environment turns positive, the Company anticipates that it will not return to pre-pandemic levels for some time. Although travel demand is recovering in stages, the recent pace of recovery has been slower than assumed. Even amid these conditions, the Company will expand its range of value provision from within travel to the whole extent of the travel market to increase usage frequency and usage opportunities. Specifically, as discussed above, along with sightseeing and experiences, which the Company emphasizes in its domain of experience value provision, it plans to expand its product lineup related to facilities to increase usage frequency and usage opportunities. With regard to Hawaii Activities, the number of travelers from the U.S. mainland to Hawaii has recovered to pre-pandemic levels, and the Company will increase the number of reservations by expanding products centered on Oahu.

In addition, the Company will consider expanding into the global market over the medium to long term. With the return of outbound Japanese tourists slower than expected, by expanding into overseas markets centered on Asia, it will capture local travel demand and link this to performance growth.



**(2) Domestic travel business**

Regarding the domestic travel business, the number of travelers has already returned to pre-pandemic levels in the current post-pandemic landscape. However, although markets are normalizing, new competitors are entering and the level of competition is increasing. Amid this, the Company will firmly increase its number of products while continuing to increase the appeal of its services. Along with this, the Company will raise recognition through advertising investment and increase reservation numbers. It will actively utilize partnerships with other companies, ticket platform companies in particular. Specifically, by promoting partnerships with companies that handle domestic tourism facilities, etc., the Company intends to enhance its product lineup so that it complements its mainstay experience tour products.

Outlook

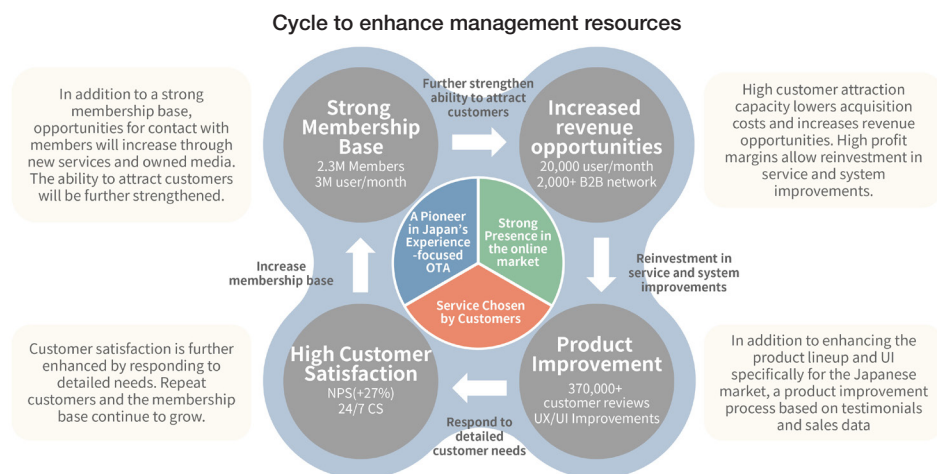
**(3) Ticket platform business (LINKTIVITY)**

With the buoyant inbound market, it is nearly certain that the number of inbound travelers in FY2024 will exceed pre-pandemic levels. Amid this, centered on its existing railway platform for inbound travelers, the Company will expand its target customers, product categories, and sales channels and expand the total available market (TAM) to accelerate growth. In particular, the Company has positioned the rapidly growing inbound market as an area for strengthening investment from a medium-term perspective. It is also ramping up investment to develop new solutions for inbound travelers in the experience domain. Under this policy, in March 2024, consolidated subsidiary LINKTIVITY Inc. procured funding through a capital and business alliance with Tokyo Metro Co., Ltd. The funds raised by this alliance will be allocated to expanding the ticket platform business through strengthening the operational structure and developing new services to promote business growth. This business has had very strong results recently, and transaction volume in July 2024 set a record high for a single month. With the market expected to grow, the Company will strengthen investment to focus on building a business foundation that can firmly link surging demand to performance growth.

## Medium- to long-term growth strategies and topics

**From a survival period to a sustained growth phase, the Company will aim for business expansion by further strengthening the OTA business and inbound domain**

The Company’s management resources include “networks in every region of the world and an unrivaled product lineup,” and also “instantaneous and integrated marketing capabilities,” and “the quality of the services that have been built.” It is aiming to create new value, further increase market share, and maximize enterprise value by reinvesting in order to utilize these management resources.



Source: The Company's results briefing materials

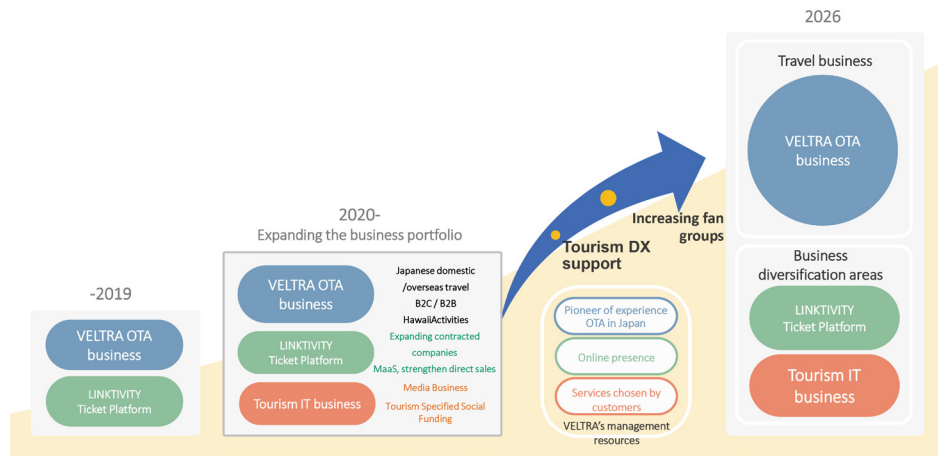


Medium- to long-term growth strategies and topics

1. Future growth strategy

As its growth strategy for the period from FY12/22 to FY12/26, the Company is advancing “fan acquisition” and “tourism DX” by supplementing new services and touch points and aims to establish a dominant position as the preferred choice of customers and markets at the times when the travel markets reopen. Moreover, while utilizing the management resources that are the source of its competitive advantages to the greatest possible extent, the Company is committed to creating new value, further expanding market share, and maximizing corporate value by diversifying its businesses without being restricted to the travel industry. By providing new services that value international exchanges and the real connections between people, which is both the Company’s mission and corporate philosophy, its policy is to grow sustainably together with all of its stakeholders and, based on its unique presence, to lead the tourism industry and international exchanges.

Growth strategy from FY12/22 to FY12/26



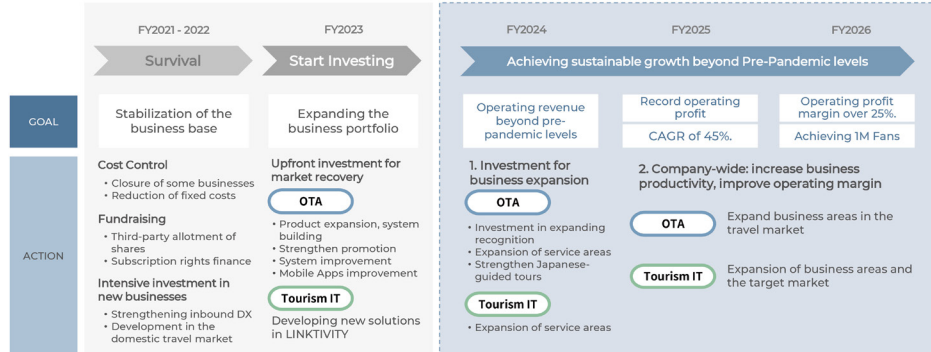
Source: The Company's “Business Plan and Items relating to Sustainable Growth”

2. From survival phase to sustainable growth

Following the COVID-19 pandemic from FY12/20 to FY12/22, during the transition to a post-pandemic period, the Company controlled costs, raised funds through capital injection via third-party allotment, and rebuilt and expanded its business portfolio to stabilize its management foundation. At the same time, it worked to strengthen and enhance its business foundation by executing growth investment aimed at travel market recovery. Furthermore, since FY12/24, it has adopted a policy of ramping up investment to further strengthen and expand its business portfolio and improve performance in order to build an earnings foundation that can realize sustained growth beyond pre-pandemic levels. While steadily growing the OTA business, centered on VELTRA, it will pursue sustainable expansion of results and increase corporate value by adding to this the growth in the LINKTIVITY business and new businesses in the inbound domain. In particular, the Company has positioned the rapidly growing inbound market as a domain for strengthening investment, and it will more actively invest to increase performance in the LINKTIVITY business and develop new businesses in the inbound market. In addition, regarding the OTA business, the Company will expand investment to raise recognition and expand its value provision domain to focus on raising service usage frequency and usage opportunities.

Medium- to long-term growth strategies and topics

Overview of medium- to long-term strategy



Source: The Company's results briefing materials

After a survival period and period for upfront investment, the Company steadily strengthened and expanded its business portfolio. In 1H FY12/24, as travel demand recovered in stages, all businesses saw improved results except HawaiiActivities. Regarding the outlook for the overseas travel market, although uncertainties remain, we at FISCO believe the Company will be able to steadily increase its performance by promptly adapting to changes in the business environment, based on a strengthened business portfolio.

3. Business strategies and investment policies

(1) OTA business

As a cash cow business that generates funds for investment in new business, the Company will ramp up investment for business expansion. Specifically, the Company will commit funds to various measures to increase usage frequency and usage opportunities, strengthen Japanese-language tours, and to raise business productivity while mainly focusing on advertising investment to raise recognition. Regarding the Company's recognition, according to a survey conducted in 2019 of people with overseas travel experience, just 10% of the total were aware of the Company's services. Although recognition is low, it also means there is still much room for growth. By actively promoting policies to raise recognition, the Company plans to firmly capture recovering travel demand and link this to performance growth. Alongside raising recognition, the Company will strengthen initiatives for increasing usage frequency and usage opportunities. Specifically, as discussed above, the Company will work to expand its product lineup by promoting collaboration with ticket platform companies whose strengths differ from the Company's and companies in the same industry as JTB. In addition to this, the Company plans to expand into consumption activity domains other than sightseeing and experiences, which traditionally have been the Company's main services for providing value. Even when facing, for example, sluggishness in the overall number of travelers, raising the usage frequency per user will expand results and lead to sustained growth. Further, to increase business productivity, the Company is planning to automate content creation through the use of AI and thereby raise the operating profit margin.

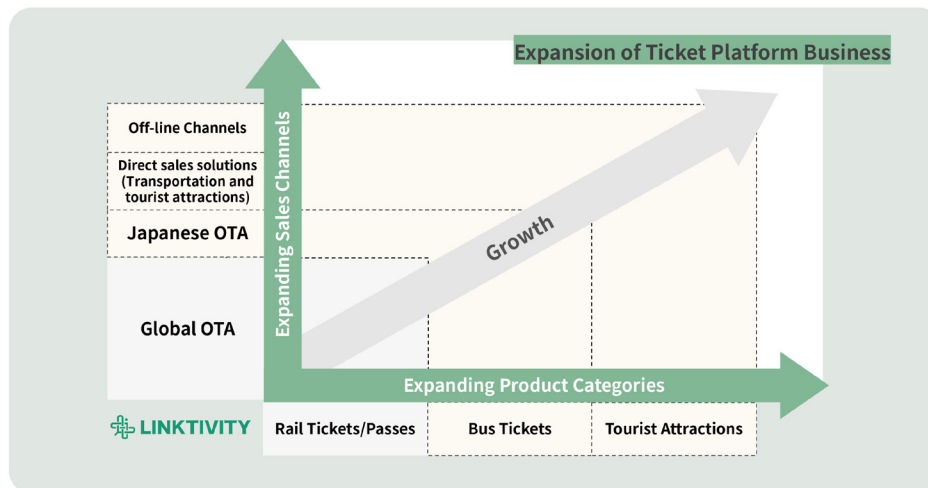
Medium- to long-term growth strategies and topics

**(2) Tourism IT business**

**a) Ticket platform business (LINKTIVITY)**

Due to record-setting yen depreciation, the first half of 2024 saw a record-high number of inbound travelers, and in FY2024, it is almost certain that the number of inbound travelers will surpass pre-pandemic levels. As such, with there being a favorable outlook for the business environment, the Company plans to ramp up investment in LINKTIVITY. Centered on its existing railway platform for inbound travelers, the Company will expand its target customers, product categories, and sales channels and expand the total available market (TAM) to accelerate growth. Regarding expansion in business services and target customers in particular, it plans to expand services primarily in the domains of collaboration with domestic companies, support for strengthening sales channels, tourism DX, and transportation MaaS, harnessing its strength as a channel manager for overseas OTAs. Recently, the Company has provided a WeChat mini app through a strategic partnership with Tencent Japan, provided direct sales solutions to suppliers, and provided core systems for sightseeing trains, as it continues to launch new initiatives. As mentioned previously, in 1H FY12/24 as well, the service's utility drew positive reviews from customers and sales agencies and customers steadily expanded. Going forward, we at FISCO believe that transaction volume through LINKTIVITY will steadily increase as the Company continues to launch services on the market that meet user needs. For the full year of FY12/24, the Company plans to invest ¥100mn to expand its business domains through new solution development. As mentioned above, it has raised funds through a capital and business alliance with Tokyo Metro. Going forward as well, the Company plans to secure investment funds through fundraising and actively invest to create future revenue opportunities. Also, the Company has target of expanding the number of contracted companies to over 3,000 by FY12/30 by accelerating growth in transaction volume through an increase in the number of contracted companies and its lineup of sales products.

LINKTIVITY growth strategy

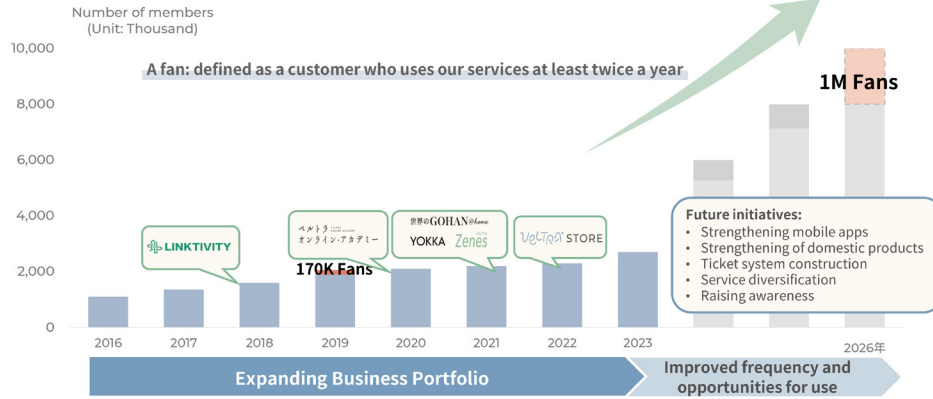


Source: The Company's results briefing materials

By executing the aforementioned investments, the Company is aiming in the future for a membership organization with 1 million fans. However, as of the end of 1H FY12/24, the impact of protracted yen depreciation and inflation is making the return of the overseas travel market slower than expected. Against this backdrop, in its next growth strategy, the Company appears to be considering the option of shifting to a strategy that would enable it to realize growth regardless of the degree of recovery in the overseas travel market. Even during the pandemic, the Company continued to launch new products on the market, leveraging existing management resources and know-how acquired through its business activities. Going forward, we at FISCO believe the Company will achieve sustained growth over the medium to long term by creating new businesses centered on the inbound market.

Medium- to long-term growth strategies and topics

Aim for organization with 1 million fans



Source: The Company's results briefing materials

## Shareholder return policy

### Priority on investments to expand businesses for the time being

The Company recognizes future business advancement and long-term stability of the financial base as top priorities and hence maintains internal reserves for investments in business expansion and stabilization of the financial base to drive maximization of shareholder profits. From this perspective, it intends to continue increasing internal reserves for the time being. Meanwhile, it is likely to leverage its strengths in local-experience optional tours in 150 countries in a shareholder benefit program.

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