

Survey of Travel Market Trends - March 2014, 4th 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 595 registered companies. The results of the 4th quarter (January-March) survey are shown below.

● Overseas DI worsened by 12 points from December (-27), falling to -38

- * For a second consecutive year, it fell short of the forecast.
- * Europe fell 9 points again and stood on a par with Oceania which improved by 6 points.
- * The starring segments performed weakly as the business/technical visits decreased by 14 points, and the senior segment fell by 6 points.

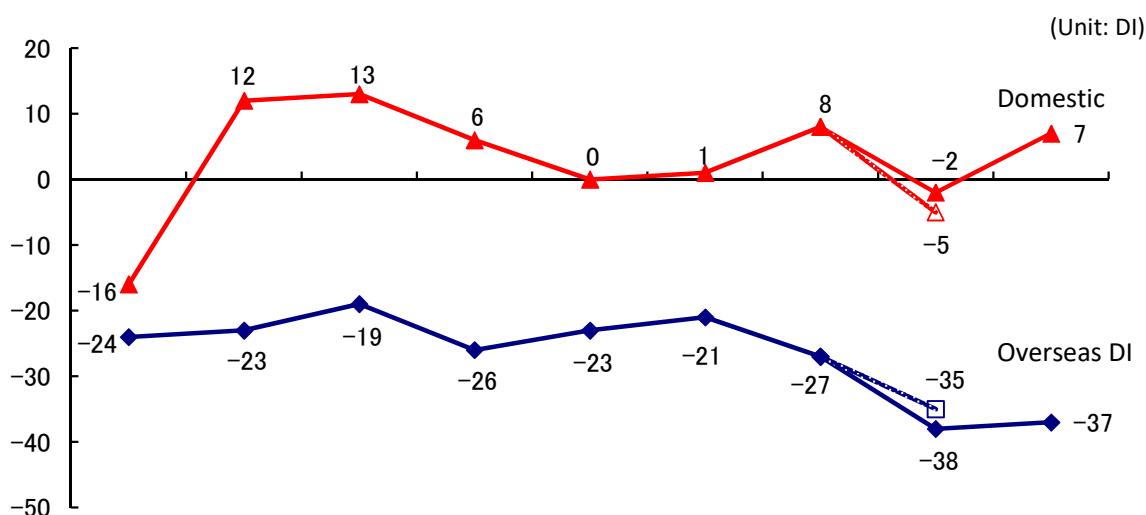
Outlook for the next three months: on the way to recovery

● Domestic travel DI dropped by 6 points, down to -2

- * Although domestic travel DI fell for the first time in 2 years, the downturn did not tally with the forecasted decline.
- * While Kyoto, Osaka and Kobe (9 points) fell 12 points, they stayed in the black with Tokyo (8).
- * Despite the continuous growth in the previous terms, group travel dropped back.

Domestic travel is expected to recuperate during the next three months

- * The launch of the Hokuriku Shinkansen is expected to create demand.



	2 years ago Jan.-Mar.	1 1/2 years ago Jul.-Sep.	1 year and 3 months ago Oct.-Dec.	1 year ago Jan.-Mar.	9 months ago Apr.-Jun.	6 months ago Jul.-Sep.	3 months ago Oct.-Dec.	Current Jan.-Mar.	3 months later Apr.-Jun.
Overseas overall	-24	-23	-19	-26	-23	-21	-27	-38 ※-35	-37
Domestic overall	-16	12	13	6	0	1	8	-2 ※-5	7

※ Outlook as of December 2014

■ Business Activity in the Overseas Travel Market Overall

Activity was down to -38 points, exceeding the expected decline by 3 points.

Europe continued to decrease, falling 9 points and the business/technical visit segment 14 points, showing a weakening performance by high-ranking segments.

During the next 3 months, despite of its low-lying position, signs indicate South Korea's recovery.

Summary

Though short of the forecast, the overseas travel DI fell 11 points, reaching -38. The decline of Europe (-39) continued and it got on par with Oceania (-39) which grew by 11 points. Hawaii (-11), Asia (-13) performed steadily, China (-73), South Korea (-72) continued to recover at a slow pace. In terms of market segments, business/technical visits (-23) stood out with a 14-point decline; incentive (-39), senior (-23) and some other segments kept on falling while students (-49) grew by 7 points.

Current situation (Jan-Mar)

Current situation (from January: demand did not reach the expected level and the results were grim. However, there are signs of partial improvement of the past stagnation)

- In addition to the depreciation of the yen, fear of terrorism, and other concerns act as negative factors influencing customers' willingness to travel. However, the decreased fuel surcharges resulting from the lower crude oil prices have left the travel companies hopeful about an increase in demand. (Category 1 / 1st tier retailing agency)
- Europe performed well until the terrorist attack in Paris in the beginning of January. Taiwan and other destinations which are in high demand, are doing better at outbound than inbound travel compared to last year. Bulk purchase of flight tickets is increasingly difficult, becoming impossible. (Category 1/General travel agency)
- Demand for China and South Korea is still slow. There are many inquiries about Taiwan instead. (Category 1/In-house travel agency)
- In comparison with the previous term (Oct – Dec), outbound travel as a whole fell 11 points down to -38

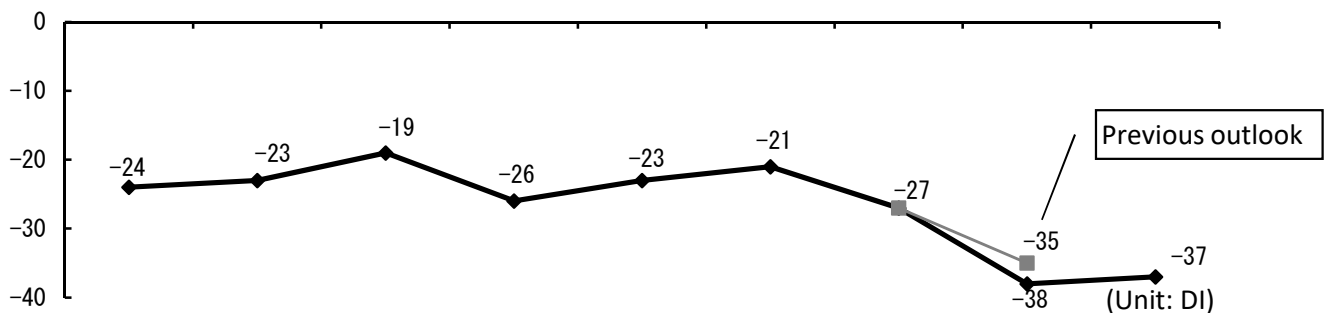
Outlook for the next three months (Jan-Mar)

Expectations for better performance by South Korea

- The decrease in fuel surcharges and other factors are signs of a favorable shift in the business environment. In Asia, Thailand which declined due to political unrest last year, is now on the recovery path. While demand for China and South Korea has not recovered yet, the travel industry is undertaking a number of measures to help and there are expectations for a steady improvement. (Category 1 / General travel agency)
- While demand for China is still low, it seems that the inquiries about South Korea are gradually increasing. (Category 2 / 2nd tier retailing travel agency)
- Due to safety and security reasons, we will be recommending Oceania to our customers. (Category 3 / In-house travel agency)
- During the next three months (Apr – Jun) overseas travel is expected to improve by 1 point and reach -37.

N: valid response
(N=294)

(Unit: DI)



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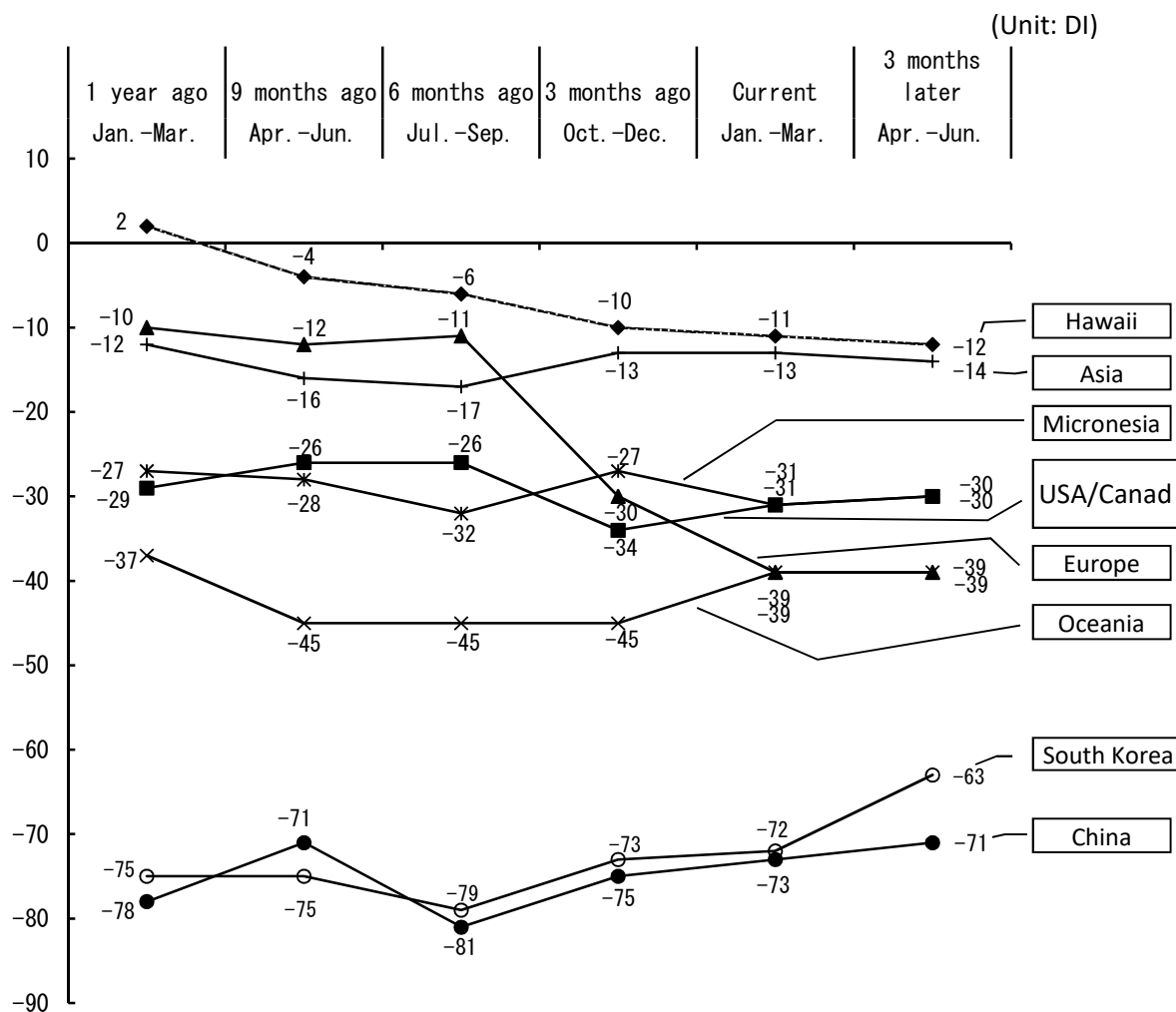
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Full-service travel agency	-26	-26	-20	-33	-31	-34	-56	-44
Overseas travel wholesaler	-37	-21	-53	-50	-50	-50	-74	-65
Overseas travel specialist agency	-6	22	-10	-11	15	26	6	-11
First-tier retail agency	-40	-24	-16	-14	-4	-42	-64	-71
Second-tier retail agency	-25	-24	-31	-27	-30	-38	-37	-38
In-house travel agency	-2	-8	-11	-2	0	2	-16	-13

◆ Trends in Overseas Travel Demand (by destination segment)

For a second successive term demand for Europe declined and got on a par with demand for Oceania. Micronesia took a downturn, Oceania, America & Canada showed a gradual come back. During the next three months, demand in general is expected to be weak. The demand for South Korea though will be watched closely.

- Compared to the previous three months (Oct – Dec), Europe and Hawaii dropped by 9 and 2 points respectively for a second consecutive term. With the exception of Micronesia which dropped by 4 points, Oceania grew by 6 points, America & Canada by 3 points, China by 2 points and South Korea by 1 point, all four destinations showing a gradual recovery. Demand for Asia remained unchanged.
- During the next three months (Apr – Jun), demand for Europe and Oceania will not change, and the market in general is not expected to show much activity. South Korea, however is expected to stand out by improving by 9 points. China will grow by 2 points, America & Canada by 1 point, Micronesia by 1 point as all four destinations will improve. Demand for Hawaii and Asia though growing by 1 point each will decrease.

N: valid response
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(Unit: DI)

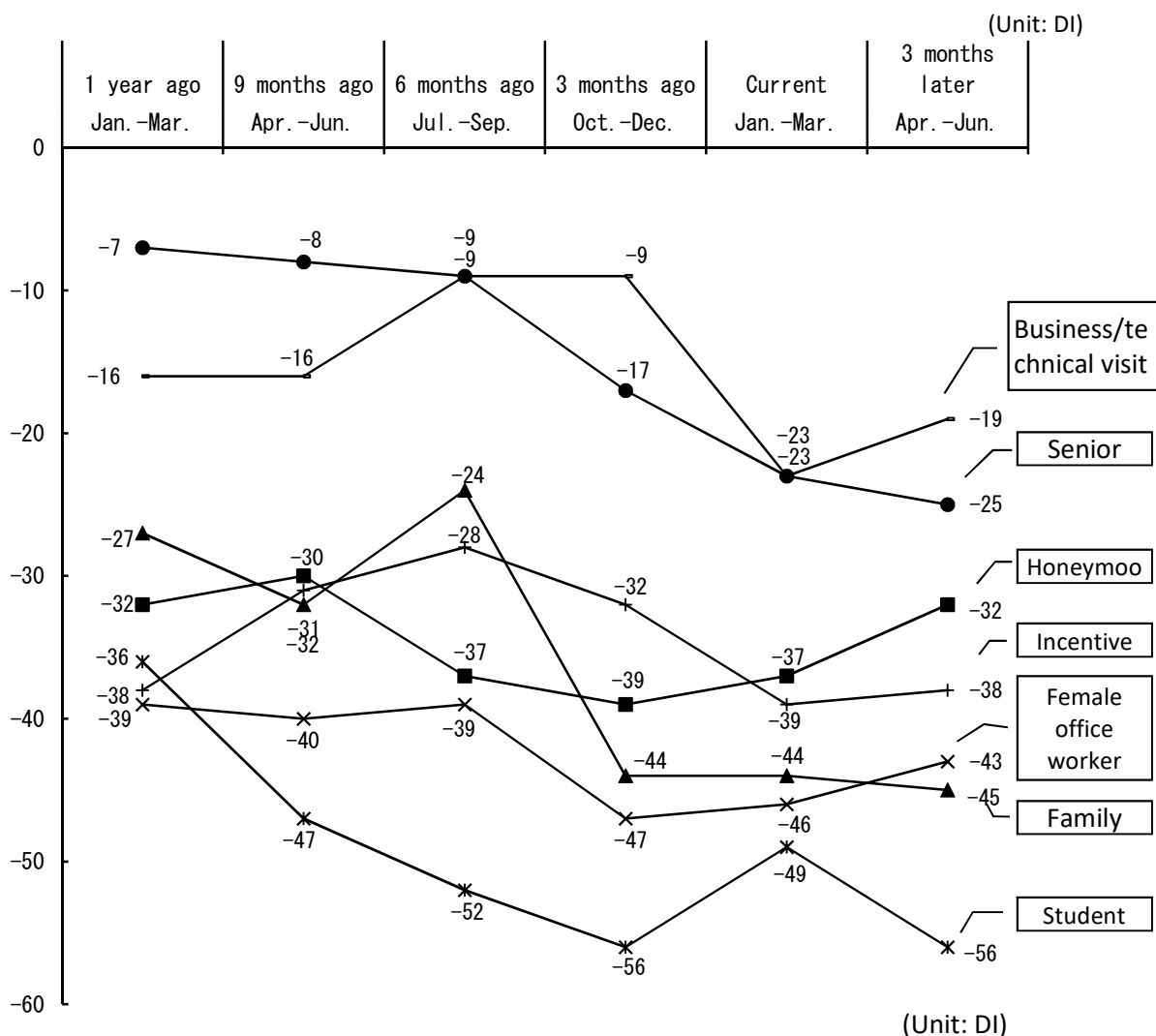
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Hawaii	2	-4	-6	-10	-11	-12
USA/Canada	-29	-26	-26	-34	-31	-30
Europe	-10	-12	-11	-30	-39	-39
Oceania	-37	-45	-45	-45	-39	-39
Micronesia	-27	-28	-32	-27	-31	-30
China	-78	-71	-81	-75	-73	-71
Asia	-12	-16	-17	-13	-13	-14
(of which, South Korea)	-75	-75	-79	-73	-72	-63

◆ Trends in Overseas Travel Demand (by customer segment)

The business/technical visit, incentive and senior segments, which ranked high previously, declined. Although the student segment is somewhat active, others are still stagnant. The outlook for the next 3 months is for a slow recovery with the exception of the senior market, which will continue to decline.

- Compared with the previous term (Oct –Dec), the high-ranking business/technical visit, incentive, senior segments dropped respectively by 14, 7 and 6 points; however, the slow performing student, honeymoon, OL, etc. segments recorded positive growth by 7, 2 and 1 points correspondingly. The family segment remained unchanged and the senior segment continued to decline.
- During the next three months (Apr – Jun), in addition to the honeymoon travel which will continue to advance (5 point increase) the business/technical visit will grow (4 point increase), the OL and incentive segments will continue to grow and gain respectively 3 and 1 points. Student and senior segments will drop respectively by 7 and 2 points and family travel will decrease by 1 point.

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(N=294)



	1 year ago Jan.-Mar.	9 months ago Apr.-Jun.	6 months ago Jul.-Sep.	3 months ago Oct.-Dec.	Current Jan.-Mar.	3 months later Apr.-Jun.
Honeymoon	-32	-30	-37	-39	-37	-32
Family	-27	-32	-24	-44	-44	-45
Female office worker	-39	-40	-39	-47	-46	-43
Student	-36	-47	-52	-56	-49	-56
Senior (*)	-7	-8	-9	-17	-23	-25
Incentive (**)	-38	-31	-28	-32	-39	-38
Business/technical visit	-16	-16	-9	-9	-23	-19

* Senior: Customers aged 60 or older.

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

■About the Survey of Travel Market Trends

The Japan Association of Travel Agents (JATA) asks all email member companies to register as survey monitors. JATA conducts the quarterly Survey of Travel Market Trends involving 600 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

Survey method: Internet survey

Survey period: February 9(Monday) to 25(Wednesday), 2015

Registered companies: 595

Responding companies: 325

Response rate: 54. 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	Respondents
Full-service travel agency	A large-scale travel agency with a national network that provides a full range of travel products	36
Overseas travel wholesaler	A dedicated overseas travel wholesaler	24
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	17
Domestic travel wholesaler	A dedicated domestic travel wholesaler	12
First-tier retail agency	Other than the above, a travel agency with a business volume of 3 billion yen or higher	31
Second-tier retail agency	Other than the above, a travel agency with a business volume of less than 3 billion yen	144
In-house travel agency	A travel agency which mainly handles travel arrangements for its parent company	61

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

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

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