

December 28, 2016

Survey of Travel Market Trends – December 2016, 3rd quarter

The Japan Association of Travel Agents (JATA) asks all member companies to register as survey monitors. JATA conducts the quarterly Survey of Travel Market Trends involving 537 registered companies. The results of the 3rd quarter (October–December) survey are shown below.

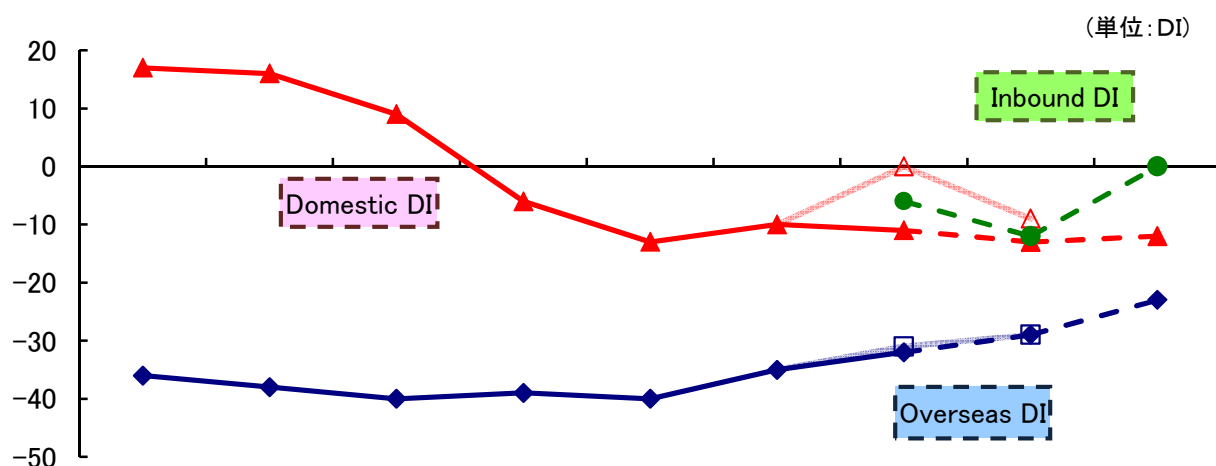
● Overseas travel DI improved 3 points compared to that of the previous quarter (–35) and reached –32

- Companies handling overseas travel saw a sizeable increase and reached +8
- Asia grew to +7, South Korea continued its recovery and reached –42

○ During the next quarter, DI is expected to increase by 3 points and reach –29. In six months, it will grow by another 9 points, up to –23

● Inbound travel DI is –6 at present, expected to drop to –12 in the next quarter

- OTA increased by 25 points while general travel agencies saw a 7–point growth.
- Osaka, Kyoto grew by 12 points, Hokkaido increased by 4 points while the Tokyo Metropolitan area and the Golden Route enjoyed a growth of 4 and 2 points respectively.
- FIT visitors increased by 11 points. Visitors from Taiwan and South–East Asia were 14 and 10 points up respectively.



	1 1/2 years ago Apr. –Jun.	1 year and 3 months ago Jul. –Sep.	1 year ago Oct. –Dec.	9 months ago Jan. –Mar.	6 months ago Apr. –Jun.	3 months ago Jul. –Sep.	Current Oct. –Dec.	3 months later Jan. –Mar.	6 months later Apr. –Jun.
Overseas overall	-36	-38	-40	-39	-40	-35	-32 ※-31	-29 ※-29	-23
Domestic overall	17	16	9	-6	-13	-10	-11 ※0	-13 ※-9	-12
Inbound overall	-	-	-	-	-	-	-6	-12	0

※ Outlook as of September 2016

■ About the Survey of Travel Market Trends

The Japan Association of Travel Agents (JATA) asks all member companies to register as survey monitors. JATA conducts the quarterly Survey of Travel Market Trends involving 548 registered companies and publishes the results.

The Survey of Travel Market Trends is designed to grasp trends in the travel market based on responses to questions on current conditions and those anticipated over the next three months.

The survey asks participating companies to rate their sales results for each destination and customer segment by choosing from three categories: "good," "average," and "poor." For items outside their business scope, respondents select "do not handle." Each share of "good," "average," and "poor" is then divided respectively by the denominator, which is equal to the total number of responses minus the "do not handle" (including "no reply") responses. Finally, each share is processed into the Diffusion Index (DI) by subtracting the percentage of "poor" from the percentage of "good."

The highest possible index figure is +100, and the lowest is -100.

In FY 2016, online travel

agencies (OTA) will be included in the market trends survey with information/outlooks for the following two quarters.

The 3-rd quarter survey will provide data from travel companies

◆ Survey Overview

Survey area:	Japan nationwide
Survey target:	JATA member company management
Survey method:	Internet survey
Survey period:	November 4(Friday) to 22(Tuesday), 2016
Registered companies:	573
Responding companies:	318
Response rate:	55.5%

◆ Business classification

The Survey of Travel Market Trends analyzes business conditions based on business content.

A definition of each business classification and the number of survey respondents are shown below.

業態名	定義	社数	比率
Full-service travel agency	A large-scale travel agency with a national network that provides a full range of travel products	45	14.2%
Overseas travel wholesaler	A dedicated overseas travel wholesaler	17	5.3%
Overseas travel specialist agency	A travel agency with a business volume of more than 5 billion yen, 80% of which is related to overseas travel	13	4.1%
Domestic travel wholesaler	A dedicated domestic travel wholesaler	7	2.2%
First-tier retail agency	Other than the above, a travel agency with a business volume of 3 billion yen or higher	25	7.9%
Second-tier retail agency	Other than the above, a travel agency with a business volume of less than 3 billion yen	135	42.5%
In-house travel agency	A travel agency which mainly handles travel arrangements for its parent company	44	13.8%
Online travel agency	Companies whose business is based on internet sales	8	2.5%
Inbound tour travel agency	Companies which Offer mostly inbound tours	24	7.5%

For more information about this survey, contact JATA's Public Relations Committee.

These data are available at <http://www.jata-net.or.jp>

TEL: [+81] 3 3592 1244

■ Business Activity in the Overseas Travel Market Overall

The overseas travel was 3 points up compared to the previous quarter, reaching -32. With the exception of OTAs, all travel agencies showed growth; Asia grew by 9 points, reaching +7.

Overall

Compared to the previous quarter, demand improved by 3 points, but fell short of the forecast and did not exceed -32. General travel agencies (-42) increased by 7 points, overseas tour wholesalers (-41) by 3 points, overseas travel agencies (+8) by 35 points, 1st tier retail travel agencies (-23) by 17 points and in-house agencies (-20) by 5 points. On the other hand, 2nd tier retailers (-35) were down by 2 points and OTAs (-50) by 17 points. Asia (+7) marked 9 points over the previous quarter while Europe (-66) and South Korea (-46) continued on the path to recovery.

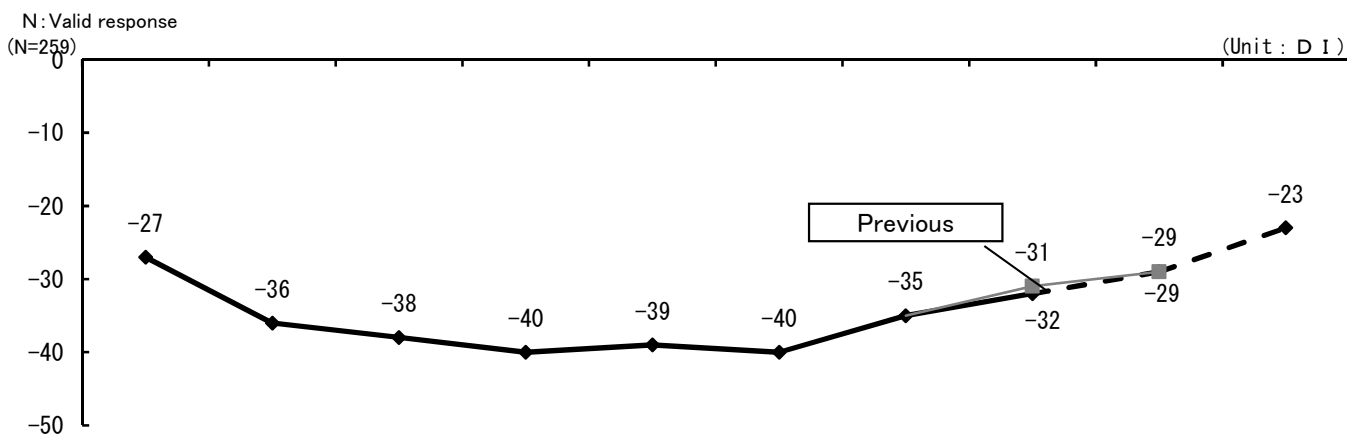
Current situation (October - December) **Hawaii and Asia kept their leading positions. Europe and South Korea stayed on the recovery track.**

- Though, due to safety concerns after the terrorist attacks, Europe is still struggling to recover, it is set for recovery. North Europe, which is perceived safe by potential travelers, is enjoying demand for Hawaii is going strong; Asia (Singapore, Vietnam, Bangkok, Taiwan, South Korea) are also in demand (1st tier/ Retailer 1)
- Compared to the previous 3 months (July - September), overseas travel in general increased by 3 points and reached -32.

Forecast for the next two quarters

Hawaii and Asia will maintain their high rankings

- There are concerns due to the devalued yen (3rd tier/ Retailer 2)
- While the demand for Europe as a whole is still weak, we expect to have bookings for tours including concert visits and other specific events (1st tier/Overseas tour agency)
- During the next quarter (January - March), travel demand will increase by 3 points and reach -29. In the first quarter of the next FY (April - June), it will grow by 9 points over the current quarter, up



2 years ago Oct.-Dec.	1 1/2 years ago Apr.-Jun.	1 year and 3 months Jul.-Sep.	1 year ago Oct.-Dec.	9 months ago Jan.-Mar.	6 months ago Apr.-Jun.	3 months ago Jul.-Sep.	Current Oct.-Dec.	3 months later Jan.-Mar.	6 months later Apr.-Jun.
-27	-36	-38	-40	-39	-40	-35	-32	-29	-23
							※-31	※-29	

※ Outlook as of June 2016

	1 1/2 years ago Apr.-Jun.	1 year and 3 months Jul.-Sep.	1 year ago Oct.-Dec.	9 months ago Jan.-Mar.	6 months ago Apr.-Jun.	3 months ago Jul.-Sep.	Current Oct.-Dec.	3 months later Jan.-Mar.	6 months later Apr.-Jun.
Full-service travel agency	-64	-49	-68	-71	-63	-49	-42	-30	-28
Overseas travel wholesaler	-62	-55	-61	-53	-48	-44	-41	-29	-47
Overseas travel specialist agency	-11	-12	-6	-18	-6	-27	8	15	7
First-tier retail agency	-32	-45	-57	-39	-38	-40	-23	-10	-5
Second-tier retail agency	-36	-39	-37	-36	-39	-33	-35	-37	-26
In-house travel agency	-19	-26	-19	-22	-40	-25	-20	-27	-15
Online travel agency	-	-	-	-	-50	-33	-50	-25	-75

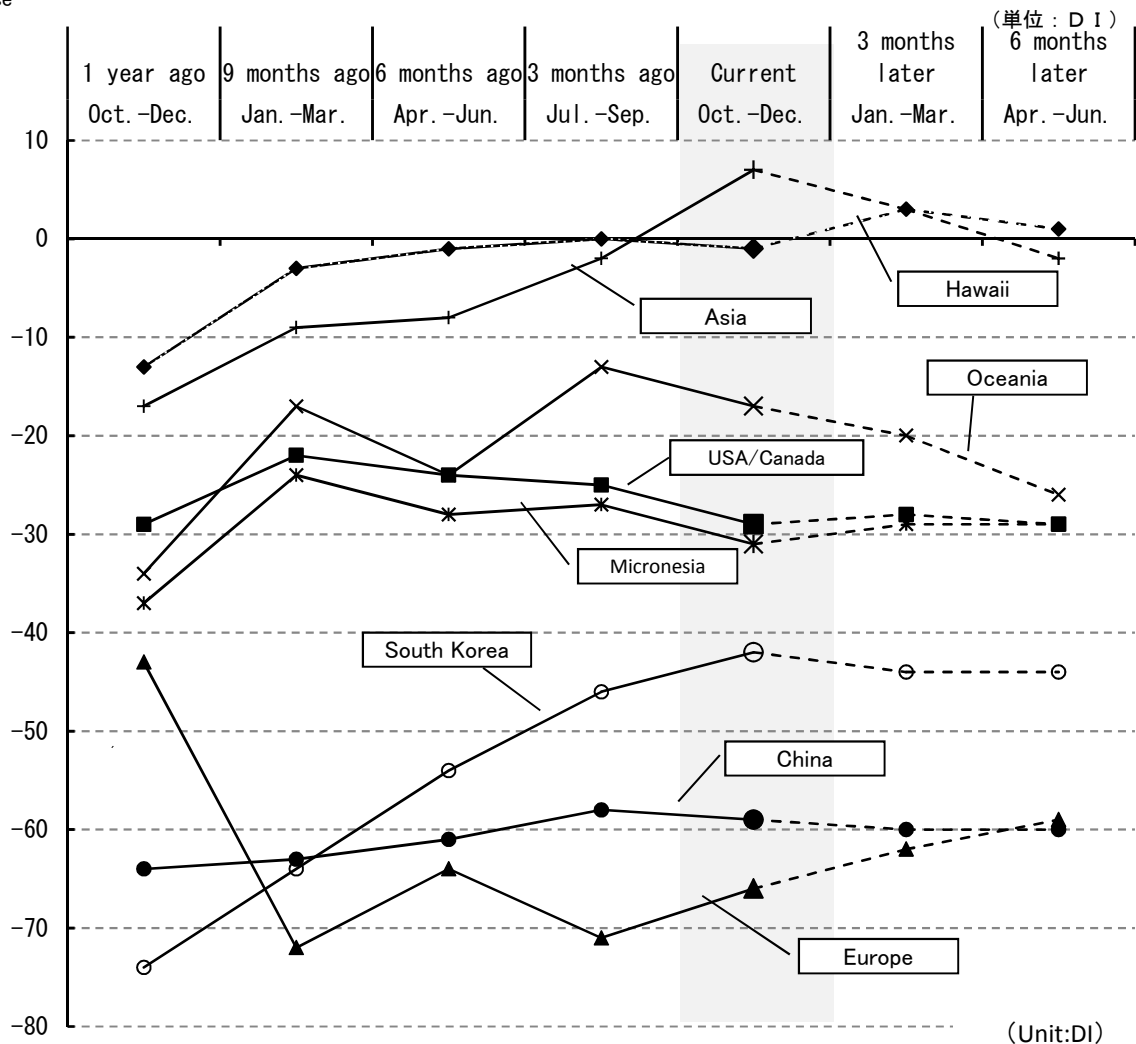
◆Trends in Overseas Travel Demand (by destination segment)

At present, demand for Asia is strong. Despite of losing points, Hawaii and Oceania are keeping their high rankings.

• Compared to the period of July – September, Asia consolidated its position by gaining 9 points. Regardless of losing a point, Hawaii is still ranking high. Demand for Europe and South Korea, which increased by 5 and 4 points respectively, is on the recovery path. Oceania with 4 points less is sliding down. China, with only one-point decrease is showing no significant change.

• During the next quarter, demand for Hawaii is expected to grow by 4 points, and Asia, despite losing 4 points will still be in a leading position.

N: Valid response
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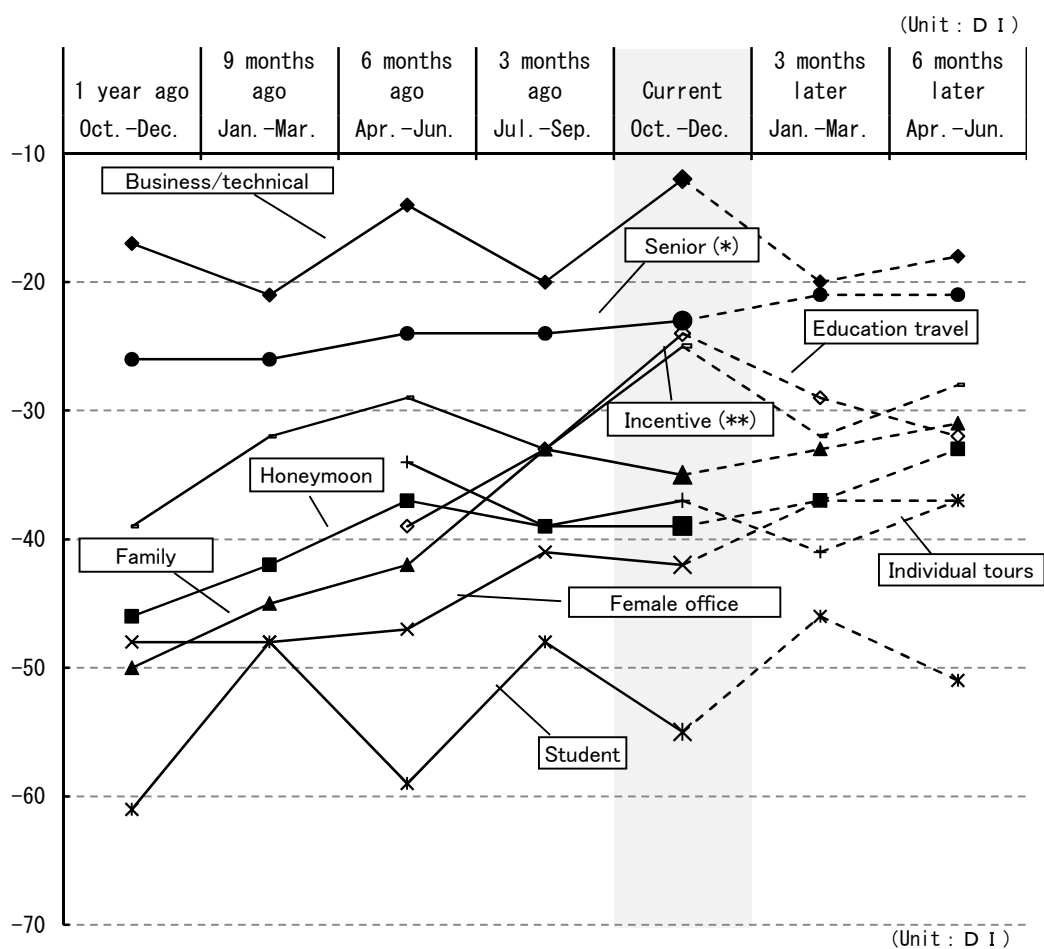
	1 year ago Oct.-Dec.	9 months ago Jan.-Mar.	6 months ago Apr.-Jun.	3 months ago Jul.-Sep.	Current Oct.-Dec.	3 months later Jan.-Mar.	6 months later Apr.-Jun.
Hawaii	-13	-3	-1	0	-1	3	1
USA/Canada	-29	-22	-24	-25	-29	-28	-29
Europe	-43	-72	-64	-71	-66	-62	-59
Oceania	-34	-17	-24	-13	-17	-20	-26
Micronesia	-37	-24	-28	-27	-31	-29	-29
Asia	-17	-9	-8	-2	7	3	-2
China	-64	-63	-61	-58	-59	-60	-60
(of which, South Korea)	-74	-64	-54	-46	-42	-44	-44

◆ Trends in Overseas Travel Demand (by customer segment)

Trends in overseas travel demand (by destination)
At present, demand for Asia is strong. Despite of losing points, Hawaii and Oceania are keeping their high rankings.

- Compared to the previous quarter (July - September), business/technical visits expanded by 8 points and took the leading position. Demand for educational tours was up by 9 points, improving the ranking of the segment. Senior travel and family travel, which expanded by 1 and -2 points respectively, have not shown any significant fluctuations.
- During the next quarter, demand for Hawaii is expected to grow by 4 points, and Asia, despite losing 4 points will still be in a leading position.
- During the next quarter (January-March), Family and senior travel will increase by 2 points and will maintain their high ranking. Despite the 8-point loss, business/technical visits are expected to rank high. Education tours will increase by 9 points. Incentive tours is expected to lose 7.

N: Valid response (N=259)



	1 year ago Oct.-Dec.	9 months ago Jan.-Mar.	6 months ago Apr.-Jun.	3 months ago Jul.-Sep.	Current Oct.-Dec.	3 months later Jan.-Mar.	6 months later Apr.-Jun.
Honeymoon	-46	-42	-37	-39	-39	-37	-33
Family	-50	-45	-42	-33	-35	-33	-31
Female office worker	-48	-48	-47	-41	-42	-37	-37
Student	-61	-48	-59	-48	-55	-46	-51
Senior (*)	-26	-26	-24	-24	-23	-21	-21
Individual tours	-	-	-34	-39	-37	-41	-37
Incentive (**)	-39	-32	-29	-33	-25	-32	-28
Business/technical visit	-17	-21	-14	-20	-12	-20	-18
Education travel	-	-	-39	-33	-24	-29	-32

* Senior: Customers aged 60 or older.

** Incentive: Travel offered as an incentive to business and organization employees.

■ Inbound travel overall

At present, the inbound DI is **-6**, expected to drop to **-12** in the next quarter.
OTAs' DI is **+25** and general travel agencies are **7** points up,

Overall

OTAs (+25) and general travel agencies (+7) are in positive territory. In-house agencies are at ± 0 . Travel agencies dealing in inbound travel are at -13. Hokkaido (+4), the Golden Route (+2), Tokyo Metropolitan area (+4), Osaka and Kyoto (+12) are in the black. Kyushu (-33) and Tohoku (-30) are in minus territory.

Current situation (October - December)

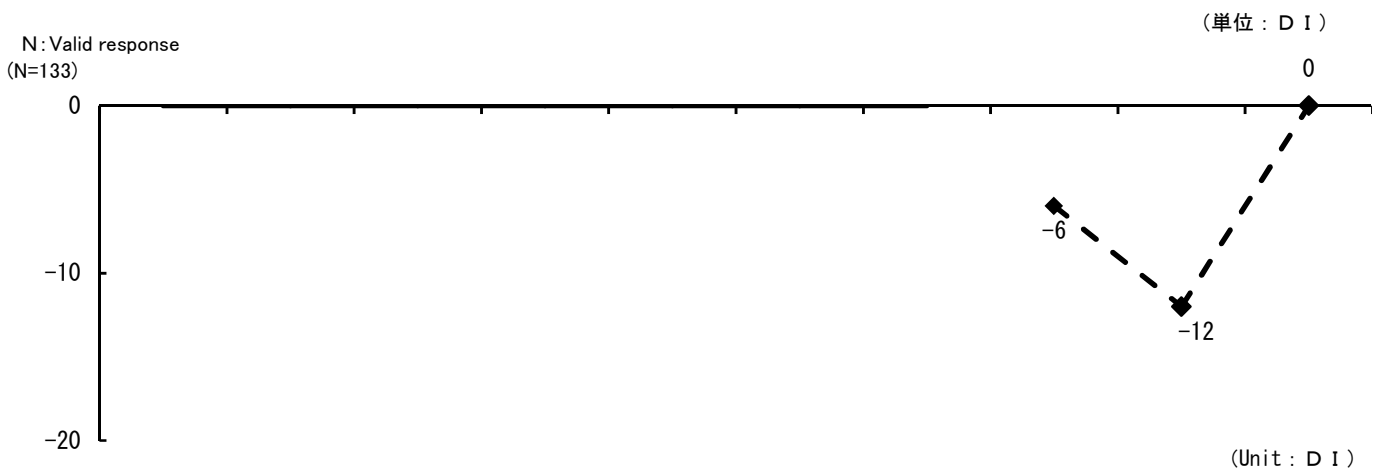
Dispersal from Osaka City to the countryside

- The Tokyo - Kyoto - Osaka Golden Route which was the focus of travel so far, is seeing an increasing number of tourists travel to local regions. In Central Japan, there is demand for the Dragon Route and newly-introduced three-star courses along it which including Kanazawa, Shirakawa-go, Takayama (1st tier/General travel agency)
- Group travel is decreasing while individual travelers are on the increase (3rd tier/Inbound travel agency)

Forecast for the next two quarters

Shift from group to individual travel

- The inbound boom has passed its peak; the number of handled tours is smaller than that of last year (1st tier/General travel agency)
- There is a lot of demand for the sakura season; it is getting difficult to satisfy it (2nd tier/Inbound travel agency)
- Individual and small-group travel is on the increase (1st tier/Retailer 2)
- During the next quarter (January - March), inbound travel DI will drop 6 points, down to -12. In

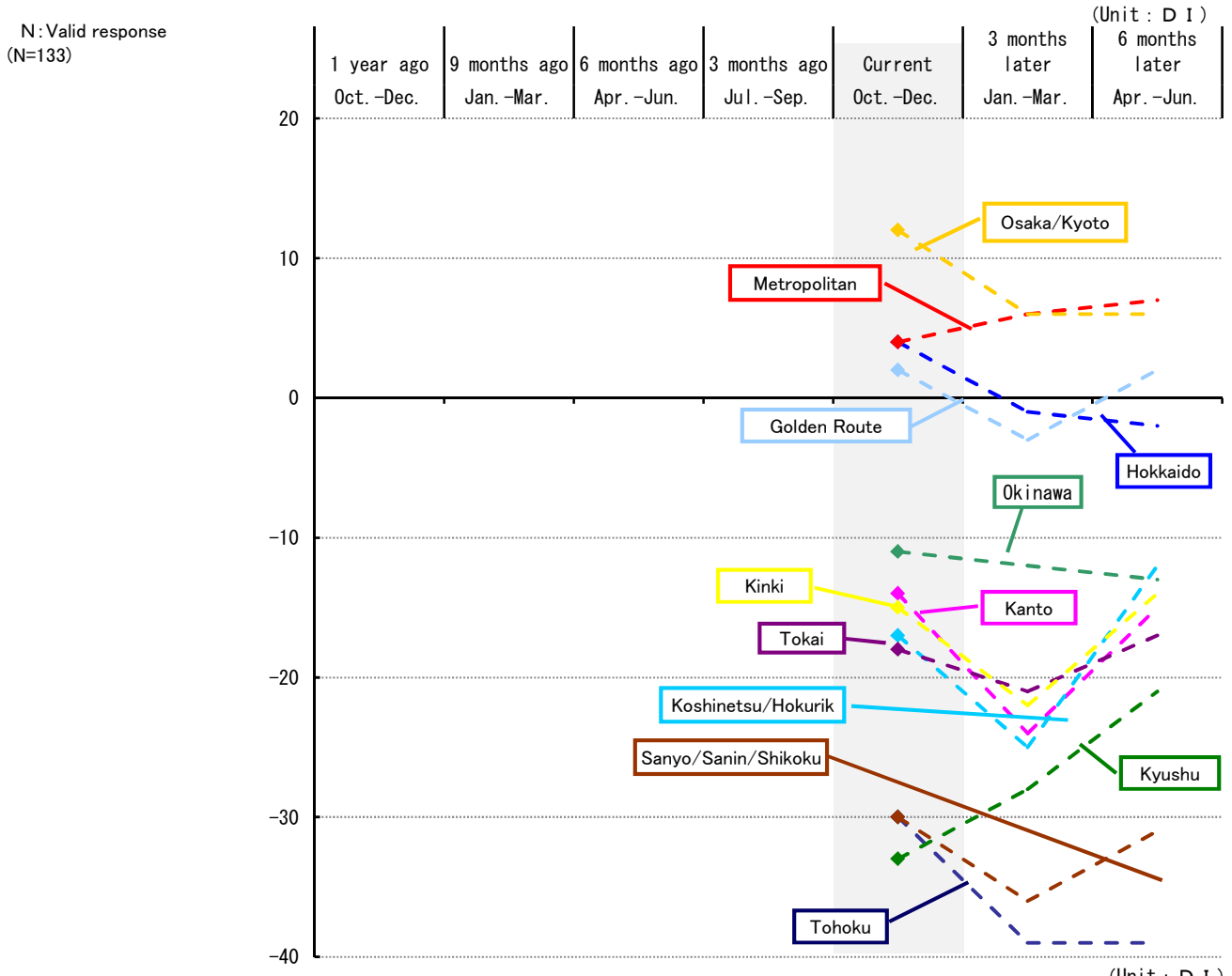


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Full-service travel agency	-	-	-	-	-	-	7	-3	3
First-tier retail agency	-	-	-	-	-	-	-18	-9	0
Second-tier retail agency	-	-	-	-	-	-	-10	-26	-21
In-house travel agency	-	-	-	-	-	-	0	-8	0
Online travel agency	-	-	-	-	-	-	25	50	33
Inbound tour travel agency	-	-	-	-	-	-	-13	-13	22

◆Current trends in inbound travel (by destination)

At present, Osaka and Kyoto (+12), Hokkaido (+4), the Golden Route (+2) are in the black while Tohoku (-30), Kyushu (-33), Sanyo, Yamagata and Shikoku (-30) are low-ranking in negative

•During the January – March quarter, the Tokyo Metropolitan Area (+6) , Osaka and Kyoto are expected to keep its high-ranking. Kyushu (+28) will grow by 5 points. Hokkaido (-1), Tohoku (-39), Kanto (-24), the Metropolitan area (-3), Koshinetsu and Hokuriku (-25), Tokai (-21), Kinki (-22), Sanyo, Yamagata and Shikoku (-36), Okinawa (-12) are expected to decline.



(Unit: D I)

	1 year ago Oct. -Dec.	9 months ago Jan. -Mar.	6 months ago Apr. -Jun.	3 months ago Jul. -Sep.	Current Oct. -Dec.	3 months later Jan. -Mar.	6 months later Apr. -Jun.
Hokkaido	-	-	-	-	4	-1	-2
Tohoku	-	-	-	-	-30	-39	-39
Kanto	-	-	-	-	-14	-24	-15
Golde Route (Kanto⇄Kansai)	-	-	-	-	2	-3	2
Metropolitan area	-	-	-	-	4	6	7
Koshinetsu/Hokuriku	-	-	-	-	-17	-25	-12
Tokai	-	-	-	-	-18	-21	-17
Osaka/Kyoto	-	-	-	-	12	6	6
Kinki	-	-	-	-	-15	-22	-14
Sanyo/Sanin/Shikoku	-	-	-	-	-30	-36	-31
Kyushu	-	-	-	-	-33	-28	-21
Okinwa	-	-	-	-	-11	-12	-13

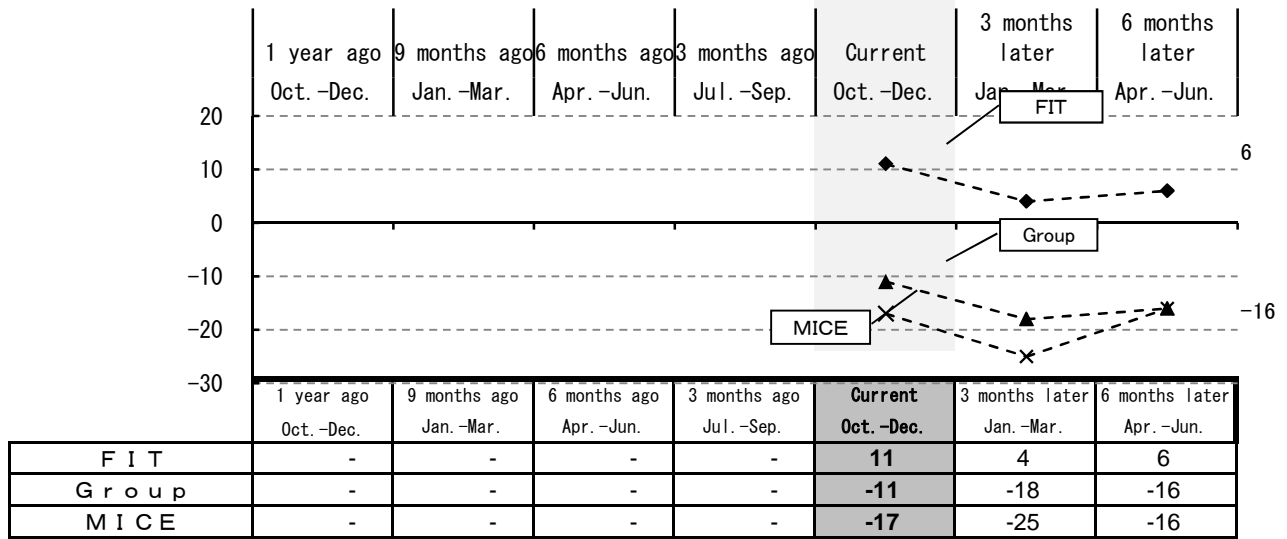
◆ Inbound travel market trends (by market segment)

• At present, FIT (+11) is in plus territory. Group travel (-11) and MICE (-17) are in the red.

• During the next quarter (January – March), FIT will still be in the black despite decreasing somewhat. Group travel (-18) and MICE (-25) will continue to slide down.

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(Unit : D I)



◆ Inbound market trends (by source market)

• At present, Taiwan (+14), South-East Asia (+10) are in leading positions. South America (-29) and South Korea (-23) have decreased and are in negative territory.

• In the January–March quarter, Taiwan (+8), South-East Asia (+4) will still be in the black in spite of decreasing somewhat. Demand for South Korea (-20) and Australia (-15) will be improving. Europe (-14) and Hong Kong (-13) are expected to be in decline.

↑ N: Valid response
(N=133)

(Unit : D I)

