JATA News Release

Japan Association of Travel Agents

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Sep. 2018

Survey of Travel Market Trends September 2018, 2nd quarter

The Japan Association of Travel Agents (JATA) asks all member companies to register as survey monitors. JATA conducts a quarterly Survey of Travel Market Trends involving 616 registered companies. The results of the 2nd quarter survey are shown below.

≪Outbound Travel DI≫

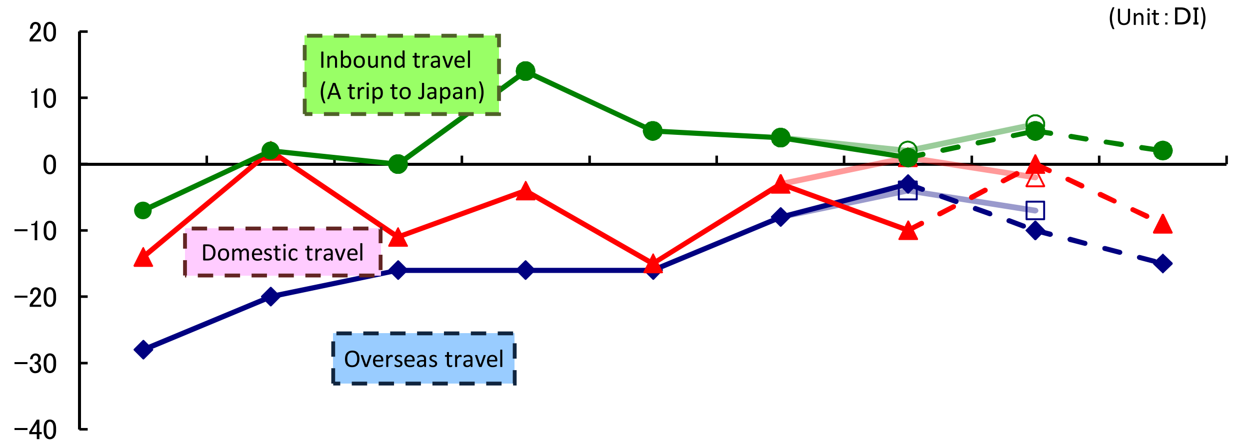
Compared to the previous quarter (April – June), the overseas travel DI grew 5 points and reached the level of −3. During the next quarter (October – December), it is expected to fall down to −10 after losing 7 points. In the last quarter of FY 2018, it will decrease by further 12 points and reach minus 15.

◆ The efforts being made by the USA, North Korea and South Korea to establish peace have contributed greatly to the strong recovery of demand for travel to South Korea and other Asian destinations.
With the end of the summer holidays, however, demand for family travel is expected to shrink, leading to a decrease of DI.

≪Inbound Travel DI≫

Inbound travel DI fell 3 points below the level of the previous quarter and reached +1 level. During the October – December quarter, it is expected to gain 4 points and reach +5. During the period of January – March, it is expected to gain a point over the present level and reach +2 level.

◆Despite the torrential rains and floods in July, inbound travel did not fall much below the overlook and managed to stay in positive territory. A slight recovery from the areas impacted by the floods is expected to take place during the next quarter and the DI is expected to grow in general.



	One and a half ago Jan.-Mar.	1 year 3 months ago Apr.-Jun.	1 year ago Jul.-Sep.	9 months ago Oct.-Dec.	6 months ago Jan.-Mar.	3 months ago Apr.-Jun.	Current situation Jul.-Sep.	3 months later Oct.-Dec.	6 months later Jan.-Mar.
Overall overseas travel	-28	-20	-16	-16	-16	-8	-3 ※-4	-10 ※-7	-15
Overall domestic travel	-14	2	-11	-4	-15	-3	-10 ※1	0 ※-2	-9
Overall inbound travel	-7	2	0	14	5	4	1 ※2	5 ※6	2

※a perspective last time

※The figures of the previous quarter do not reflect the influence of the June 18th earthquake in Osaka.
The figures at present do not reflect the influence of Typhoon Jebi and the September 6 earthquake in Hokkaido.

■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 616 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.

◆Survey Overview

Survey area:	Japan nationwide
Survey target:	JATA member company management, Member of Japan Council Travel Agents for Chinese Visitors
Survey method:	Internet survey
Survey period:	August 2(Thursday),2018 to August 24(Friday),2018
Registered companies:	616
Responding companies:	293
Response rate:	47.6%

◆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.

Designation	Definition	Number of companies	Ratios
Full-service travel agency	A large-scale travel agency with a national network that provides a full range of travel products	31	10.6%
Overseas travel wholesaler	A dedicated overseas travel wholesaler	19	6.5%
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	4.4%
Domestic travel wholesaler	A dedicated domestic travel wholesaler	4	1.4%
First-tier retail agency	Other than the above, a travel agency with a business volume of 3 billion yen or higher	27	9.2%
Second-tier retail agency	Other than the above, a travel agency with a business volume of less than 3 billion yen	121	41.3%
In-house travel agency	A travel agency which mainly handles travel arrangements for its parent company	38	13.0%
Online travel agency	Other than the above, companies whose business is based on internet sales	13	4.4%
Inbound tour travel agency	Companies which offer mostly inbound tours	27	9.2%

These data are available at http://www.jata-net.or.jp
For more information about this survey, contact JATA's Public Relations Committee.
press@jata-net.or.jp

■Overall Business Activity in the Overseas Travel Market

> The efforts being made by the USA, North Korea and South Korea to establish peace have contributed greatly to the strong recovery of demand for travel to South Korea and other Asian destinations. With the end of the summer holidays, however, demand for family travel is expected to shrink, leading to a decrease of DI.

Overal

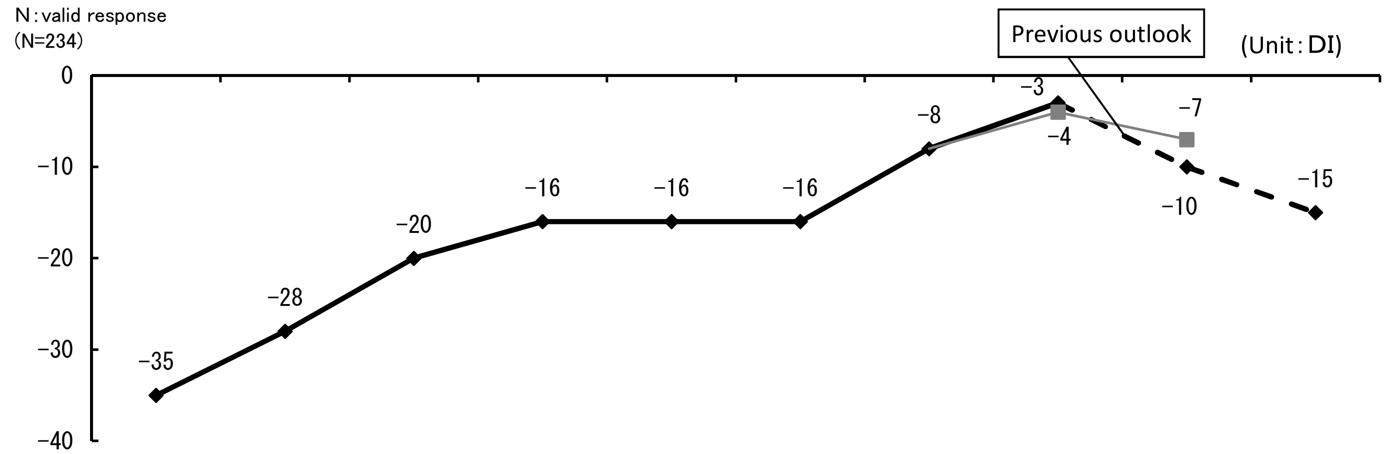
Overseas travel has recovered from the lowest level of −35 which it hit 2 years ago. It has kept the momentum since the previous survey and South Korea is now 11 points up, Asia is 8 points stronger, and China and Micronesia are 5 points up each. The demand for students travel during the summer holidays is 20 points stronger with educational tours showing a steady increase. Family travel has gained 13 points, while demand for travel by working women (office ladies) is 10 points up.

Current situation (July - September) South Korea and Asia enjoy growth in demand, DI remains in positive territory

The overall DI grew by 5 points, reaching −3 level.
•The demand for homestay tours for students and inspection tours for local authorities continued (Retailer 2)
• Last year, demand was negatively impacted by the North Korean missile launches but this year sales for South Korea especially and Asia in general are going strong (Overseas tours whole seller)
• Demand for family travel, especially for 3-generation tours, is going strong (General travel agency)

The outlook for overseas travel DI during October - December is not bright

During the third quarter (October - December) DI is 7 points weaker, down to −10 level. During the 4th quarter (January - March), it is expected to fall even further down to −15 level.
•There is no significant increase in demand despite the long weekends in September and October (two 3-day weekends in September and one in October) (In-house travel agency)
•There are concerns that the political and economic policy of the US government will impact overseas travel. If free trade and human exchange stagnate, this might influence overseas travel from Japan negatively (Retailer 2)
•It is still difficult to secure air seats for because of the strong demand by inbound visitors (Overseas travel whole seller)



2 years ago Jul.-Sep.	1 1/2 years ago Jan.-Mar.	1 year and 3 months ago Apr.-Jun.	1 year ago Jul.-Sep.	9 months ago Oct.-Dec.	6 months ago Jan.-Mar.	3 months ago Apr.-Jun.	Current Jul.-Sep.	3 months later Oct.-Dec.	6 months later Jan.-Mar.
-35	-28	-20	-16	-16	-16	-8	-3 ※-4	-10 ※-7	-15

※a perspective last time

	1 1/2 years ago Jan.-Mar.	1 year and 3 months ago Apr.-Jun.	1 year ago Jul.-Sep.	9 months ago Oct.-Dec.	6 months ago Jan.-Mar.	3 months ago Apr.-Jun.	**Current Jul.-Sep.**	3 months later Oct.-Dec.	6 months later Jan.-Mar.
Full-service travel agency	-14	11	10	15	9	-4	**11**	14	-11
Overseas travel wholesaler	-40	-35	-21	-44	-25	-32	**17**	-11	-22
Overseas travel specialist age	-16	-9	-14	-17	-35	-6	**8**	-23	-15
First-tier retail agency	-19	9	3	21	4	43	**25**	9	9
Second-tier retail agency	-37	-34	-26	-39	-24	-15	**-25**	-21	-25
In-house travel agency	-17	-15	-12	2	-8	0	**14**	0	-5
Online travel agency	-50	-16	-100	25	-40	-40	**12**	-14	0

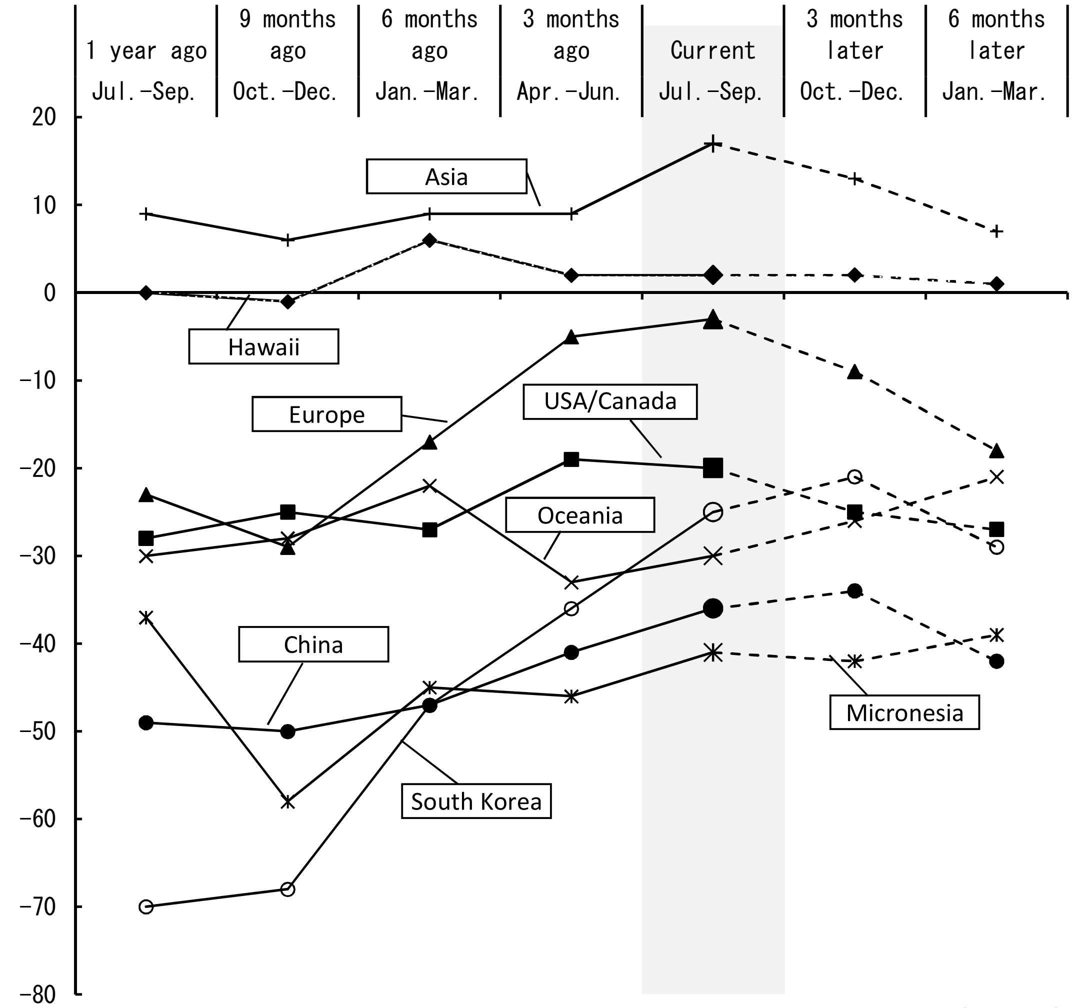
◆Trends in Overseas Travel (by destination)

The strong demand for South Korea in particular and for other Asian destinations in general has recovered. Demand, however, is expected to slightly during the next quarter.

- The destinations which enjoy the strongest demand when compared to the previous quarter (April - June), are South Korea (+11), Asia (excluding China & South Korea) (+8), China (+5), and Micronesia (+5). Other regions are also slightly up and even America and Canada – the only region which is below the level of the previous quarter – have lost no only a point. Compared to the level of a year earlier, South Korea has grown by a remarkable 45 points. Demand for Europe is 20 points stronger and Chine is 13 points up. Micronesia (–4) is the only destination which at is below the level of the same period of the previous year.
- As the summer holidays come to an end, the next quarter (October - December) is expected to see a slight decline in travel demand.

N：valid response (N=234)

(Unit：DI)



(Unit：DI)

	1 year ago Jul.-Sep.	9 months ago Oct.-Dec.	6 months ago Jan.-Mar.	3 months ago Apr.-Jun.	Current Jul.-Sep.	3 months later Oct.-Dec.	6 months later Jan.-Mar.
Hawaii	0	-1	6	2	**2**	2	1
USA/Canada	-28	-25	-27	-19	**-20**	-25	-27
Europe	-23	-29	-17	-5	**-3**	-9	-18
Oceania	-30	-28	-22	-33	**-30**	-26	-21
Micronesia	-37	-58	-45	-46	**-41**	-42	-39
Asia	9	6	9	9	**17**	13	7
China	-49	-50	-47	-41	**-36**	-34	-42
South Korea	-70	-68	-47	-36	**-25**	-21	-29

◆Trends in Overseas Travel (by market segment)

During the summer holidays, student travel and educational tours marked a 2-digit increase over the previous quarter. During the next quarter, though, demand for family and other tours is expected to decline.

- Demand by students is 20 points higher than the previous quarter, family ravel is 13 points stronger and demand by working women is 10 points up. Only business/technical visits and honeymoon tours are down, but the decrease is only 1 point. Even compared to 2017, student travel is 19 points up, demand for educational tours is 15 points above last year's level, and incentive tours are 10 points stronger.
- During the next quarter (October - December), family travel is expected to fall 13 points, and there will be an overall decrease in demand for overseas travel. Incentive and honeymoon tours are expected to grow by 4 and 3 points respectively while demand by working women is expected to grow by 1 point only. Business/technical visits will also increase only slightly, as demand crawls by a point.

N:valid response
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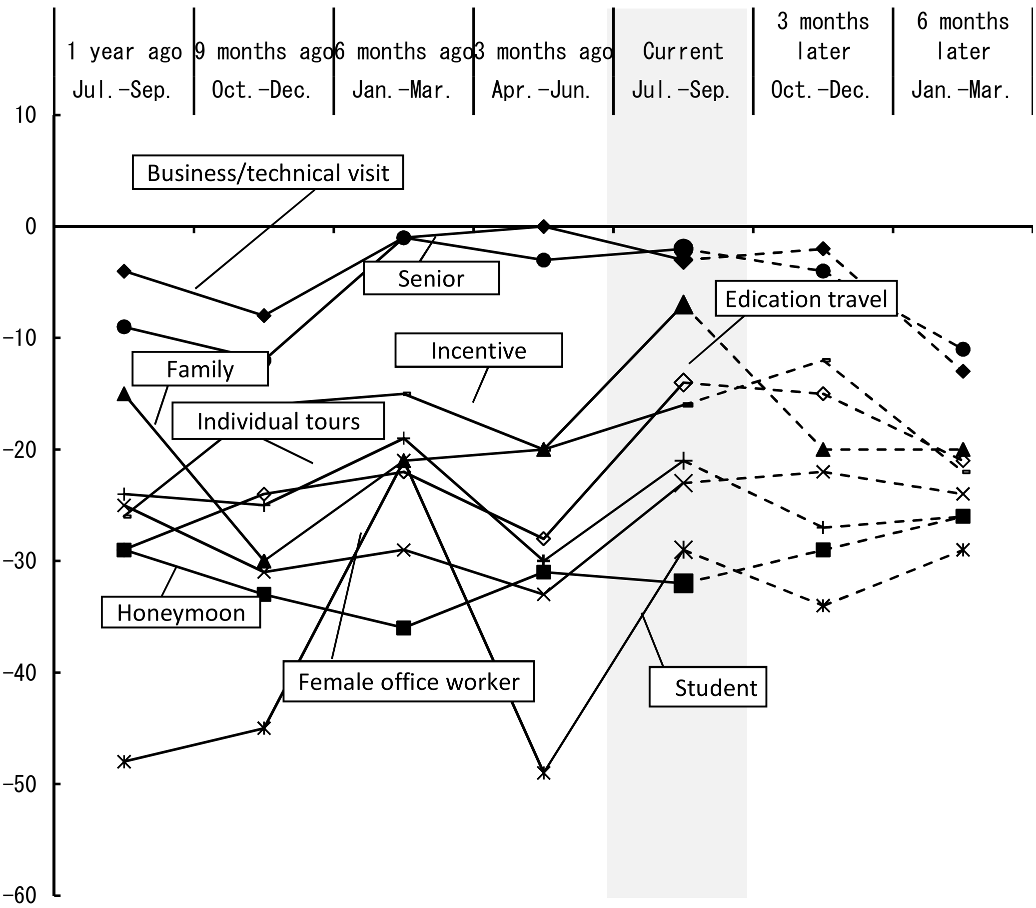
(Unit:DI)



(Unit:DI)

	1 year ago Jul.-Sep.	9 months ago Oct.-Dec.	6 months ago Jan.-Mar.	3 months ago Apr.-Jun.	**Current Jul.-Sep.**	3 months later Oct.-Dec.	6 months later Jan.-Mar.
Honeymoon	-29	-33	-36	-31	**-32**	-29	-26
Family	-15	-30	-21	-20	**-7**	-20	-20
Female office worker	-25	-31	-29	-33	**-23**	-22	-24
Student	-48	-45	-21	-49	**-29**	-34	-29
Senior (*)	-9	-12	-1	-3	**-2**	-4	-11
Individual tours	-24	-25	-19	-30	**-21**	-27	-26
Incentive (**)	-26	-16	-15	-20	**-16**	-12	-22
Business/technical visit	-4	-8	-1	0	**-3**	-2	-13
Education travel	-29	-24	-22	-28	**-14**	-15	-21

* Senior: Customers aged 60 or older.

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

■ Overall Business Activity in the Inbound Travel Market

Despite the torrential rains and floods in Western japan, inbound travel has shown no significant decline and has stayed in positive territory. During the next three months, travel to the disaster-affected regions and incentive travel are expected to recover and demand for inbound travel is expected to show an overall increase.

Overall

Demand is 3 points weaker than the previous quarter. Kinki (-21 points), Sanyo-Sanin-Shikoku (-20) points, Koshinetsu & Hokuriku (-17points), and Kyushu (-10 points) are seeing 2-digit declines. Hokkaido, however, is 8 points up, Kanto (Ibaragi, Tochigi and Gunma) are 5 points better than the previous quarter and the fluctuation in the inbound travel DI is more or less as expected.
In the next quarter, MICE visits are expected to improve by 6 points and the group travel to gain 4 points as demand for inbound travel in general is expected to increase.

Current situation (July - September)
Demand for inbound travel is expected to maintain its level despite the natural disasters in Western Japan.

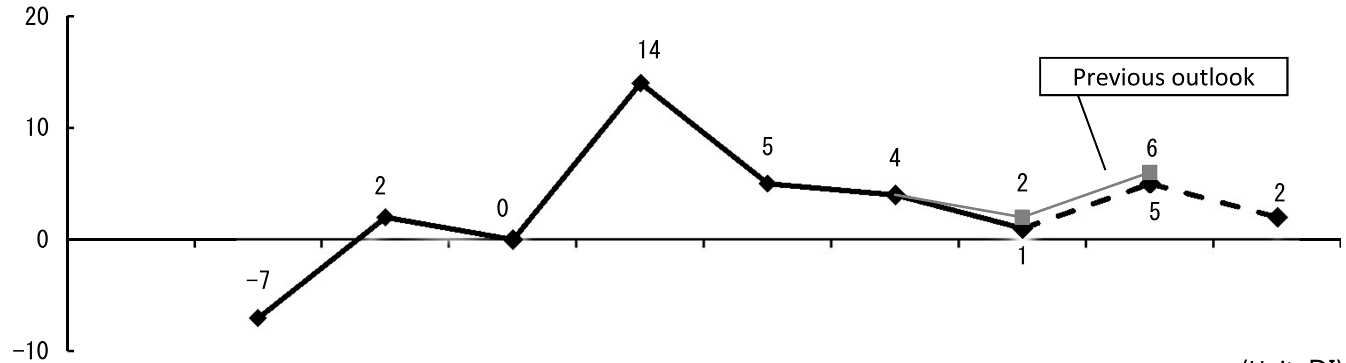
Inbound travel is 3 points weaker than that of the April - June quarter and is currently at +1.
・Sales are a little weaker than the same period of 2017 but the change is not significant (Retailer 2)
・Demand for Tokyo is as high as ever but as the hotel prices as also high, we have difficulty selling volumes (Retailer 2)
・Demand for Okinawa during the summer is not very good (Travel agency selling inbound tours)

MICE and group travel are expected to increase during the next quarter and overall demand will grow.

During October - December, inbound travel will increase by 4 points. In January - March, it will grow by 2 points and reach
・While we can expect demand for MICE tours to remain strong, FIT will probably decline (In-house travel agency)
・Demand for group travel remains steady. Tour types are changing from sightseeing to official visits, inspection and experience tours (Retailer 1)
・Inquiries about visits of centennial Japanese companies/shops from China are increasing (Retailer 2)

(Unit：DI)

N：valid response
(N=120)



(Unit：DI)

２年前 （７～９月）	1 1/2 years ago Jan.-Mar.	1 year and 3 months ago Apr.-Jun.	1 year ago Jul.-Sep.	9 months ago Oct.-Dec.	6 months ago Jan.-Mar.	3 months ago Apr.-Jun.	**Current Jul.-Sep.**	3 months later Oct.-Dec.	6 months later Jan.-Mar.
(＊)	-7	2	0	14	5	4	**1** **※2**	5 ※6	2

※a perspective last time

	1 1/2 years ago Jan.-Mar.	1 year and 3 months ago Apr.-Jun.	1 year ago Jul.-Sep.	9 months ago Oct.-Dec.	6 months ago Jan.-Mar.	3 months ago Apr.-Jun.	**Current Jul.-Sep.**	3 months later Oct.-Dec.	6 months later Jan.-Mar.
Full-service travel agenc	16	30	19	16	8	29	**18**	22	22
First-tier retail agency	-12	18	-22	20	11	0	**10**	10	10
Second-tier retail agenc	-21	-3	-24	0	15	-11	**-3**	-14	-11
In-house travel agency	-25	5	0	12	-27	-15	**-9**	0	-25
Online travel agency	100	-34	40	0	67	33	**0**	0	0
Inbound tour travel agen	-10	-11	-3	17	0	10	**-4**	8	9

※The figures of the previous quarter do not reflect the influence of the June 18th earthquake in Osaka.
The figures at present do not reflect the influence of Typhoon Jebi and the September 6 earthquake in Hokkaido.

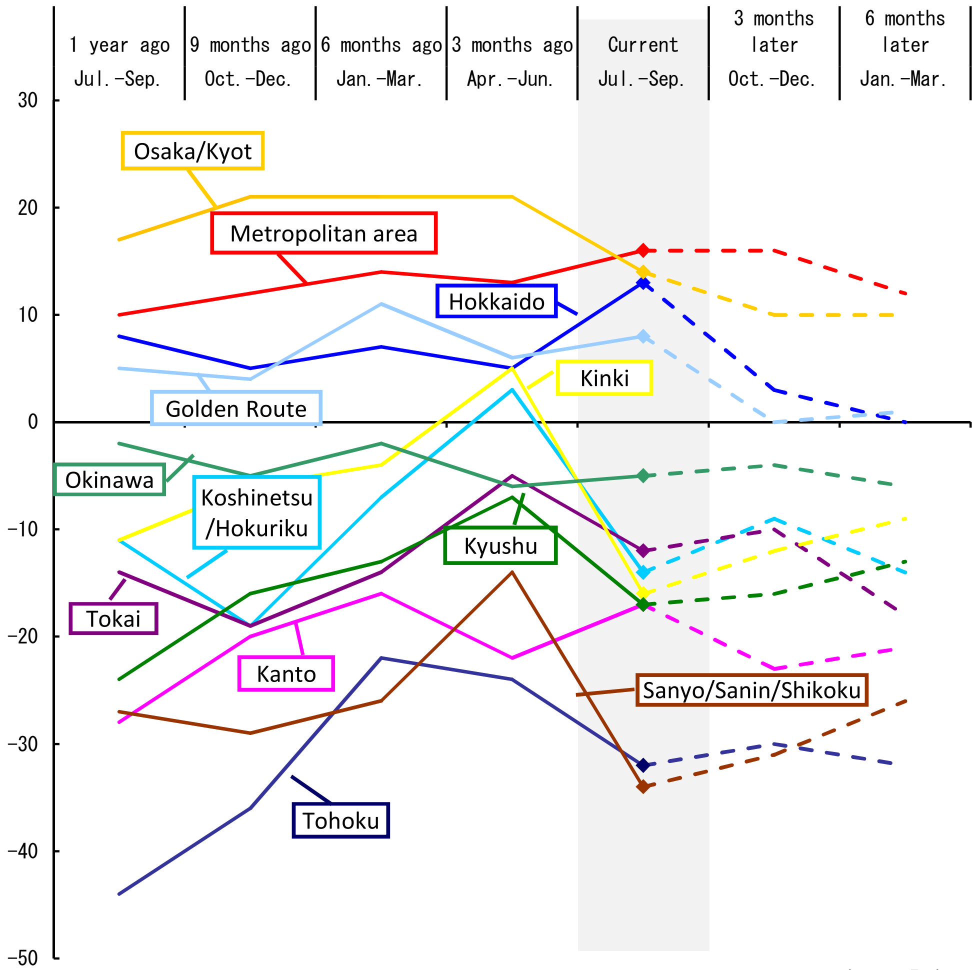
◆Trends in Inbound Travel (by destination)

Kinki, probably due to the torrential rains and flooding, is seeing weaker demand compared to previous years. Other popular regions like Hokkaido, though, enjoy steady demand. During the next quarter, disaster-hit regions are expected to recover slightly but demand to other popular destinations will decline.

- Affected by the natural disasters and abnormal weather conditions, Kinki and Sanyo-Sanin-Shikoku are respectively 21 and 20 points down. Demand for Hokkaido, however, is 8 points stronger and Kanto (Ibaragi, Tochigi and Gunma) are 5 points up. The overall demand for inbound travel has shown no decline when compared to previous years.
- In the next quarter (October - December), Kinki (+4), Sanyo-Sanin-Shikoku (+3) are expected to see a slight recovery. On the other hand, the decline of the popular destinations in positive territory will stand out as demand for Hokkaido drops 10 points, for the Golden Route -8 points, and for Osaka & Kyoto (incl. USJ) 4 points.

N: valid response (N=120)

(Unit: DI)



(Unit: DI)

	1 year ago Jul.-Sep.	9 months ago Oct.-Dec.	6 months ago Jan.-Mar.	3 months ago Apr.-Jun.	**Current Jul.-Sep.**	3 months later Oct.-Dec.	6 months later Jan.-Mar.
Hokkaido	8	5	7	5	**13**	3	0
Tohoku	-44	-36	-22	-24	**-32**	-30	-32
Kanto	-28	-20	-16	-22	**-17**	-23	-21
Golden Route (Kanto⇔Kansai)	5	4	11	6	**8**	0	1
Metropolitan area	10	12	14	13	**16**	16	12
Koshinetsu/Hokuriku	-11	-19	-7	3	**-14**	-9	-14
Tokai	-14	-19	-14	-5	**-12**	-10	-18
Osaka/Kyoto	17	21	21	21	**14**	10	10
Kinki	-11	-6	-4	5	**-16**	-12	-9
Sanyo/Sanin/Shikoku	-27	-29	-26	-14	**-34**	-31	-26
Kyushu	-24	-16	-13	-7	**-17**	-16	-13
Okinwa	-2	-5	-2	-6	**-5**	-4	-6

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The figures at present do not reflect the influence of Typhoon Jebi and the September 6 earthquake in Hokkaido.

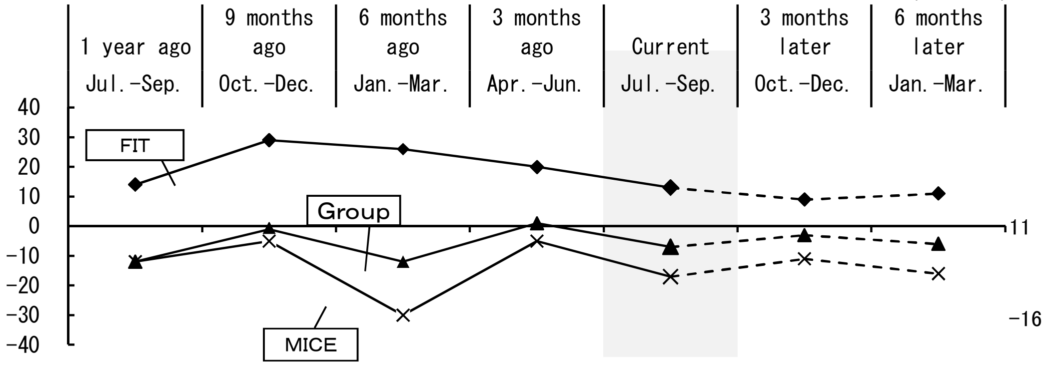
◆Trends in Inbound Travel (by market segment)

・At present, demand for MICE is 12 points down, group travel is 8 points down and demand for FIT is 7 points weaker. The number of FIT and MICE tours is slightly below the level of 2017.

・During the third quarter (October - December), FIT is expected to decline 4 points further while group and MICE tours recover.

(Unit:DI)

N:valid response (N=120)



	1 year ago Jul.-Sep.	9 months ago Oct.-Dec.	6 months ago Jan.-Mar.	3 months ago Apr.-Jun.	**Current Jul.-Sep.**	3 months later Oct.-Dec.	6 months later Jan.-Mar.
FIT	14	29	26	20	**13**	9	11
Group	-12	-1	-12	1	**-7**	-3	-6
MICE	-12	-5	-30	-5	**-17**	-11	-16

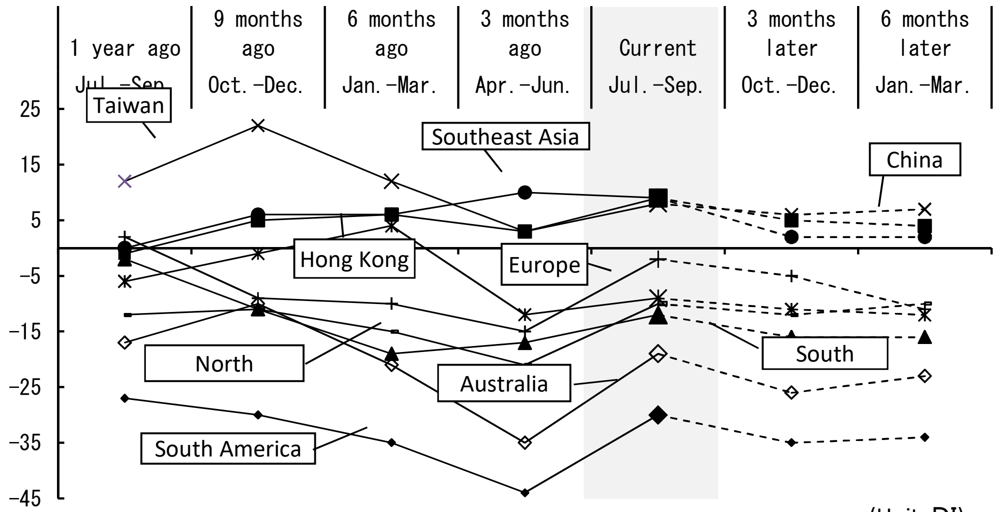
◆rends in Inbound Travel (by source market)

・At present, demand from Australia is 16 points stronger, followed by South America with 14 points up. Europe with +13 is third in line. With the exception of Southeast Asia (−1), demand from all source markets is on the increase. Despite the increase, however, all source markets in Southeast Asia with the exception of China and Taiwan (both at +9) remained in negative territory.

・During the next quarter (October - December), demand from all source markets is expected to decline gradually. The biggest decline though is expected from Southeast Asia and Australia (demand from both markets will be 7 points weaker).

(Unit:DI)

N:valid response (N=120)



(Unit:DI)

	1 year ago Jul.-Sep.	9 months ago Oct.-Dec.	6 months ago Jan.-Mar.	3 months ago Apr.-Jun.	**Current Jul.-Sep.**	3 months later Oct.-Dec.	6 months later Jan.-Mar.
China	-1	5	6	3	**9**	5	4
South Korea	-2	-11	-19	-17	**-12**	-16	-16
Taiwan	12	22	12	3	**8**	6	7
Hong Kong	-6	-1	4	-12	**-9**	-11	-12
Southeast Asia	0	6	6	10	**9**	2	2
Europe	2	-9	-10	-15	**-2**	-5	-11
North America	-12	-11	-15	-21	**-10**	-12	-10
South America	-27	-30	-35	-44	**-30**	-35	-34
Australia	-17	-10	-21	-35	**-19**	-26	-23

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