AirTrip / 6191

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Research Coverage Report by Shared Research Inc.

INDEX

How to read a Shared Research report: This report begins with the trends and outlook section, which discusses the company's most recent earnings. First-time readers should start at the business section later in the report.

Executive summary

Business overview

- **Core businesses**: AirTrip is an online travel agency (OTA) providing travel-related content centered on its comprehensive travel platform called "AirTrip." In FY09/20, the company had three business segments: Online Travel Agency (AirTrip Travel Agency, Inbound Travel, and Life Innovation), IT Offshore Development, and Investment. The Online Travel Agency business has been the company's mainstay business in which AirTrip boasts its position as the top domestic OTA. The IT Offshore Development business also has a significant role in the company's operations because it provides the development capabilities that support the AirTrip Travel Agency business. Impacted by the effects from the COVID-19 pandemic, handling volume, including for discontinued operations, was JPY74.7bn in FY09/20, down sharply from JPY146.0bn in FY09/19.
- **AirTrip Travel Agency (part of the Online Travel Agency business)**: In the AirTrip Travel Agency business, the company sells airline tickets and hotel bookings either individually or as sets (AirTrip Plus). Its three key sales channels are B2C (selling directly to consumers under its own brand), B2B2C (selling under the brands of other companies, including travel agencies), and business travel management (BTM, providing companies with a dedicated search system for business travel arrangements). Handling volume in this business declined sharply since February 2020, as the spread of COVID-19 caused a significant drop in travel demand including for business trips. As a result, in FY09/20, the company booked impairment losses (included in operating losses) of JPY7.0bn. Handling volume in domestic travel has started to recover since the state of emergency (issued in April 2020) was lifted in June 2020, but handling volume in overseas travel continues to hover at a mere few percent of its year-ago level.
- **Go To Travel campaign:** The Japanese government allocated a budget of around JPY1.7tn as part of the first supplementary budget for FY2020 for economic stimulus measures for the domestic tourism industry (Go To Travel campaign), which had been severely impacted by COVID-19. The campaign was planned to run from July 22, 2020 until spring 2021. However, it was suspended temporarily on December 28, 2020 to a renewed outbreak of the pandemic, and remained suspended as of June 14, 2021. The government is considering reinstating the program once the state of emergency is lifted, but has not decided on timing or methodology yet.
- **Revenue structure**: When considering revenue structure, it is useful to consider handling volume as the basis, since net operating revenue and total operating revenue differ depending on whether airline tickets and hotel bookings are sold individually or as a set. Since AirTrip's main business is as an OTA, the company essentially has no stores or store staff. Its main fixed costs are personnel expenses (SG&A expenses) and advertising expenses. Expansion in handling volume leads to improved profitability and competitiveness, making the company's business model a typical breakeven point model. On June 24, 2020, the company announced a further business and capital alliance with unlisted company Upsell-Technologies Inc., in which it had already invested. Based on the new alliance, AirTrip will transfer its internal travel operations to Upsell under a business outsourcing agreement. As a result, operational costs are expected to convert to variable costs in stages from July 2020 to September 2021. The company showed profitability on a single-month basis in October 2020, with handling volume for the month at approximately JPY3.7bn, a level at which management believes earnings can exceed the current break-even point.
- **Financing:** On August 27, 2020, the company announced that it would issue No. 1 Series unsecured convertible bonds with warrants attached (CBs) and a separate issue of No. 14 Series warrants. Both the convertible bond issue and separate issue of new stock warrants will be placed via a third-party allocation. The company commented that this would enable fast fund procurement as well as financing in preparation for a future share price recovery (i.e., curtail rapid dilution). The convertible bonds are designed to encourage conversion before maturity, i.e., based on the assumption that they will be converted to shares. The main purpose of the warrants is to enable nimble financing at a time of earnings recovery. The company decided to raise JPY6.1bn (approximate net amount) to reduce interest-bearing debt by JPY2.0bn and cover the estimated investment for growth required in an earnings recovery phase (JPY4.1bn). The CBs had all been exercised by February 19, 2021. In regard to No. 14 Series warrants, the company has the right to approve exercise, and said it would grant this depending on the share price and funding needs.

Trends and outlook

- **FY09/20 results**: In FY09/20, the company logged total handling volume, including in discontinued operations, of JPY74.7bn. On a continuing business basis, the company recorded operating revenue of JPY21.2bn (-12.6% YoY), operating loss of JPY9.0bn (operating profit of JPY676mn in FY09/19), pre-tax loss of JPY9.2bn (pre-tax profit of JPY588mn in FY09/19), loss of JPY8.8bn (profit of JPY751mn in FY09/19), and loss attributable to owners of the parent of JPY8.7bn (profit of JPY731mn in FY09/19). Operating revenue and profit declined due to the impact from the COVID-19 pandemic. The company did not issue full-year FY09/20 earnings forecasts when announcing Q3 results, largely due to uncertainties over the impact of COVID-19 and the effect of the measures it took. However, it did note that if non-recurring factors such as the dire environmental changes and the company's countermeasures are excluded, operating revenue would be in the JPY22.5–24.0bn range while operating profit/loss prior to impairment losses would be in the -JPY600mn to +JPY400mn range. When including discontinued operations, actual operating revenue was JPY21.2bn, and operating losses were JPY2.0bn, which prior to the booking of impairment losses, including for discontinued operations, were larger than what the company had expected.
- **Revised FY09/21 forecast:** AirTrip revised its full-year FY/09/21 forecast on May 31, 2021. The company revised its forecast for operating revenue from JPY24.3bn to JPY19.0bn, operating profit from JPY1.3bn to JPY2.6bn, pre-tax profit from JPY1.2bn to JPY2.5bn, profit attributable to owners of the parent from JPY741mn to JPY1.7bn, and EPS from JPY35.74 to JPY78.06. The company said that about 80% of the downward revision was due to an expected decline from Q3 onward resulting from the exclusion of National Ryutsu Sangyo Co., Ltd. from its scope of consolidation. As announced on February 24, 2021, AirTrip has been involved in negotiations to transfer its stake in consolidated subsidiary National Ryutsu Sangyo Co., Ltd. to Cabin Co., Ltd. At a meeting held on May 31, 2021, AirTrip's board of directors resolved to conclude the share transfer agreement. With National Ryutsu Sangyo set to be excluded from its scope of consolidation, the company lowered its operating revenue forecast. The company has not disclosed the transfer price, but expects the transaction to have only a minimal impact on earnings. In terms of earnings at each profit level, earnings in 1H FY09/21 were stable in the domestic portion of the AirTrip Travel Agency business, with the five existing non-AirTrip Travel Agency businesses (Inbound Travel/Wi-Fi rental, IT Offshore Development, Life Innovation, Healthcare, and Investment) also performing well. While the government's subsequent declaration of a state of emergency had an impact in April and May on the AirTrip Travel Agency business, the other five existing businesses continued to perform strongly. The company expects operating profit to remain firm throughout the year, backed by the ongoing contribution from cost reduction efforts underway since FY09/20 and enhanced stability in the earnings base following the implementation of a variety of measures to restructure and diversify the group's business portfolio.
- **Medium-term growth strategy**: On November 14, 2019, the company announced its medium-term growth strategy "AirTrip 5,000." It is aiming for FY09/24 handling volume of JPY500bn (with FY09/19 as the base year, this is a CAGR of about 28%) with comprehensive strengthening of the AirTrip Travel Agency business and add-on growth areas through M&A. The company announced its medium-term growth strategy before the COVID-19 outbreak, but at the briefing to discuss FY09/20 results indicated that it would continue to work to achieve the targets in the "AirTrip 5000" medium-term growth strategy. Given the sharp decline in handling volume in FY09/20 as a result of the spread of COVID-19, the company in order to achieve its targets will need to post average annual growth in handling volume from that shown in FY09/20 (including discontinued operations) of 61% through FY09/24.

Strengths and weaknesses

- Shared Research views AirTrip's strengths include: 1) cross-selling via dynamic package services (AirTrip Plus); 2) a certain amount of natural customer inflow on improved awareness of the AirTrip brand and higher repeat customer rate; and 3) an offshore development base.
- Its weaknesses include: 1) a high direct-to-consumer sales ratio by airlines for domestic airline tickets; 2) weaker global brand awareness and capital strength than overseas OTAs; and 3) the fact that it is operating in a market with low barriers to entry. (See details in Strengths and weaknesses section.)

Key financial data

Income statement (JPYmn)	FY09/13 Par.	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/17 IFRS	FY09/18 IFRS	FY09/19 IFRS	FY09/20 IFRS	FY09/21 IFRS Est.
Handling volume	**14,000**	**15,370**	**20,655**	**27,782**	**40,116**	**40,016**	**83,166**	**145,981**	**74,700**	
YoY	30.6%	9.8%	34.4%	34.5%	44.4%	-	107.8%	75.5%	-48.8%	
Operating revenue	**961**	**1,451**	**2,755**	**4,001**	**5,534**	**5,533**	**12,451**	**24,306**	**21,241**	**19,000**
YoY	24.8%	51.0%	89.8%	45.2%	38.3%	-	125.0%	95.2%	-12.6%	-10.6%
Gross profit	-	1,102	2,025	3,322	4,597	4,596	6,861	12,920	7,504	
Gross profit margin	-	76.0%	73.5%	83.0%	83.1%	83.1%	55.1%	53.2%	35.3%	
SG&A expenses	-	1,003	1,712	2,703	3,866	3,848	7,234	12,868	9,121	
YoY	-	-	70.7%	57.9%	43.0%	-	88.0%	77.9%	-29.1%	
SG&A ratio	-	69.1%	62.2%	67.6%	69.9%	69.5%	58.1%	52.9%	42.9%	
Gain on investments	-	-	-	-	-	370	1,288	150	-412	
Other operating revenue	-	-	-	-	-	2	371	546	330	
Other operating expenses	-	-	-	-	-	-40	-47	-71	-7,296	
Operating profit	**25**	**99**	**313**	**618**	**731**	**1,088**	**1,239**	**676**	**-8,994**	**2,600**
YoY	-68.8%	297.0%	215.2%	97.7%	18.2%	-	13.9%	-45.4%	-	-
Operating profit margin	2.6%	6.8%	11.4%	15.5%	13.2%	19.7%	10.0%	2.8%	-	13.7%
Pre-tax profit	**23**	**93**	**306**	**571**	**696**	**1,095**	**1,226**	**588**	**-9,190**	**2,540**
YoY	-	311.7%	227.2%	87.0%	21.8%	-	12.0%	-52.0%	-	-
Pre-tax profit margin	2.4%	6.4%	11.1%	14.3%	12.6%	19.8%	9.8%	2.4%	-	13.4%
Profit						**814**	**1,080**	**751**	**-8,825**	
YoY						-	32.7%	-30.5%	-	
Profit margin						14.7%	8.7%	3.1%	-	
Profit attributable to owners of the parent	**15**	**45**	**172**	**340**	**420**	**702**	**942**	**731**	**-8,692**	**1,672**
YoY	-	209.0%	283.3%	97.3%	23.5%	-	34.2%	-22.4%	-	-
Profit margin	1.5%	3.1%	6.3%	8.5%	7.6%	12.7%	7.6%	3.0%	-	8.8%
Per-share data (split-adjusted; JPY)										
Shares issued (year-end; '000)	13,725	13,725	13,725	16,682	16,919	16,919	17,708	19,801	20,420	
EPS	1.1	3.3	12.6	22.2	29.1	42.3	48.5	39.0	-433.8	78.1
EPS (fully diluted)	-	-	-	21.1	27.7	40.1	46.7	37.9	-433.8	
Dividend per share	-	-	-	-	7.0	7.0	10.0	10.0	10.0	-
Book value per share	9.1	12.3	24.9	136.4	168.0	177.5	289.8	490.7	92.2	
Balance sheet (JPYmn)										
Current assets	-	892	1,521	4,025	5,158	5,395	15,202	20,140	15,023	
Cash and cash equivalents	-	229	639	2,356	2,139	2,054	5,320	8,997	7,042	
Accounts receivable	-	397	610	1,104	1,386	1,567	4,442	5,239	2,364	
Operational investment securities	-	-	-	-	1,100	1,520	3,889	4,606	4,359	
Inventories	-	13	75	274	45	45	87	428	435	
Other current assets	-	254	197	290	487	208	1,463	868	821	
Fixed assets	-	381	543	817	2,321	2,491	9,736	11,112	6,916	
Tangible fixed assets	-	59	61	41	367	393	1,111	1,324	480	
Intangible assets	-	99	155	306	1,335	1,393	7,403	8,398	5,419	
Investments and other assets	-	222	328	471	619	705	1,222	1,390	1,017	
Total assets	-	1,273	2,064	4,842	7,479	7,888	24,939	31,253	21,940	
Current liabilities	-	1,022	1,487	2,281	3,519	3,584	15,014	15,717	11,490	
Accounts payable	-	514	669	1,293	1,558	2,045	4,333	4,414	2,646	
Short-term debt	-	227	325	225	655	782	6,802	7,519	6,185	
Other current liabilities	-	281	493	762	1,306	757	3,879	3,784	2,659	
Fixed liabilities	-	49	180	190	733	903	4,444	5,436	7,911	
Long-term debt	-	-	100	87	623	622	4,009	5,111	4,842	
Other	-	49	80	102	110	281	435	325	3,069	
Net assets	-	202	397	2,371	3,226	3,400	5,567	10,099	2,538	
Capital stock	-	215	215	1,020	1,031	1,031	1,100	2,922	3,138	
Capital surplus	-	20	20	825	837	815	2,117	4,175	4,887	
Retained earnings	-	-68	105	445	865	1,145	1,876	2,598	-6,135	
Treasury stock	-	0	0	0	0	0	-	0	0	
Accum. other comprehensive income	-	2	2	-13	40	10	5	19	92	
Share subscription rights	-	-	-	-	-	-	-	-	-	
Non-controlling interests	-	32	56	95	404	397	380	382	555	
Total liabilities and equity	-	1,273	2,064	4,841	7,479	7,888	24,939	31,253	21,940	
Statement of cash flows (JPYmn)										
Cash flows from operating activities	-	160	331	605	217	218	527	-76	-559	
Cash flows from investing activities	-	-139	-167	-456	-1,312	-1,437	-1,010	-678	256	
Cash flows from financing activities	-	112	216	1,477	943	941	3,662	4,459	-1,643	
Financial ratios										
Interest-bearing debt	-	227	425	312	1,278	1,404	10,811	12,630	11,027	
Net cash	-	2	214	2,044	861	650	-5,491	-3,633	-3,985	
ROA (Pre-tax profit/RP-based)	-	-	18.3%	16.5%	11.3%	17.2%	7.5%	2.1%	-34.6%	
ROE	-	53.1%	67.5%	26.0%	19.1%	26.9%	23.0%	7.5%	-28.0%	
Current ratio	-	87%	102%	176%	147%	151%	101%	128%	131%	
Fixed ratio	-	188.6%	136.8%	34.5%	71.9%	73.3%	174.9%	110.0%	272.5%	
Equity ratio	-	13.3%	16.5%	47.0%	37.1%	38.0%	20.4%	31.1%	9.0%	

Source: Shared Research based on company data. FY09/20 handling volume includes handling volume from discontinued operations.
Note: Figures may differ from company data owing to differences in rounding methods.

Performance by segment (JPYmn)	FY09/13 Par.	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/17 IFRS	FY09/18 IFRS	FY09/19 IFRS	FY09/20 IFRS
Operating revenue	-	1,451	2,755	4,001	5,534	5,533	12,451	24,306	21,241
Online Travel Agency	-	997	1,718	2,897	3,895	3,893	10,112	21,505	18,794
IT Offshore Development	-	343	879	1,099	1,534	1,534	2,153	2,455	1,888
Investment	-	-	-	-	103	103	161	345	558
Others	-	112	158	4	2	1	-	-	-
YoY	-	-	89.8%	45.2%	38.3%	-	125.0%	95.2%	-12.6%
Online Travel Agency	-	-	72.3%	68.7%	34.4%	-	159.7%	112.7%	-12.6%
IT Offshore Development	-	-	156.4%	25.1%	39.5%	-	40.4%	14.0%	-23.1%
Investment	-	-	-	-	-	-	56.3%	114.3%	61.7%
Others	-	-	41.9%	-97.5%	-49.4%	-	-	-	-
% of operating revenue	-	100.0%	100.0%	100.0%	100.0%	100.0%	99.8%	100.0%	100.0%
Online Travel Agency	-	68.7%	62.4%	72.4%	70.4%	70.4%	81.2%	88.5%	88.5%
IT Offshore Development	-	23.6%	31.9%	27.5%	27.7%	27.7%	17.3%	10.1%	8.9%
Investment	-	-	-	-	1.9%	1.9%	1.3%	1.4%	2.6%
Others	-	7.7%	5.8%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating profit	-	99	313	618	731	1,088	1,239	676	-8,994
Online Travel Agency	-	346	562	944	965	824	269	1,110	-7,544
IT Offshore Development	-	32	19	83	163	168	148	172	0
Investment	-	-	-	-	68	438	1,305	332	-247
Others	-	-72	3	0	0	0	0	0	0
Adjustments	-	-207	-271	-408	-466	-342	-571	-938	-1,204
YoY	-	-	215.2%	97.7%	18.2%	-	13.9%	-45.4%	-
Online Travel Agency	-	-	62.3%	68.0%	2.2%	-	-67.4%	312.6%	-
IT Offshore Development	-	-	-41.0%	342.1%	97.2%	-	-11.9%	16.2%	-
Investment	-	-	-	-	-	-	197.9%	-74.6%	-
Others	-	-	-	-	-51.5%	-	-	-	-
OPM (excluding adjustments)	-	6.8%	11.4%	15.5%	13.2%	19.7%	10.0%	2.8%	-42.3%
Online Travel Agency	-	34.7%	32.7%	32.6%	24.8%	21.2%	2.7%	5.2%	-40.1%
IT Offshore Development	-	9.3%	2.1%	7.5%	10.7%	11.0%	6.9%	7.0%	0.0%
Investment	-	-	-	-	66.1%	425.2%	810.6%	96.2%	-44.3%
Others	-	-64.2%	1.9%	-0.8%	-0.8%	-	-	-	-
% of operating profit (including adjustments)	-	100.0%	100.0%	100.0%	100.0%	100.0%	95.1%	100.0%	100.0%
Online Travel Agency	-	113.0%	96.3%	91.9%	80.6%	57.6%	14.9%	68.8%	96.8%
IT Offshore Development	-	10.4%	3.2%	8.1%	13.7%	11.7%	8.2%	10.7%	0.0%
Investment	-	-	-	-	5.7%	30.6%	72.1%	20.6%	3.2%
Others	-	-23.4%	0.5%	0.0%	0.0%	-	-	-	-

Source: Shared Research based on company data
Note: Figures may differ from company data owing to differences in rounding methods.

Recent updates

Highlights

On June 22, 2021, Shared Research updated the report following interviews with AirTrip Corp.

On May 31, 2021, the company announced a revision to its earnings forecast.

Revised FY09/21 earnings forecast

- Operating revenue: JPY19.0bn (previously JPY24.3bn)
- Operating profit: JPY2.6bn (JPY1.3bn)
- Pre-tax profit: JPY2.5bn (JPY1.2bn)
- Profit*: JPY1.7bn (JPY741mn)
- EPS: JPY78.06 (JPY35.74)

*Profit attributable to owners of the parent

Reasons for the revision

Operating revenue: As announced on February 24, 2021, AirTrip has been involved in negotiations to transfer its stake in consolidated subsidiary National Ryutsu Sangyo Co., Ltd. to Cabin Co., Ltd. At a meeting held on May 31, 2021, AirTrip's board of directors resolved to conclude the share transfer agreement. With National Ryutsu Sangyo set to be excluded from consolidation, the company lowered its operating revenue forecast. The company has not disclosed the transfer price, but expects the transaction to have only a minimal impact on earnings.

Earnings at each profit level: In 1H FY09/21, earnings were stable in the domestic portion of the AirTrip Travel Agency business, and the five existing non-AirTrip Travel Agency businesses (Inbound Travel/Wi-Fi rental, IT Offshore Development, Life Innovation, Healthcare, and Investment) also performed well. While the government's subsequent declaration of a state of emergency had an impact in April and May on the AirTrip Travel Agency business, the other five existing businesses continued to perform strongly. The company expects operating profit to remain firm throughout the year, backed by the ongoing contribution from cost reduction efforts underway since FY09/20 and enhanced stability in the earnings base following the implementation of a variety of measures to restructure and diversify the group's business portfolio.

On May 14, 2021, the company announced earnings results for 1H FY09/21; see the results section for details.

On April 15, 2021, the company announced a revision to its FY09/21 earnings forecast.

Revised FY09/21 earnings forecast

- Operating revenue: JPY24.3bn (unchanged from previous forecast)
- Operating profit: JPY1.3bn (previously JPY1.0bn)
- Pre-tax profit: JPY1.2bn (JPY940mn)
- Profit*: JPY741mn (JPY561mn)
- EPS: JPY35.74 (JPY27.09)

*Profit attributable to owners of the parent

Reasons for the revision

The company revised up its full-year FY09/21 earnings forecast as it expects each profit item to improve. The operating revenue forecast remains unchanged. This reflects the fact that recovery in the overseas travel business remains sluggish, and ongoing uncertainty over the outlook for domestic travel demand for long holidays from late April to early May as well as the busy summer season.

- Following the previous forecast revision, all businesses in the AirTrip Travel Agency segment (excluding overseas travel) have continued to perform well, exceeding initial expectations. Although there are some effects from tighter COVID-19 measures, performance in the domestic travel business is on a recovery trend, exceeding its expectations. The company has also seen a better-than-expected recovery in other businesses. In some cases it has benefited from new demand either during the pandemic or else related to the post-pandemic environment. Therefore, overall performance has been positive.

On March 24, 2021, Shared Research updated the report following interviews with the company.

For previous releases and developments, please refer to the News and topics section.

Trends and outlook

Quarterly trends and results

Cumulative	FY09/19 IFRS				FY09/20 IFRS				FY09/21 IFRS		FY09/21 IFRS	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of FY	FY Est.
Handling volume	**29,258**	**64,849**	**98,899**	**145,981**	**36,046**	**60,857**	**66,975**	**74,700**	**10,363**	**18,077**		
YoY	159.4%	146.0%	108.6%	75.5%	23.2%	-6.2%	-32.3%	-48.8%	-71.3%	-70.3%		
Operating revenue	**4,735**	**10,643**	**16,148**	**24,306**	**7,980**	**14,741**	**19,212**	**21,241**	**6,560**	**11,202**	**59.0%**	**19,000**
YoY	191.6%	208.6%	155.3%	95.6%	68.5%	38.5%	19.0%	-12.6%	-17.8%	-24.0%		-10.6%
Gross profit	2,746	5,883	9,134	12,920	2,961	5,701	7,199	7,504	1,935	3,855		
Gross profit margin	58.0%	55.3%	56.6%	53.2%	37.1%	38.7%	37.5%	35.3%	29.5%	34.4%		
SG&A expenses	3,023	6,181	9,478	12,868	3,013	5,879	7,671	9,121	1,272	2,644		
YoY	167.8%	160.1%	119.4%	76.4%	-0.3%	-4.9%	-19.1%	-29.1%	-57.8%	-55.0%		
SG&A ratio	63.8%	58.1%	58.7%	52.9%	37.8%	39.9%	39.9%	42.9%	19.4%	23.6%		
Gain on investment	105	264	430	150	131	-270	-568	-412	72	165		
Other revenues	9	220	225	546	149	183	1,016	330	44	74		
Other expenses	21	-34	-41	-71	26	-1,066	-1,122	-7,296	16	-45		
Operating profit	**-183**	**178**	**270**	**676**	**202**	**-1,332**	**-1,147**	**-8,994**	**763**	**2,001**	**77.0%**	**2,600**
YoY	-	-77.5%	-74.3%	-41.3%	-	-	-	-	277.7%	-		-
Operating profit margin	-	1.7%	1.7%	2.8%	2.5%	-	-	-	11.6%	17.9%		13.7%
Pre-tax profit	**-204**	**140**	**208**	**588**	**150**	**-1,425**	**-1,269**	**-9,190**	**725**	**1,955**	**77.0%**	**2,540**
YoY	-	-82.3%	-80.0%	-48.3%	-	-	-	-	383.3%	-		-
Pre-tax profit margin	-	1.3%	1.3%	2.4%	1.9%	-	-	-	11.1%	17.5%		13.4%
Profit attributable to owners of the parent	**-201**	**78**	**57**	**731**	**692**	**-741**	**-1,167**	**-8,692**	**432**	**1,286**	**76.9%**	**1,672**
YoY	-	-84.8%	-91.4%	-22.4%	-	-	-	-	-37.6%	-		-
Profit margin	-	-	-	-	8.7%	-	-	-	6.6%	11.5%		8.8%

Quarterly	FY09/19 IFRS				FY09/20 IFRS				FY09/21 IFRS	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Handling volume	**29,258**	**35,591**	**34,050**	**47,082**	**36,046**	**24,811**	**6,118**	**7,725**	**10,363**	**7,714**
YoY	159.4%	136.0%	61.8%	31.7%	23.2%	-30.3%	-82.0%	-83.6%	-71.3%	-68.9%
Operating revenue	**4,735**	**5,908**	**5,505**	**8,158**	**7,980**	**6,761**	**4,471**	**2,029**	**6,560**	**4,642**
YoY	191.6%	223.7%	91.5%	33.7%	68.5%	14.4%	-18.8%	-75.1%	-17.8%	-31.3%
Gross profit	2,746	3,137	3,251	3,786	2,961	2,740	1,498	305	1,935	1,920
Gross profit margin	58.0%	53.1%	59.1%	46.4%	37.1%	40.5%	33.5%	15.0%	29.5%	41.4%
SG&A expenses	3,023	3,158	3,297	3,390	3,013	2,866	1,792	1,450	1,272	1,372
YoY	167.8%	153.2%	69.6%	13.9%	-0.3%	-9.2%	-45.6%	-57.2%	-57.8%	-52.1%
SG&A ratio	63.8%	58.1%	58.7%	52.9%	37.8%	39.9%	39.9%	42.9%	19.4%	29.6%
Operating profit	**-183**	**361**	**92**	**406**	**202**	**-1,534**	**185**	**-7,847**	**763**	**1,238**
YoY	-	-45.4%	-64.6%	298.0%	-	-	101.1%	-	277.7%	-
Operating profit margin	-	6.1%	1.7%	5.0%	2.5%	-	-	-	11.6%	26.7%
Pre-tax profit	**-204**	**344**	**68**	**380**	**150**	**-1,575**	**156**	**-7,921**	**725**	**1,230**
YoY	-	-48.3%	-72.6%	291.8%	-	-	129.4%	-	383.3%	-
Pre-tax profit margin	-	5.8%	1.2%	4.7%	1.9%	-	-	-	11.1%	26.5%
Profit attributable to owners of the parent	**-201**	**279**	**-21**	**674**	**692**	**-1,433**	**-426**	**-7,525**	**432**	**854**
YoY	-	-37.4%	-	139.9%	-	-	-	-	-37.6%	-
Profit margin	-	4.7%	-	8.3%	8.7%	-	-	-	6.6%	18.4%

Source: Shared Research based on company data
Note: At the timing of each quarterly results disclosure in FY09/21, figures for the corresponding period in FY09/20 are adjusted to those that do not include discontinued operations. Quarterly (three month) figures are obtained by calculating the difference between quarterly cumulative results.
Note: Figures may differ from company data owing to differences in rounding methods.

By segment (cumulative)	FY09/19 IFRS				FY09/20 IFRS				09/21 IFRS	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Operating revenue	4,735	10,643	16,148	24,306	7,980	14,741	19,212	21,241	6,560	11,202
Online Travel Agency	4,124	9,500	14,088	21,505	7,402	13,653	17,198	18,794	5,838	9,931
IT Offshore Development	611	1,142	1,817	2,455	507	1,016	1,461	1,888	426	925
Investment	0	0	242	345	71	71	553	558	295	345
Others	0	0	0	0	0	0	0	-	-	-
YoY	191.6%	208.6%	155.3%	95.6%	68.5%	38.5%	19.0%	-12.6%	-17.8%	-24.0%
Online Travel Agency	312.4%	313.9%	204.6%	112.7%	79.5%	43.7%	22.1%	-12.6%	-21.1%	-27.3%
IT Offshore Development	16.8%	8.5%	13.8%	14.0%	-17.0%	-11.0%	-19.6%	-23.1%	-16.0%	-9.0%
Investment	-	-	139.6%	114.3%	-	-	128.5%	61.7%	315.5%	385.9%
Others	-	-	-	-	-	-	-	-	-	-
Operating profit	-183	178	270	676	202	-1,332	-1,147	-8,994	763	2,001
Online Travel Agency	-196	234	147	1,110	307	-473	-289	-7,544	627	1,394
IT Offshore Development	91	111	134	172	40	53	76	0	30	613
Investment	97	237	473	332	163	-243	-79	-247	316	435
Others	0	0	0	0	0	0	0	0	-	-
YoY	-	-77.5%	-74.3%	-41.3%	-	-	-	-	277.7%	-
Online Travel Agency	-	706.9%	-	312.6%	-	-	-	-	104.2%	-
IT Offshore Development	42.2%	6.7%	25.2%	16.2%	-56.0%	-52.3%	-43.3%	-	-25.0%	-
Investment	-15.7%	-74.3%	-66.0%	-74.6%	68.0%	-	-	-	93.9%	-
Others	-	-	-	-	-	-	-	-	-	-
Operating profit margin	-	1.7%	1.7%	2.8%	2.5%	-	-	-	11.6%	17.9%
Online Travel Agency	-	2.5%	1.0%	5.2%	4.1%	-	-	-	10.7%	14.0%
IT Offshore Development	14.9%	9.7%	7.4%	7.0%	7.9%	5.2%	5.2%	-	7.0%	66.3%
Investment	-	-	2	1	229.6%	-	-	-	107.1%	126.1%
By segment (quarterly)	**FY09/19 IFRS**				**FY09/20 IFRS**				**09/21 IFRS**	
(JPYmn)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
Operating revenue	4,735	5,908	5,505	8,158	7,980	6,761	4,471	2,029	6,560	4,642
Online Travel Agency	4,124	5,376	4,588	7,417	7,402	6,251	3,545	1,596	5,838	4,093
IT Offshore Development	611	531	675	638	507	509	445	427	426	499
Investment	0	0	242	103	71	-	482	5	295	50
Others	0	0	0	0	0	0	0	-	-	-
YoY	191.6%	223.7%	91.5%	33.7%	68.5%	14.4%	-18.8%	-75.1%	-17.8%	-31.3%
Online Travel Agency	312.4%	315.1%	96.9%	35.2%	79.5%	16.3%	-22.7%	-78.5%	-21.1%	-34.5%
IT Offshore Development	16.8%	0.2%	24.1%	14.7%	-17.0%	-4.1%	-34.1%	-33.1%	-16.0%	-2.0%
Investment	-	-	-	71.7%	-	-	99.2%	-95.1%	315.5%	-
Operating profit	-183	361	92	406	202	-1,534	185	-7,847	763	1,238
Online Travel Agency	-196	430	-87	963	307	-780	184	-7,255	627	767
IT Offshore Development	91	20	23	38	40	13	23	-76	30	583
Investment	97	140	236	-141	163	-406	164	-168	316	119
Others	0	0	-	0	0	0	0	0	-	-
Operating profit margin	-	6.1%	1.7%	5.0%	2.5%	-	4.1%	-	11.6%	26.7%
Online Travel Agency	-	8.0%	-	13.0%	4.1%	-	5.2%	-	10.7%	18.7%
IT Offshore Development	14.9%	3.8%	3.4%	6.0%	7.9%	2.6%	5.2%	-	7.0%	116.8%
Investment	-	-	97.5%	-	229.6%	-	34.0%	-	107.1%	238.0%

Source: Shared Research based on company data
Note: FY09/20 figures include those from discontinued operations through Q3, with Q4 figures (excluding handling volume) not including discontinued operations. Figures for the three months of Q4 reflect the difference between cumulative Q3 and full-year results.
Note: Figures may differ from company data owing to differences in rounding methods.

1H FY09/21 results (out May 14, 2021)

- ▷ In 1H FY09/21, the company logged a total handling volume of JPY18.1bn. The company recorded operating revenue of JPY11.2bn (-24.0% YoY; based on comparison of continuing operations only), operating profit of JPY2.0bn (vs. loss of JPY1.3bn in 1H FY09/20), a pre-tax profit of JPY2.0bn (vs. a loss of JPY1.4bn), and profit attributable to owners of the parent of JPY1.3bn (vs. a loss of JPY741mn). As of 1H, operating profit had exceeded the company's revised target (as of April 15, 2021) of JPY1.3bn.
- ▷ Q2 gross profits were JPY330mn for January, JPY200mn for February, and JPY360mn for March in domestic travel, JPY10mn for all three months in overseas travel, and JPY320mn, JPY380mn, and JPY320mn, respectively, in other businesses. The company contained monthly SG&A expenses to around JPY450mn and JPY500mn in Q2. It controlled variable costs and advertising costs along with the decline in domestic travel demand.
- ▷ On May 31, 2021, the company revised its full-year FY09/21 forecast for operating revenue from JPY24.3bn to JPY19.0bn, operating profit from JPY1.3bn to JPY2.6bn, pre-tax profit from JPY1.2bn to JPY2.5bn, profit attributable to owners of the parent from JPY741mn to JPY1.7bn, and EPS from JPY35.74 to JPY78.06. The company said that about 80% of the downward revision was due to an expected decline from Q3 onward resulting from the exclusion of National Ryutsu Sangyo Co., Ltd. from its

scope of consolidation. As announced on February 24, 2021, AirTrip has been involved in negotiations to transfer its stake in the consolidated subsidiary to Cabin Co., Ltd. At a meeting held on May 31, 2021, AirTrip's board of directors resolved to conclude the share transfer agreement. With National Ryutsu Sangyo set to be excluded from its scope of consolidation, the company lowered its operating revenue forecast. The company has not disclosed the transfer price, but expects the transaction to have only a minimal impact on earnings. On the profit front, in 1H FY09/21, earnings were stable in the domestic portion of the AirTrip Travel Agency business, and the five existing non-AirTrip Travel Agency businesses (Inbound Travel/Wi-Fi rental, IT Offshore Development, Life Innovation, Healthcare, and Investment) also performed well. While the government's subsequent declaration of a state of emergency had an impact in April and May on the AirTrip Travel Agency business, the other five existing businesses continued to perform strongly. The company expects operating profit to remain firm throughout the year, backed by the ongoing contribution from cost reduction efforts underway since FY09/20 and enhanced stability in the earnings base following the implementation of a variety of measures to restructure and diversify the group's business portfolio. For details on the underlying assumptions of the earnings forecast, see the "Full-year company forecast for FY09/21" section.

Results by segment

Online Travel Agency

From Q1 FY09/20, the Online Travel Agency segment contains the AirTrip Travel Agency, Inbound Travel, and Life Innovation businesses. In Q1 FY09/21, the Online Travel Agency segment generated operating revenue of JPY9.9bn (-27.3% YoY) and segment operating profit of JPY1.4bn (vs. a JPY473mn loss a year ago).

- AirTrip Travel Agency business performed better than expected as domestic travel is recovering, even though business was partially affected by quasi-emergency declarations and emergency declarations.
- Earnings contributions from the newly launched Healthcare business grew steadily thanks to demand for PCR testing among others, but the company sees this as a temporary business due to the spread of vaccinations

IT Offshore Development

In 1H FY09/21, the IT Offshore Development segment generated operating revenue of JPY925mn (-9.0% YoY) and segment operating profit of JPY613mn (vs. JPY53mn a year ago). Of the segment operating profit, around JPY500mn is attributed to the profit from excluding Hybrid Technologies Co., Ltd. from the scope of consolidation in Q2. Hybrid Technologies was formerly a consolidated subsidiary of the company, with Evolable Asia Co., Ltd. (51% owned by AirTrip) holding a 66% stake. As Hybrid Technologies goes on to aim at IPO, the company reviewed its capital policy and decided to make Hybrid Technologies an affiliated company accounted for by the equity method, directly holding 37% of its shares. The remaining stake will be held directly by Evolable Asia's joint venture partner. The company revaluated Hybrid Technologies as its control over the entity has changed.

Investment

In 1H FY09/21, the Investment segment generated operating revenue of JPY345mn (+385.9% YoY) and segment operating profit of JPY435mn (vs. a JPY243 loss a year ago). The number of companies in the investment portfolio grew to 66 as of May 2021. Total investment was about JPY2.7bn as of May 2021.

For details on previous quarterly and annual results, please refer to the Historical financial statements section.

Full-year company forecast for FY09/21

(JPYmn)	FY09/19 Act.	FY09/20 Act.	FY09/21 Est.
Handling volume	**145,981**	**74,700**	
YoY	75.5%	-48.8%	
Operating revenue	**24,306**	**21,241**	**19,000**
YoY	95.3%	-12.6%	-10.6%
Operating profit	**676**	**-8,994**	**2,600**
YoY	-41.3%	-	-
Pre-tax profit	**588**	**-9,190**	**2,540**
YoY	-52.0%	-	-
Profit attributable to owners of the parent	**731**	**-8,692**	**1,672**
YoY	-22.4%	-	-

Source: Shared Research based on company data
Note: FY09/20 handling volume includes handling volume for discontinued operations.

Revised full-year FY09/21 forecast (out May 31, 2021)

- ▷ Operating revenue: JPY19.0bn (previously JPY24.3bn)
- ▷ Operating profit: JPY2.6bn (JPY1.3bn)
- ▷ Pre-tax profit: JPY2.5bn (JPY1.2bn)
- ▷ Profit*: JPY1.7bn (JPY741mn)
- ▷ EPS: JPY78.06 (JPY35.74)

*Profit attributable to owners of the parent

Reasons for the revision

Operating revenue: The company said that about 80% of the downward revision was due to an expected decline from Q3 onward resulting from the exclusion of National Ryutsu Sangyo Co., Ltd. from its scope of consolidation. As announced on February 24, 2021, AirTrip has been involved in negotiations to transfer its stake in the consolidated subsidiary to Cabin Co., Ltd. At a meeting held on May 31, 2021, AirTrip's board of directors resolved to conclude the share transfer agreement. With National Ryutsu Sangyo set to be excluded from its scope of consolidation, the company lowered its operating revenue forecast. The company has not disclosed the transfer price, but expects the transaction to have only a minimal impact on earnings. AirTrip said that the remaining 20% of the factor behind the downward revision was the exclusion of Hybrid Technologies from its scope of consolidation from Q3 onward. The company does not expect performance in its domestic travel business to fall short of the level assumed in its forecast, despite some downward pressure from the state of emergency. Meanwhile, it expects the impact of COVID-19 to remain at the current level even during the summer vacation season when business is robust. As for overseas travel, the company does not expect recovery in FY09/21.

Earnings at each profit level: In 1H FY09/21, earnings were stable in the domestic portion of the AirTrip Travel Agency business, and the five existing non-AirTrip Travel Agency businesses (Inbound Travel/Wi-Fi rental, IT Offshore Development, Life Innovation, Healthcare, and Investment) also performed well. While the government's subsequent declaration of a state of emergency had an impact in April and May on the AirTrip Travel Agency business, the other five existing businesses continued to perform strongly. The company expects operating profit to remain firm throughout the year, backed by the ongoing contribution from cost reduction efforts underway since FY09/20 and enhanced stability in the earnings base following the implementation of a variety of measures to restructure and diversify the group's business portfolio.

Other future assumptions

Domestic travel

As the government has not completely spent the budget for the Go To Travel campaign (economic stimulus measures for the domestic tourism industry), which had been suspended since December 2020, the company highly expects it to resume at some point. However, the resumption of the campaign has not been factored into the forecast for FY09/21.

Overseas travel

AirTrip expects that things will get back to normal in Japan around autumn, when more than 40–50% of the people will likely be vaccinated. For the peak seasons, the company expects demand to recover sometime between the end of 2021 and the beginning of 2022 at the earliest, and if later than that, from the spring vacation season in 2022. It also expects that the level of recovery would differ depending on destinations, and that recovery would be faster for Hawaii and Europe, but slower for Asian countries.

Advertising costs

If overseas travel is expected to recover, the company may spend about JPY200–300mn from 2H onward for TV commercials to expand its market share. If this is to take place during FY09/21, the company says it will consider spending to the extent earnings do not fall below expectations.

Investment

The company did not factor in investment as it is difficult to predict. However, it says the business is growing in a way that profits could be booked from Q3 to FY09/22 on a continuing basis.

Additional information from 1H FY09/21 results (out May 14, 2021)

The company announced the following targets for FY09/21 gross profit. The company anticipates a gradual recovery in gross profit in domestic travel in FY09/21 thanks to the subsiding of the fourth wave of COVID-19 and summer travel demand.

- Domestic travel: JPY300mn in April, JPY240mn in May, JPY310mn in June, JPY400mn in July
- Overseas travel: JPY10mn per month in April to July
- Other business: JPY300mn to JPY310mn per month in April to July

The company also targets monthly SG&A expense in May onward at around JPY190mn to JPY240mn for variable costs and JPY260 to JPY310mn for fixed costs, as handling volume increases.

Revised FY09/21 earnings forecast (out April 15, 2021)

- Operating revenue: JPY24.3bn (unchanged from previous forecast)
- Operating profit: JPY1.3bn (previously JPY1.0bn)
- Pre-tax profit: JPY1.2bn (JPY940mn)
- Profit*: JPY741mn (JPY561mn)
- EPS: JPY35.74 (JPY27.09)

*Profit attributable to owners of the parent

Reasons for the revision

The company revised up its full-year FY09/21 earnings forecast as it expects each profit item to improve. The operating revenue forecast remains unchanged. This reflects the fact that recovery in the overseas travel business remains sluggish, and ongoing uncertainty over the outlook for domestic travel demand for long holidays from late April to early May as well as the busy summer season.

- Following the previous forecast revision, all businesses in the AirTrip Travel Agency segment (excluding overseas travel) have continued to perform well, exceeding initial expectations. Although there are some effects from tighter COVID-19 measures, performance in the domestic travel business is on a recovery trend, exceeding its expectations. The company has also seen a better-than-expected recovery in other businesses. In some cases it has benefited from new demand either during the pandemic or else related to the post-pandemic environment. Therefore, overall performance has been positive.

Revised FY09/21 earnings forecast (out March 15, 2021)

- Operating revenue: JPY24.3bn (unchanged from previous forecast)
- Operating profit: JPY1.0bn (previously JPY449mn)
- Pre-tax profit: JPY940mn (JPY389mn)
- Profit*: JPY561mn (JPY275mn)
- EPS: JPY27.9 (JPY13.47)

*Profit attributable to owners of the parent

Reasons for the revision

The company revised up its full-year FY09/21 earnings forecast as it expects each profit item to improve. The operating revenue forecast remains unchanged partly because National Ryutsu Sangyo Co., Ltd. will be excluded from consolidation, as announced on February 24, 2021.

- Existing businesses (AirTrip Travel Agency, Inbound Travel, Wi-Fi rental, IT Offshore Development, Life Innovation, Healthcare, and Investment) have continued to perform well as various initiatives and cost reduction measures that the company has implemented since FY09/20 continue to yield results in FY09/21. Operating profit for Q1 FY09/21 was JPY763mn, well ahead of the previous forecast.
- In January 2021, there was a slowdown in the AirTrip Travel Agency business due to the impact of a resurgence in COVID-19 infections and the declaration of a state of emergency. However, the slowdown was milder than initially expected by the company, with demand on the mend. In addition, the company has made solid progress in diversifying and restructuring the business portfolio within the group compared to FY09/20, and the impact on the AirTrip Travel Agency business has been offset by the other businesses, reducing downside risk for the group as a whole.
- The company expects gross profit in the domestic travel business to increase after bottoming in February 2021. Inoculations with the COVID-19 vaccine in Japan are underway for medical workers, but (except for the elderly) the start looks likely to be late June 2021 or later for members of the general public without underlying medical conditions. The company expects travel demand in the peak summer season in 2021 to be stronger than summer 2020, but still below pre-pandemic levels.
- National Ryutsu Sangyo’s sales for FY12/20 were JPY7.8bn, with an operating loss of JPY30mn and net income attributable to owners of the parent of JPY5.0mn. The company is slated to be excluded from consolidation.
- Recently, gross profit from overseas and inbound travel is virtually zero, but the company said it would be able to maintain operating profit in the black even with zero gross profit in these areas.

Outline of Go To Travel campaign, recent trends, and the impact on the company

Being an economic stimulus package to help the domestic tourism industry affected by COVID-19, the campaign was allocated roughly JPY1.7tn in the first FY2020 supplementary budget. It was planned to run from July 22, 2020 until spring 2021. However, it was suspended temporarily on December 28, 2020 to a renewed outbreak of the pandemic. It was still suspended as of March 17, 2021. The government is considering reinstating the program once the emergency declaration is lifted, but has not decided on timing or methodology yet. Media reports suggest it is mulling a staged resumption, lower caps on subsidies, and an extended period.

- According to the Japan Tourism Agency announcement, the campaign provides a 50% subsidy for travel expenses and accommodation on day and overnight trips in Japan up to a maximum of JPY20,000 per person (JPY10,000 per person for day trips). There are no limits to the length of stay or frequency of use. The subsidy breaks down into roughly 70% travel expenses and 30% in coupons that can be used at the destination. For overnight trips, a package of accommodation and travel tickets will qualify discounts on travel as well as accommodation. For day trips, packages combining round trip tickets with spending at the destination (meals, tours, etc.) will qualify for discounts.

- Thus, the campaign offers the biggest savings on relatively high-priced packages and smaller savings on lower-priced packages. Accommodation providers must register to take part in the campaign unless reservations are made through travel agencies. This has sparked criticism that the campaign favors travel agencies and major operators.
- AirTrip Plus products are sets of airline tickets and hotel bookings and are eligible for the subsidies in the Go To Travel campaign. As such, the level of the public's participation in Go To Travel campaign can result in either strong or weak performance in handling volume.
- If a cancellation occurs and a cancellation fee is incurred, since the cancellation fee is incurred before the date of return, total revenue may be lower, but the cancellation fee will be brought forward and booked as revenue. Unlike for airline tickets alone, cancellation fees are not often incurred for accommodation packages until about 1.5 months before the scheduled dates of travel. Accordingly, unless a serious situation develops, such as a renewed and rapid spread of COVID-19, the cancellation fee impact on performance is likely to remain rather subdued.
- When the Go To Travel campaign was first launched, funding tied to the campaign was divided up and allocated out to various travel agencies, though some of these agencies stopped accepting campaign-related reservations on concerns that funding would prove insufficient. However, the company noted that these issues had been resolved as of November 2020, and that it did not expect to see individual agencies suspending related reservations even on the termination of the campaign due to the exhaustion of its budget.

Revised FY09/21 earnings forecast (out January 5, 2021)

- Operating revenue: JPY24.3bn (previous forecast: JPY24.0bn)
- Operating profit: JPY449mn (JPY390mn)
- Pre-tax profit: JPY389mn (JPY330mn)
- Profit*: JPY275mn (JPY240mn)
- EPS: JPY13.47 (JPY11.75)

*Profit attributable to owners of the parent

Reasons for the revision

The company revised up its full-year FY09/21 earnings forecast as it expects operating revenue and each profit line to improve.

- Existing businesses (AirTrip Travel Agency, Inbound Travel, IT Offshore Development, Life Innovation, Healthcare, and Investment) have continued to perform well as various initiatives and cost reduction measures that the company has implemented since FY09/20 continue to yield results in FY09/21.
- In the AirTrip Travel Agency business, Q1 operating revenue and profits were particularly strong in the domestic business, exceeding previous forecasts. The newly launched Healthcare business also contributed more to earnings than initially expected by capturing demand for PCR testing and other services. The Investment segment also got off to a good start, with company investee Headwaters Co., Ltd. listing on the TSE Mothers (TSE Mothers: 4011) on September 29, 2020.
- Although the COVID-19 pandemic has negatively affected travel demand, the company thinks the downside risk is not significant compared to FY09/20 as it made progress in changing its cost structure and diversifying its business portfolio.

Revised FY09/21 earnings forecast (out November 30, 2020)

- Operating revenue: JPY24.0bn (previous forecast: JPY23.5bn)
- Operating profit: JPY390mn (JPY300mn)
- Pre-tax profit: JPY330mn (JPY240mn)

- Profit*: JPY240mn (JPY180mn)
- EPS: JPY11.75 (JPY8.81)

*Profit attributable to owners of the parent

Reasons for the revisions

Existing businesses (AirTrip Travel Agency, Inbound Travel, IT Offshore Development, Life Innovation, and Investment) are performing well as various initiatives and cost reduction measures that the company has implemented since FY09/20 continue to yield results. Revenue and profit have been recovering faster than the company had expected, particularly in the AirTrip Travel domestic business, bolstered by the Go To Travel campaign, a government program to subsidize the tourism industry. Furthermore, the newly launched Healthcare segment started up smoothly and has been contributing to earnings. Accordingly, the company expects that operating revenue and each profit line will improve.

Initial forecast (as of November 13, 2020)

For FY09/21, the company forecasts total handling volume of JPY45.0bn, and on a continuing business basis, operating revenue of JPY23.5bn (+10.9% YoY), operating profit of JPY300mn (an operating loss of JPY8.8bn in FY09/20), pre-tax profit of JPY240mn (a pre-tax loss of JPY9.0bn in FY09/20), profit attributable to owners of the parent of JPY180mn (a loss of JPY8.8bn in FY09/20), and EPS of JPY8.81.

- With operating revenue rising MoM in October 2020, the company sees signs of an earnings recovery. However, the company believes that the COVID-19 pandemic would have a measurable impact on earnings in FY09/21 and beyond, as varying conditions in countries around the world could lead to renewed and sustained lockdowns, with the economic outlook accordingly remaining uncertain.
- The company forecasts handling volume at JPY45.0bn, equivalent to roughly twelve times (12 months) the handling volume recorded in October (about JPY3.7bn). Similarly, management forecasts operating profit of JPY300mn, which is equal to roughly 12 months of monthly operating profit at about JPY30mn, which the company arrived at by subtracting SG&A expenses (about JPY500mn) in October from gross profit (about JPY530mn) in the same month. The company's conservative forecasts factor in October conditions and expectations for roughly equal effects from the Go To Travel campaign in 1H FY09/21 and a recovery in domestic travel demand and the summer busy season in 2H FY09/21. In October, the company had almost no overseas travel and inbound-related handling volume (overseas travel handling volume has been less than 10% of what it was one year ago, with operating losses at JPY20mn/month). As such, management believes an improvement in overseas travel and inbound-related handling volume from 2H could lead to earnings outperforming management's forecasts. The company has left its initial revenue and profit forecasts for the investment business at zero, citing the difficulties in making reasonable forecasts for the business.
- The company's initial forecast does not factor in the successful development of a COVID-19 vaccine or any recovery in travel demand FY09/21 as a result. The initial forecasts also do not reflect any business sales or M&A activity that have not yet been announced.
- Depending on handling volume, the company aims to limit monthly SG&A expenses in FY09/21 to JPY450–600mn, with monthly fixed costs at JPY270mn–320mn and variable costs at JPY190mn–290mn. In particular, it is focused on optimizing advertising and variable expenses during the period covered by the government's Go To Travel campaign.
- The company operates as a travel agency without any physical stores and has made significant progress in converting fixed costs into variable costs. As a result, monthly fixed costs are relatively low at about JPY320/month. Within this environment, management forecasts a return to profitability at the operating level in Q1 FY09/21. The company showed single-month profitability in October 2020 with monthly handling volume at approximately JPY3.7bn, a level at which management believes earnings can exceed the current break-even point. In particular, the company cites continued favorable performance in the

domestic travel business thanks to support to the tourism industry, including the Go To Travel campaign sponsored by the Japanese government, as well as the Tokyo resident discounts supported by the Tokyo metropolitan government.

▷ The company has not disclosed a FY09/21 dividend forecast, but targets a dividend payout ratio of 20%.

Historical company forecasts vs. results

Results versus Initial Estimates (JPYmn)	FY09/16 Cons.	FY09/17 IFRS	FY09/18 IFRS	FY09/19 IFRS	FY09/20 IFRS
Operating revenue (Initial Est.)	3,669	6,147	7,050	na	38,000
Operating revenue (Results)	4,001	5,534	12,451	24,306	21,241
Results versus Initial Estimates	**9%**	**-10%**	**77%**	**-**	**-44%**
Operating profit (Initial Est.)	481	1,001	1,500	na	2,000
Operating profit (Results)	618	731	1,239	676	-8,994
Results versus Initial Estimates	**29%**	**-27%**	**-17%**	**-**	**-**
Pre-tax profit (Initial Est.)	449	961	na	na	1,900
Pre-tax profit (Results)	696	1,095	1,226	588	-9,190
Results versus Initial Estimates	**55%**	**14%**	**-**	**-**	**-**
Profit attributable to parent company shareholders (Initial Est.)	270	594	881	na	1,300
Profit attributable to parent company shareholders (Results)	340	420	942	731	-8,692
Results versus Initial Estimates	**26%**	**-29%**	**7%**	**-**	**-**

Source: Shared Research based on company data
Note: Figures may differ from company data owing to differences in rounding methods.

In FY09/19, the company disclosed only a handling volume target. The impact from the spread of COVID-19 from around February 2020 contributed to operating revenue in FY09/20 falling substantially short of the management's initial forecast and the company booking impairment losses, included as part of operating losses, of JPY7.0bn.

“AirTrip 2021” growth strategy

At the FY09/20 results briefing, the company announced its “AirTrip 2021” growth strategy for the post-COVID-19 era. In addition to a recovery in revenue in the AirTrip Travel Agency business thanks to the boost from the Go To Travel campaign, the company targets growth for the entire group through an ongoing expansion in existing businesses, in particular the Life Innovation and Investment businesses, as well as the creation of a new healthcare business.

- While offering a conservative initial forecast based on handling volume and operating profit in October 2020, the company is targeting outperformance based on its growth strategy. In other words, while offering a conservative initial forecast, management has indicated that its growth strategy reflects the potential upside to that forecast.

AirTrip Travel Agency

- The company targets a full-year expansion in earnings in the domestic travel business, with the government’s Go To Travel campaign contributing to strong growth in Q1 and Q2, enhanced travel-related demand during the string of holidays in Q3, and higher travel-related demand during the summer in Q4. For Q1, the company targets gross profit of JPY360mn in October, JPY380mn in November, and JPY550mn in December. The company expects a recovery in gross profit in December on the back of people traveling back to their home towns during the holiday period at the end of the year and the beginning of the next year (travel is often heavy during this period in Japan as many companies allow their employees extended vacations), and the recognition of revenue for AirTrip Plus, where handling volume is increasing. AirTrip Plus revenue is recognized on the day a traveler returns from a trip, as opposed to the date a ticket is issued in the case of individual airline tickets. The company also expects an increase in handling volume in January 2021, which includes return dates for holiday travel.
- The company expects an ongoing positive effect from AirTrip Plus revenue even after the Go To Travel campaign comes to a close thanks to improved awareness of the service and the campaign itself having contributed to an increased inclination among consumers to purchase airline tickets and accommodations as a set. According to the company, AirTrip Plus handling volume profit margins stood at 17%–18% in November 2020, which is higher than for airline tickets alone.
- In the overseas travel business, the company expects performance to remain flat in Q1 and Q2 due to travel restrictions, but expects demand to recover in Q3 in line with the gradual easing of restrictions on business travel. The company forecasts an earnings recovery in Q4 thanks to the cross-selling of PCR tests and increased demand for international airline tickets in line with the country hosting the Olympic Games in Tokyo. It targets gross profit in the business of JPY10mn for each month in Q1. In terms of overseas travel, the company expects business-related demand to recover first, with tourism demand recovering thereafter.
- The Japanese government is preparing to host the Tokyo Olympic Games, which have been pushed back to summer 2021. If the Games are indeed held at that time, management believes it could have a negative short-term impact, as domestic demand for summer travel would likely decline as people stay home and watch the Games on TV. On the other hand, management believes the Olympic Games could trigger the normalization of overseas travel, contributing to an even faster recovery in overseas travel demand.

Other businesses

- In other businesses, the company targets monthly gross profit of JPY150–170mn in Q1, including JPY50–60mn monthly in the Life Innovation business.
- The company is continuing to actively consider M&A activity. Management in particular is focused on M&A in the healthcare sector, as well as in the media sector (mag2), which is considered a growth field well separated from the travel sector in which the company traditionally operates. Management expects the investment business to engage in several IPO projects.

Medium-term growth strategy "AirTrip 5000"

On November 14, 2019, the company announced its medium-term growth strategy "AirTrip 5,000." It is aiming for FY09/24 handling volume of JPY500bn (with FY09/19 as the base year, this is a CAGR of about 28%) with comprehensive strengthening of the AirTrip Travel Agency business and add-on growth areas through M&A. The company announced its medium-term growth strategy before the COVID-19 outbreak, but at the briefing to discuss FY09/20 results indicated that it would continue to work to achieve the targets in the "AirTrip 5000" medium-term growth strategy. Given the sharp decline in handling volume in FY09/20 as a result of the spread of COVID-19, the company in order to achieve its targets will need to post a CAGR of 61% in handling volume through FY09/24, based on the figure in FY09/20 (including discontinued operations).

Structural changes in the industry after the medium-term growth strategy announcement

The spread of COVID-19 resulted in structural changes taking place in the industry shortly after the company announced its medium-term growth strategy in November 2019. While the company expects business-related travel demand to decline as a result of the COVID-19 pandemic, management also expects to see its market share expand as users increasingly shift to Internet-based services. In November 2020, the company noted that the medium- to long-term impact was still rather difficult to assess, but that the impact from the Internet was likely to be greater than that from COVID-19.

- ▷ The company expects travel demand to recover as COVID-19 is brought under control, but does not expect business-related travel, including domestic business travel, to recover to the level it held prior to the arrival of COVID-19. Management believes a structural shift is likely underway, especially with domestic business travel showing no significant recovery from the level seen in June–July 2020.
- ▷ On the other hand, the company as the largest OTA in Japan is likely to benefit should travel demand recover as a result of consumers increasingly turning to Internet-based services. Beginning in summer 2020, store-based travel agencies one after another announced sharp reductions in store counts in line with the need to reduce fixed costs as demand for travel decreased and consumers increasingly turned to the Internet as part of their effort to avoid the spread of COVID-19. In contrast, AirTrip Plus, which the company launched in 2019 to sell airline ticket and hotel bookings as a packed set, is seeing an enhanced market share as its products are eligible for the government's Go To Travel campaign.

Medium-term growth strategy "AirTrip 5000" (announced on November 14, 2019)

AirTrip is targeting FY09/24 handling volume of JPY500bn, which represents a CAGR of 28% if FY09/19 is taken as the base year. This CAGR is higher than the 23% growth rate targeted in the FY09/20 forecast, but the company believes it can also achieve growth in the medium to long term via M&A.

Organic growth

The company says the direction of its organic growth plan will not change substantially from that outlined in its FY09/20 forecast. It aims to achieve rapid growth by shifting from a lineup centered on airline tickets sold individually to airline ticket and hotel booking sets (AirTrip Plus).

M&A strategy

AirTrip aims to expand its product lineup by acquiring companies with superior products and to extend its sales channels by acquiring companies with excellent customer reach. It says it wants to acquire companies that can be turned around using three main measures: cost reduction that does not involve personnel restructuring, enhanced development leveraging offshore development capabilities, and enhanced marketing. It also says it will consider large acquisitions.

Business

Description

AirTrip is an online travel agency (OTA) providing travel-related content centered on its comprehensive travel platform called "AirTrip." In FY09/20, the company had three business segments: Online Travel Agency (AirTrip Travel Agency, Inbound Travel, and Life Innovation), IT Offshore Development, and Investment. The Online Travel Agency business was the core business (with 88.5% of sales and 72.5% of operating profit in FY09/19). With handling volume of PY146.0bn (+75.5% YoY) in FY09/19, it was the top domestic OTA. The IT Offshore Development business also has a significant role in the company's operations because it provides the development capabilities that support the AirTrip Travel Agency business. Impacted by the effects from the COVID-19 pandemic, handling volume, including for discontinued operations, was just JPY74.7bn in FY09/20, down sharply from JPY146.0bn in FY09/19.

▷ In the AirTrip Travel Agency business, the company sells airline tickets and hotel bookings either individually or as sets (AirTrip Plus). Its three key sales channels are B2C (selling directly to consumers under its own brand), B2B2C (selling under the brands of other companies, including travel agencies), and business travel management (BTM, providing companies with a dedicated search system for business travel arrangements). Handling volume declined sharply since February 2020, with the company booking FY09/20 impairment losses (included in operating losses) of JPY7.0bn. Handling volume in domestic travel has started to recover since the state of emergency ended (June 2020), but handling volume in overseas travel has been a mere few percent of year-ago levels.

Performance by segment

Performance by segment (JPYmn)	FY09/13 Par.	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/17 IFRS	FY09/18 IFRS	FY09/19 IFRS	FY09/20 IFRS
Operating revenue	-	1,451	2,755	4,001	5,534	5,533	12,451	24,306	21,241
Online Travel Agency	-	997	1,718	2,897	3,895	3,893	10,112	21,505	18,794
IT Offshore Development	-	343	879	1,099	1,534	1,534	2,153	2,455	1,888
Investment	-	-	-	-	103	103	161	345	558
Others	-	112	158	4	2	1	-	-	-
YoY	-	-	89.8%	45.2%	38.3%	-	125.0%	95.2%	-12.6%
Online Travel Agency	-	-	72.3%	68.7%	34.4%	-	159.7%	112.7%	-12.6%
IT Offshore Development	-	-	156.4%	25.1%	39.5%	-	40.4%	14.0%	-23.1%
Investment	-	-	-	-	-	-	56.3%	114.3%	61.7%
Others	-	-	41.9%	-97.5%	-49.4%	-	-	-	-
% of operating revenue	-	100.0%	100.0%	100.0%	100.0%	100.0%	99.8%	100.0%	100.0%
Online Travel Agency	-	68.7%	62.4%	72.4%	70.4%	70.4%	81.2%	88.5%	88.5%
IT Offshore Development	-	23.6%	31.9%	27.5%	27.7%	27.7%	17.3%	10.1%	8.9%
Investment	-	-	-	-	1.9%	1.9%	1.3%	1.4%	2.6%
Others	-	7.7%	5.8%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating profit	-	99	313	618	731	1,088	1,239	676	-8,994
Online Travel Agency	-	346	562	944	965	824	269	1,110	-7,544
IT Offshore Development	-	32	19	83	163	168	148	172	0
Investment	-	-	-	-	68	438	1,305	332	-247
Others	-	-72	3	0	0	0	0	0	0
Adjustments	-	-207	-271	-408	-466	-342	-571	-938	-1,204
YoY	-	-	215.2%	97.7%	18.2%	-	13.9%	-45.4%	-
Online Travel Agency	-	-	62.3%	68.0%	2.2%	-	-67.4%	312.6%	-
IT Offshore Development	-	-	-41.0%	342.1%	97.2%	-	-11.9%	16.2%	-
Investment	-	-	-	-	-	-	197.9%	-74.6%	-
Others	-	-	-	-	-51.5%	-	-	-	-
OPM (excluding adjustments)	-	6.8%	11.4%	15.5%	13.2%	19.7%	10.0%	2.8%	-42.3%
Online Travel Agency	-	34.7%	32.7%	32.6%	24.8%	21.2%	2.7%	5.2%	-40.1%
IT Offshore Development	-	9.3%	2.1%	7.5%	10.7%	11.0%	6.9%	7.0%	0.0%
Investment	-	-	-	-	66.1%	425.2%	810.6%	96.2%	-44.3%
Others	-	-64.2%	1.9%	-0.8%	-0.8%	-	-	-	-
% of operating profit (including adjustments)	-	100.0%	100.0%	100.0%	100.0%	100.0%	95.1%	100.0%	100.0%
Online Travel Agency	-	113.0%	96.3%	91.9%	80.6%	57.6%	14.9%	68.8%	96.8%
IT Offshore Development	-	10.4%	3.2%	8.1%	13.7%	11.7%	8.2%	10.7%	0.0%
Investment	-	-	-	-	5.7%	30.6%	72.1%	20.6%	3.2%
Others	-	-23.4%	0.5%	0.0%	0.0%	-	-	-	-

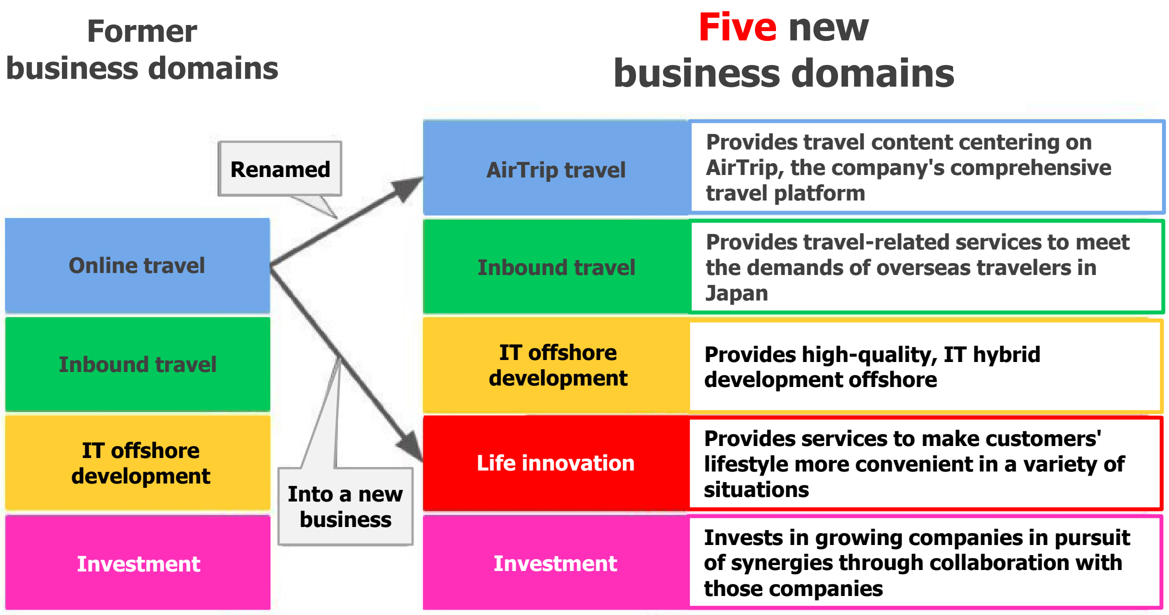
Source: Shared Research based on company data

Business domains

In December 2019, AirTrip changed to the following five business domains. Starting with Q1 FY09/20, the Online Travel Agency segment includes AirTrip Travel Agency, Inbound Travel, and Life Innovation. Due to the impact of COVID-19, the company plans to restructure the group's business portfolio to focus on profitability and growth potential. It will promote M&A in businesses with good profitability and growth potential that are not directly related to the travel business (such as Life Innovation business), but consider withdrawal or sale of less profitable travel-related businesses with weak growth potential by the end of the year.

- AirTrip Travel Agency: Providing travel content centered on the comprehensive travel platform "AirTrip"
- Inbound Travel: Providing travel-related services to meet inbound demand
- IT Offshore Development: Providing quality, offshore IT hybrid development
- Life Innovation: Providing convenient services suited to customers' various life events
- Investment: Seeking synergies through investment in growth companies with which AirTrip partners

Business domains from December 2019 onward



Source: Shared Research based on company data

Overview by segment

AirTrip Travel Agency

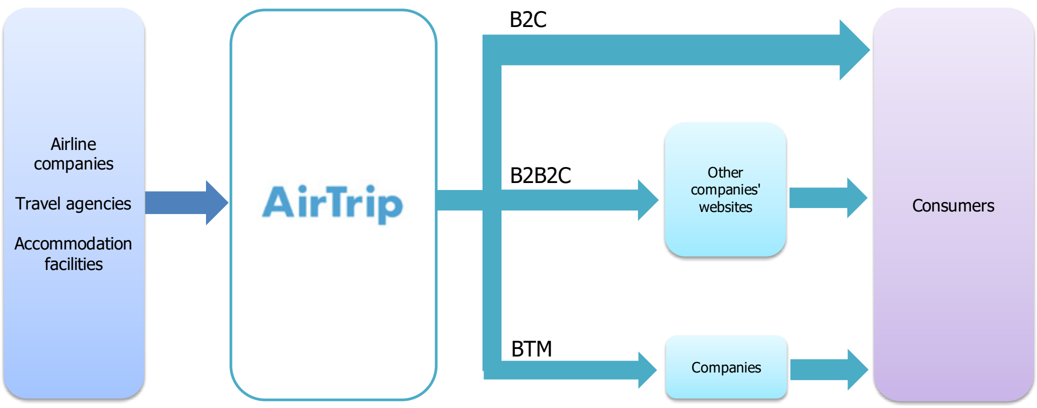
Business model

Sales

In the AirTrip Travel Agency segment, AirTrip handles online reservations and sales of travel products*, mainly domestic airline tickets, overseas airline tickets, hotel bookings, and bullet train tickets. The company primarily purchases tickets from airlines and sells them to individuals and companies. When selling airline tickets, AirTrip receives compensation from both airlines and consumers. Handling volume indicates gross turnover from airline tickets, while commission revenue translates to sales. As of FY09/19, sales were split fairly evenly between domestic-related and international-related products. However, the spread of COVID-19 contributed to a sharp decline in sales in FY09/20, particularly for overseas travel, with overseas travel handling volume as of May 2021 dropping to less than 10% YoY.

*12 types of product: domestic airline tickets, overseas airline tickets, domestic hotels, high-end ryokans, overseas hotels, domestic airline ticket/hotel packages, overseas airline ticket/hotel packages, domestic tours, overseas tours, bullet train tickets, rental cars, and activities.

Travel products in AirTrip Travel Agency



Source: Shared Research based on company data

Three key sales routes

AirTrip has three key sales routes in the AirTrip Travel Agency segment: B2C (selling directly to consumers under its own brand); B2B2C (selling under the brands of other companies, including through travel agencies); and BTM (providing corporate travel arrangement services to companies).

Differentiators in airline ticket sales

Unlike companies that only sell tickets directly to consumers, AirTrip uses multiple sales routes. In addition to selling directly to consumers (B2C), it sells through companies that have brand power but no travel service offerings (B2B2C) and to competing OTAs that wish to procure domestic airline tickets at lower costs (B2B). This business model was based on that of an earlier company operated by President Yoshimura, which lacked brand power and financial strength. He launched the model in 2005, when the B2B2C category comprised more than 50 competing companies. AirTrip's B2B2C business has expanded to include major companies such as H.I.S. Co., Ltd. (TSE1: 9603), Navitime Japan Co., Ltd. (unlisted), and NTT Docomo's (TSE1: 9437) d travel.

Airline ticket procurement

Domestic airline tickets

AirTrip can purchase airline tickets directly under better conditions than rival OTAs; it is the only OTA to have direct sales agreements with all domestic airlines, allowing it to procure tickets without paying agency fees. Owing to the large volume of airline tickets it sells, AirTrip also receives sales incentives from airlines. These advantages are the result of relationships with airlines Chairman Oishi has built up since his travel agency launch in 1995.

International airline tickets

As a general rule the company procures tickets by connecting to a global airline ticket procurement system, but there are also cases in which it procures tickets directly from carriers for better routes. It has also taken over procurement channels from companies it has acquired, and its strength lies especially in procurement for short-haul flights.

Lodging

Because there are so many small lodging facilities, as a general rule the company procures bookings by connecting to other companies' systems. However, it also has direct procurement agreements with major hotel chains.

Consumers can buy at a discount while accumulating reward points

When customers purchase/make reservations for air tickets and hotels, they are eligible for AirTrip points (points awarded vary according to a menu** and campaigns). AirTrip reward points may be used for discounts on subsequent purchases, traded for a variety of other points on the G-Point point redemption site, or exchanged into Amazon points for shopping.

**2% of purchase value for domestic air tickets, 7% for high-end ryokans, and 1% for domestic hotels

Revenue structure in AirTrip Travel Agency

Sales growth has focused on the B2B2C business AirTrip commenced in 2005. In FY09/11, the company assumed Japan's leading position (in handling volume) on domestic airline routes. The main reason for the disparity is that a rise in demand for comparison searches of airline tickets bolstered the OTA market. An upsurge in the number of LCCs and other airlines flying domestic routes (from three in 1990 to 14 in 2018) increased consumer choice and, therefore, demand for comparison searches. At end-May 2018, AirTrip's handling volume increased substantially with the acquisition from DeNA Co., Ltd. (TSE1: 2432) of DeNA Travel Co., Ltd. (now Airtrip International), which operates a comprehensive travel site.

Revenue recognition

AirTrip says that for airline tickets it recognizes the commission portion of revenue on a net basis on the day tickets are issued. For lodging, it recognizes the commission portion of revenue on a net basis on the first day of the customer's stay. For AirTrip Plus and tours, it recognizes revenue in the form of product fees and commissions on a gross basis on the date customers return from their trips. For this reason, as the ratio of AirTrip Plus and tour sales increases, the cost ratio rises and GPM falls. AirTrip therefore uses the ratio of cost of sales to handling volume instead of the usual ratio of cost of sales to sales. At the time of customer cancellations, the company recognizes the net amount of cancellation fees as handling volume and revenue.

Basic revenue structure

Since AirTrip's main business is as an OTA, the company essentially has no stores or store staff. Its main fixed costs are personnel expenses (SG&A expenses) and advertising expenses. Expansion in handling volume leads to improved profitability and competitiveness, making the company's business model a typical breakeven point model.

- Being a travel agency, the company does not refund customers who cancel flight reservations unless it receives a refund from the airline. Put another way, the company is protected from the financial risk of being unable to recover fares due to cancellations.

Profit control

AirTrip controls profits from the following three points of approach. GPM is about 10% versus handling volume.

- Pricing strategy: For each product and sales channel, the company controls the balance between price and customer draw.

- Commissions from suppliers: International routes have a larger number of carriers, so AirTrip has good pricing competitiveness, making it easier to improve margins.
- SG&A expenses: The company controls SG&A expenses, for example by revising aspects of its advertising strategy.

Overview of AirTrip Travel Agency by sales channel/service

B2C channel

Through the B2C channel, AirTrip sells travel products directly to consumers. It mainly sells domestic airline tickets offered through proprietary comparison, search, reservation, and sales sites such as AirTrip. B2C sales are fee revenues for providing travel product comparison, reservation, and sales services, some of which is paid by consumers. Consumer fees include such charges as a commission and credit card usage fee per transaction. Customers of the AirTrip Travel Agency business are mostly in their 20s, 30s, and 40s, and are split fairly evenly between men and women.

AirTrip Plus

On August 14, 2019, the company announced AirTrip Plus, a service that allows users to purchase any combination of domestic and international airline tickets from over 400 companies and more than 600,000 hotel rooms in Japan and overseas.

- By purchasing airline tickets and hotel rooms at the same time, users can get a package discount, reducing the cost of travel compared to purchasing services separately.
- Unlike the dynamic package services offered by other companies, AirTrip Plus provides users with more options and lower starting prices by handling airline tickets from low-cost carriers (LCC) in addition to full-service carriers (FSC). This is made possible because AirTrip owns the airline ticket search platform.
- AirTrip Plus products are sets of airline tickets and hotel bookings, so prices can be set more freely compared to airline tickets sold individually, in which case a set percentage is simply added to the price. However, as there is competition with other companies, GPM for the sets does not differ much from GPM for airline tickets sold individually, and is usually about 10%.

Outline of Go To Travel campaign, recent trends, and the impact on the company

Being an economic stimulus package to help the domestic tourism industry affected by COVID-19, the campaign was allocated roughly JPY1.7tn in the first FY2020 supplementary budget. It was planned to run from July 22, 2020 until spring 2021. However, it was suspended temporarily on December 28, 2020 to a renewed outbreak of the pandemic. It was still suspended as of June 14, 2021. The government is considering reinstating the program once the emergency declaration is lifted, but has not decided on timing or methodology yet. Media reports suggest it is mulling a staged resumption, lower caps on subsidies, and an extended period.

- According to the Japan Tourism Agency announcement, the campaign provides a 50% subsidy for travel expenses and accommodation on day and overnight trips in Japan up to a maximum of JPY20,000 per person (JPY10,000 per person for day trips). There are no limits to the length of stay or frequency of use. The subsidy breaks down into roughly 70% travel expenses and 30% in coupons that can be used at the destination. For overnight trips, a package of accommodation and travel tickets will qualify discounts on travel as well as accommodation. For day trips, packages combining round trip tickets with spending at the destination (meals, tours, etc.) will qualify for discounts.
- Thus, the campaign offers the biggest savings on relatively high-priced packages and smaller savings on lower-priced packages. Accommodation providers must register to take part in the campaign unless reservations are made through travel agencies. This has sparked criticism that the campaign favors travel agencies and major operators.
- AirTrip Plus products are sets of airline tickets and hotel bookings and are eligible for the subsidies in the Go To Travel campaign. As such, the level of the public's participation in Go To Travel campaign can result in either strong or weak performance in handling volume.

- ▷ If a cancellation occurs and a cancellation fee is incurred, since the cancellation fee is incurred before the date of return, total revenue may be lower, but the cancellation fee will be brought forward and booked as revenue. Unlike for airline tickets alone, cancellation fees are not often incurred for accommodation packages until about 1.5 months before the scheduled dates of travel. Accordingly, unless a serious situation develops, such as a renewed and rapid spread of COVID-19, the cancellation fee impact on performance is likely to remain rather subdued.
- ▷ When the Go To Travel campaign was first launched, funding tied to the campaign was divided up and allocated out to various travel agencies, though some of these agencies stopped accepting campaign-related reservations on concerns that funding would prove insufficient. However, the company noted that these issues had been resolved as of November 2020, and that it did not expect to see individual agencies suspending related reservations even on the termination of the campaign due to the exhaustion of its budget.

B2B2C channel

With the B2B2C channel, AirTrip sells travel products (mainly domestic airline tickets) to consumers via other companies' comparison and sales sites. B2B2C sales (commission revenue) break down similarly to B2C sales: half are received from consumer fees, half from airline commissions. B2B2C handling volume and sales are affected by the customer draw of other companies' website ads.

In addition to personnel and other operating expenses, expenses in the B2B2C category include commissions AirTrip pays to other companies for the use of their brands. Paid commissions amount to 3% of handling volume. Unlike with B2C, AirTrip in the B2B2C category does not cover advertising and promotional expenses: they are paid by the website operators that own the brands.

Business travel management (BTM)

With BTM, AirTrip sells travel products through Tabi Pro-BTM, a comparison and sales system specializing in arranging business trip transportation and lodging. As with B2C, AirTrip receives commissions from airlines and fees from customers for BTM services; the commissions and fees comprise around 13% of handling volume.

- ▷ In January 2021, AirTrip BTM changed its name to Pikapaka, and the former Pikapaka changed its name to Pikapaka Medical Services. AirTrip BTM had previously focused on business travel services for the corporate sector, but in light of declining business travel demand, it pivoted to a welfare business including healthcare services (such as PCR testing).

Inbound Travel business

Sales from the inbound travel business are included in both the B2C and B2B2C channels. Inbound Travel includes the following businesses. The Inbound Travel business is part of the Online Travel Agency segment.

- ▷ Camper rentals
- ▷ Wi-Fi rentals
- ▷ Dynamic packages
- ▷ One-stop service for minpaku (private home rental) hosts (through AirTrip Stay, a joint venture owned 65% by AirTrip and 35% by Airbnb; AirTrip Stay has already moved into the black on a monthly basis)

Life Innovation

In Life Innovation, the company provides convenient services suited to customers' various life events. The business domain was split off from Online Travel Agency (now AirTrip Travel Agency) in December 2019.The Life Innovation business is included in the Online Travel Agency segment. Life Innovation comprised Souki Asia (which rents and sells suitcases and other travel-related goods), mag2 (which operates online magazines and media), and medical consulting company Pikapaka Medical Services.

▷ The Life Innovation segment includes the Healthcare business. The company is positioning Life Innovation as a priority business area with post-COVID growth potential.

mag2 (JASDAQ: 4059; listed on September 24, 2020)

mag2 is the industry's largest online magazine platform, with 7.5mn members. It operates media with a total of 7.3mn unique users per month. FY09/20 revenue was JPY683mn and operating profit JPY145mn.

▷ AirTrip subsidiary mag2 Co., Ltd. became a listed company on September 24, 2020. Given that mag2 Co., Ltd. is a subsidiary, unrealized gains and losses on that company's shares (acquisition price of about JPY1.4bn, market capitalization as of November 2020 of JPY6.0bn, remaining stake of about 75%) are not reflected in AirTrip's consolidated results.

IT Offshore Development

Business model

In the IT Offshore Development segment, Vietnamese consolidated subsidiary Evolable Asia Co., Ltd., is mainly responsible for developing AirTrip's systems for online sales of travel products and provides exclusive teams of engineers and offices for Japanese companies looking to develop offshore*. The company invoices customers based on a monthly charge per employee and employee numbers. Sales are affected by the number of engineers the company provides to its customers and their monthly wages.

* Evolable Asia Co., Ltd. and Evolable Asia Solutions Co., Ltd. are in charge of systems development. Evolable Asia Solution & Business Consultancy Co., Ltd. runs business process outsourcing (BPO) operations. Game development is the responsibility of Punch Entertainment (Vietnam) Company Limited (subsidiary of Evolable Asia Co., Ltd.), GREVO Co., Ltd. (a joint venture of Evolable Asia Co., Ltd. and GREE, Inc. [TSE1: 3632)), and Kayac Hanoi Co., Ltd. Evolable Asia Agent runs a recruitment agency.

Among OTAs, AirTrip is the only one to have its own IT offshore development bases, which helps it differentiate its AirTrip Travel Agency business from the competition. Its IT Offshore Development business is centered on hybrid development.

▷ In hybrid development, a Vietnamese project manager conducts upstream processes such as defining project specifications in Japan and manages a development team in Vietnam. This method helps to minimize the sort of miscommunication that tends to occur in offshore development. Clients simply give orders (in Japanese) to a liaison engineer assigned to AirTrip's office.

Investment

AirTrip had previously invested in growth companies, and it established a new Investment segment for that purpose in FY09/17. The Investment segment seeks synergies with growth companies in which AirTrip invests through business collaboration and other means. The company aims to increase value and exit investment by growing and nurturing its investee companies.

▷ AirTrip's policy is to focus on capital gain and invest within a scope suited to investees' valuation. As a result, many of the company's investments are made at a later stage. Investees tend to be involved in online services, with many becoming clients of the company's IT Offshore Development business. AirTrip's policy is to watch investees' valuation following initial public offering and sell its interest at an opportune time.

Companies AirTrip has invested in (as of June 14, 2021)

IPOs

Company	Summary
Wagokoro Co., Ltd. (TSE Mothers: 9271)	Aiming to promote Japanese culture to the world, provides products and services characterized by Japanese tradition, art, and culture, mainly targeting inbound tourists.
Piala Inc. (TSE Mothers: 7044)	Owns RESULT platform (marketing automation system) and provides direct marketing support services to about 650 companies.
Branding Technology Inc. (TSE Mothers: 7067)	Operates a branding, digital marketing, and offshore development-related business targeting SMEs, mid-tier companies, and startups. Provides a one-stop marketing solution that covers planning, production, operation, and consulting.
AI Cross Inc. (TSE Mothers: 4476)	Operates a two-way SMS service and AI-based business chat service InCircle as B2B mobile communication platforms.
Cyber Security Cloud, Inc. (TSE Mothers: 4493)	Operates cloud type WAF Kougeki Shadan Kun, which identifies and blocks cyberattacks and provides related consulting services.
Headwaters Co., Ltd.	Known for track record of developing and implementing Japan's leading robot apps. Develops proprietary robot apps such as Pepper, the humanoid robot supplied by Softbank Robotics.

Other exits

Company	Summary
Kanxashi Corporation (partially exited)	Business centered on Kanxashi Cloud, a reservation site management tool for accommodation facilities. Cloud service freely linking accommodation reservation sites provides services to improve efficiency of administrative processes of hotels.
Metro Engines Co., Ltd. (partially exited)	Provides online services to help improve operational efficiency to hotel, ryokan, and vacation rental businesses such as dynamic pricing incorporating artificial intelligence and machine learning and a variety of analysis.
Senkyo Inc. (exited)	Provides Smart Election platform to support politicians' campaigns and political activity. Motto: "Making democracy smarter and Japan more exciting."

Investees

Company	Summary
hachidori	Provides hachidori, a chatbot development tool that requires no knowledge of programming. Chatbots use AI automated responses to customer inquiries.
Robot Payment Inc.	Provides Keiri no Mikata, a cloud service that manages, integrates, and automates billing and collection processes. Using robots for automation and efficiency improvement, the service automates all payment-related processes.
adval	Operates supenavi, Japan’s largest rental space matching site, develops and operates own rental spaces (space management business), platform, and runs bukenavi, a search site for commercial properties with fixtures and equipment left by previous tenants.
Willgate, Inc.	Content marketing business, has worked with over 3,000 companies. Provides a one stop web marketing solution that draws on its content production capability.
donut robotics	Specializes in robots. Mainly develops, manufactures, and sells home-use robots. Developed Cinnamon, the first home robot to provide medical assistance, which the company plans to market.
Cocolive, Inc.	Provides KASIKA, which analyzes and presents customer information for real estate companies, thereby transforming their approach to customers seeking homes.
Golf Life Inc.	Runs scramble golf tournaments and a golf academy. Support business with the concept of greater enjoyment of golf.
Ambition Corporation (TSE Mothers: 3300; partially exited)	Main business is subleasing condominiums, targeting younger consumers in city center locations. Services fulfill consumer needs at different life stages, such as Kariageoh (subleasing), real estate rental agency Room Pia, and Valor (residential real estate rental and management business).
Chikujin.jp	Employment agency that attracts and assigns skilled and experienced workers from around the world in food service, customer service, and nursing care. Uses strong ties with overseas organizations and proprietary HR management system.
MapleSystems Co., Ltd	Provides technical support services that assign full-time engineers, develops its own apps, and offers system consulting services. Provides PRO-SESS, Japan’s first direct matching platform for engineers and customers.
NIC Holdings Co., Ltd.	Seeking "Standard in 10 years (but nonexistent today)", aggressively utilizes AI based on the concept of fusing digital (use of ICT) and analog (real-world) marketing.
Fast Japan Co., Ltd.	Provides Tabiko, a chat help and advice service for inbound tourists in English and Traditional

	Chinese for a safe, secure vacation experience in Japan.
Upsell-Technologies Inc.	Marketing agent that creates business schemes that sell for clients. Strengthens inside sales operations by using AI.
AOS Data, Inc.	Provides AOSBOX AI Plus, a cloud backup service that safely backs up data, which are assets for all companies, so that they can manage and utilize voluminous big data smartly using artificial intelligence (AI).
TrendExpress Inc.	With a mission to “connect people to the world,” the company is expanding its cross-border marketing business (crossbound business) mainly in China. It provides information dissemination services to Chinese companies and Japanese companies seeking to expand in China.
EXTECH	Development of automatic currency exchange machines with fintech features that harness IoT and AI technologies. The machines offer multiple currency and language options to provide a safe, convenient service.
StockTech Inc. (formerly concourse Inc.)	Runs M&A management, online media, online ad agency and other businesses with philosophy of combining content (information) and media to create meeting places.
FANTAS technology Inc.	FANTAS incorporates technology to realize its vision of building smarter industry standards for the real estate market. The company operates investment crowdfunding platform “FANTAS funding” and several owned media platforms.
PetitJob Inc.	Real-time matching of job seekers to recruiting companies using GPS feature of smartphones. Company's philosophy is to make work a happier activity in the age of diverse working styles by fulfilling the needs of people who want immediate work and companies that want to hire people quickly.
Bike Startup & Co.	Operates online business specializing in cycling, centered on Japan’s leading cycling medium FRAME. Its mission is to harness technology to make cycling more enjoyable for sporting and leisure cyclists.
Conversion Technology, Inc.	Provides consultations to solve issues based on behavioral data obtained through its in-site remarketing tool, KaiU. Also uses AI to provide effective total solutions.
CINQSMILE Inc.	Supplies RECOG, a teamwork app for organizations that use Homelog, an SNS that improves employee engagement by encouraging users to thank and complement each other in the form of digital comments. RECOG visualizes Homelog’s effects and gathers and analyzes the data. CINQSMILE has sold RECOG to more than 1,000 companies in three years.
Switch Smile Co., Ltd.	Operates a location information platform business using beacons. Performs advertising and data mining by storing location information and behavior data in DMP. Also provides LINE BOT platform.
Cross Media Networks Corp.	Provides an information and advertising distribution service to smartphones via smartphone apps using IoT digital signage and beacons embedded in signage.
Marketing-Robotics Inc.	Develops and operates marketing automation tool KAIGAN. Additionally provides marketing automation agency and marketing automation recruitment services. Dramatically improves companies’ sales process by automating prospect development and management functions.
Shuminavi Inc.	Operates a hobby/experience matching service to contribute toward an abundant and fulfilling society by helping people lead rewarding lives through hobbies and lifelong learning.
Payment Technology Co., Ltd.	Operates Maebaraidekirukun, a service that enables advance salary payments based on actual hours worked by an employee. The system is free for companies, simple to install, and helps companies strengthen recruitment and improve retention rates.
Financial Agency, Inc.	An advocate for insurance technology, this company aims to employ the latest AI, RPA, and IoT technology to assist with the digitalization of the insurance industry.
Gz, Inc.	With the slogan “Let’s create Asia’s Hollywood!”, primarily engaged in the development and operation of games for smartphones, personal computers, and Nintendo Switch. Also has education and overseas businesses.
Residence Tokyo Co., Ltd.	Engages in business travel management and operations management platform business for residences/accommodation facilities involved in vacation rental associated with long-stay accommodation market.
UNCOVER TRUTH Co., Ltd.	Provides Userdive, a heatmap tool that makes users’ behavior on a web page visible and supports PDCA cycle for data-driven website upgrades.
M.I.T. Holdings Co., Ltd.	Concept is to “make women the world over smiling beauties!” Mainly operates in-store beauty salons. Uses IT for salon sharing and matching salons with beauticians.
Dazzle Inc.	Provides VR entertainment services in collaboration with amusement/theme parks, and also offers a VR service analysis/operation support tool, AccessiVR.
Paple'a Co., Ltd.	Operates PPAT Bridal, cloud-based system which aims at boosting sales and efficiency simultaneously for wedding halls. Provides arrangements that bring a smile to the faces of working

	people.
Mental Health Technologies Co., Ltd.	Vision is to help make health management a reality. Together with occupational health physicians, provides a variety of services using technology to prevent mental health issues of employees, which is the foundation of health management.
Synapse Corp.	Offers DEPPARI, a business trip management platform meant to make business trips simpler. Ancillary services using AI make relevant recommendations, with everything including management automated.
Tourbase Co., Ltd.	Vision: to make Japan a super tourism destination. Aims at becoming a “tour base” as a tourism logistics platform, taking care of and transporting tourists’ luggage.
Milize, Inc.	Vision: To build next-generation financial consulting platform with AI and financial engineering. Provides Milize, a new financial service using financial engineering, statistics, AI, and big data
Star Resort Co., Ltd.	Provides planning and operating services for hotels targeting inbound tourism. Handles everything from a single villa to 150-room hotels.
Stayway Inc.	Stayway is a hotel and vacation rental cross search and comparison platform with listings from facilities in over 100 countries across the world, including Japan. Also delivers exciting travel information.
Keeyls Co., Ltd.	Operates 24-hour face-to-face identity verification and key delivery system “KEY STATION” across Japan. Increases efficiency and enables unmanned operations for private lodging, rental meeting rooms, and open spaces through legally compliant automatic check-in services.
Tetsujin, Inc. (TSE2: 2404)	Mainly operates karaoke stores under the “Karaoke no Tetsujin” brand. Provides differentiated services through internally developed karaoke systems and membership services.
LS Corp.	Plans, operates, and manages lifestyle and influencer hotels with unique inbound tourist targeted branding. Provides modern customers with places and experiences that focus on face to face interaction.
Ancar Inc.	Matches buyers and sellers of cars with its network of partnered auto mechanic shops through its Ancar service. Removes middlemen and eliminates consumption taxes, while ensuring safe and fair transactions through a third-party professional.
2501 Inc.	Provides free viewpoint video generation services and video streaming services with a corporate mission to deliver life changing experiences to people around the world.
FC Ryukyu Co., Ltd.	With the operating philosophy of “Loving and being loved by the Okinawan community”, FC Ryukyu operates Okinawa City based J2 football club “FC Ryukyu”, representing the prefecture of Okinawa.
Nailie inc.	Provides Nailie, a C2C app to help customers make appointments directly with manicurists. Aims to provide manicurists with a venue for expressing their individuality.
C2C PTE. LTD.	Provides C2C platform to support matching between providers and users of C2C services. Aims to help companies to grow in various industries and solve social issues through joint development with them.
Japan M&A Solutions Co., Ltd.	Aims to be the top M&A company in Japan in terms of number of deals closed, with a policy of never turning down a consultation. Provides comprehensive proposal-based services including M&A advisory and consulting to SMEs with needs related to business succession, consolidation, and revitalization.
Last One Mile Co., Ltd.	Provides Last One Mile platform to market excellent services. Its core business is Last One Mile, linking companies with customers, aiming to bring happiness to customers worldwide by delivering innovative services in the 21st century.
Trust Co., Ltd.	Provides one-stop services: from property search for companies relocating/renovating offices/stores, through space design and website production. Also helps with digital transformation (systems development and network configuration) in the construction industry, leveraging IT services.
AJ InterBridge Inc.	Offers experience of staying, eating, and playing to people around the world, mainly at traditional Japanese townhouses (machiya) in Kyoto, Kanazawa, and Takayama since 2010. Its vision is to “build a bridge between Japan and the rest of the world by opening people’s hearts and minds to the wonders of Japanese culture.”

Source: Shared Research based on company website

Cost structure

The company has been working to change its cost structure since FY09/20 in response to the decline in handling volume associated with the spread of COVID-19 and improve its breakeven point. The company continued to reduce cash out costs across the group, and as of Q1 FY09/21, SG&A expenses stood at roughly JPY450mn/month. Depending on handling volume, the company aims to limit monthly SG&A expenses in FY09/21 to JPY420–570mn, with monthly fixed costs at JPY260mn–310mn and variable costs at JPY160mn–260mn.

▷ Due to the sharp decline in handling volume amid the spread of COVID-19, the FY09/20 cost structure bears little resemblance with that prevailing previously.

Consolidated cost structure

(JPYmn)	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/17 IFRS	FY09/18 IFRS	FY09/19 IFRS	FY09/20 IFRS
Handling volume	**15,370**	**20,655**	**27,782**	**40,116**	**40,016**	**83,166**	**145,981**	**74,700**
Operating revenue	**1,451**	**2,755**	**4,001**	**5,534**	**5,533**	**12,451**	**24,306**	**21,241**
Cost of operating revenue	349	730	679	937	937	5,590	11,386	13,737
Gross profit	**1,102**	**2,025**	**3,322**	**4,597**	**4,596**	**6,861**	**12,920**	**7,504**
Consolidated SG&A expenses	1,003	1,712	2,703	3,866	3,848	7,234	12,868	9,121
Salaries and allowances	131	195	369	507	792	1,905	2,969	3,146
Advertising expenses	369	662	1,269	1,897	1,896	2,964	5,726	2,148
Sales commission	98	219	311	235	255	662	1,223	826
Provision for bonuses	5	17	20	14	-	-	-	-
Provision for loyalty points	0	0	3	1	-	-	-	-
Provision for shareholder benefits	-	-	15	47	-	-	-	-
Provision for doubtful accounts	-1	-2	0	-1	-	-	-	-
Outsourcing expenses	-	-	-	-	428	681	1,057	1,124
Depreciation and amortization	-	-	-	-	88	383	812	939
Other	402	621	717	1,166	389	639	1,080	665
Gain on investments	-	-	-	-	370	1,288	150	-412
Other operating revenues	-	-	-	-	2	371	546	330
Other operating expenses	-	-	-	-	-40	-47	-71	-7,296
Operating profit	**99**	**313**	**618**	**731**	**1,088**	**1,239**	**676**	**-8,994**
% of handling volume								
Cost of operating revenue	2.3%	3.5%	2.4%	2.3%	2.3%	6.7%	7.8%	18.4%
Gross profit	**7.2%**	**9.8%**	**12.0%**	**11.5%**	**11.5%**	**8.2%**	**8.9%**	**10.0%**
Consolidated SG&A expenses	6.5%	8.3%	9.7%	9.6%	9.6%	8.7%	8.8%	12.2%
Salaries and allowances	0.9%	0.9%	1.3%	1.3%	2.0%	2.3%	2.0%	4.2%
Advertising expenses	2.4%	3.2%	4.6%	4.7%	4.7%	3.6%	3.9%	2.9%
Sales commission	0.6%	1.1%	1.1%	0.6%	0.6%	0.8%	0.8%	1.1%
Provision for bonuses	0.0%	0.1%	0.1%	0.0%	-	-	-	-
Provision for loyalty points	0.0%	0.0%	0.0%	0.0%	-	-	-	-
Provision for shareholder benefits	0.0%	0.0%	0.1%	0.1%	-	-	-	-
Provision for doubtful accounts	0.0%	0.0%	0.0%	0.0%	-	-	-	-
Outsourcing expenses	-	-	-	-	1.1%	0.8%	0.7%	1.5%
Depreciation and amortization	-	-	-	-	0.2%	0.5%	0.6%	1.3%
Other	2.6%	3.0%	17.9%	21.1%	1.0%	0.8%	0.7%	0.9%
Gain on investments	-	-	-	-	0.9%	1.5%	0.1%	-0.6%
Other operating revenues	-	-	-	-	0.0%	0.4%	0.4%	0.4%
Other operating expenses	-	-	-	-	-0.1%	-0.1%	0.0%	-9.8%
Operating profit	**0.6%**	**1.5%**	**2.2%**	**1.8%**	**2.7%**	**1.5%**	**0.5%**	**-12.0%**

Source: Shared Research based on company data
Note: Figures may differ from company data owing to differences in rounding methods.

Cost of sales

The cost ratio changes with the sales mix. AirTrip says that for airline tickets it recognizes the commission portion of revenue on a net basis on the day tickets are issued. For lodging, it recognizes the commission portion of revenue on a net basis on the first day of the customer's stay. For AirTrip Plus and tours, it recognizes revenue in the form of product fees and commissions on a gross basis on the date customers return from their trips. For this reason, as the ratio of AirTrip Plus and tour sales increases, cost ratio rises and GPM falls. In addition, the cost of sales includes personnel expenses in the IT Offshore Development business.

Salaries and allowances

AirTrip pays salaries and allowances to operators in the AirTrip Travel Agency segment.

- On June 24, 2020, the company announced a further business and capital alliance with unlisted company Upsell-Technologies Inc., in which it had already invested. Based on the new alliance, AirTrip will transfer its internal travel operations to Upsell under a business outsourcing agreement. As a result, operational costs are expected to convert to variable costs in stages from July 2020 to September 2021.

Advertising expenses

Advertising and promotional expenses are costs to acquire customers, mainly in B2C, where AirTrip pays Google and other major search engines for product listing ads, as well as YouTube advertising costs. AirTrip has also run TV commercials since August 2017 to boost the branding of AirTrip. Prior to the COVID-19 pandemic, the company had estimated advertising expenses as slightly under 30% of gross profit.

Sales commissions

AirTrip pays sales commissions to settle transactions with credit card companies in B2C. In B2B2C, AirTrip pays commissions for the use of other companies' websites.

Other expenses

Includes impairment losses. The company booked JPY7.0bn in impairment losses in FY09/20.

Market and value chain

Domestic travel market

Online sales by travel agencies

In 2017, the OTA handling volume by Japanese travel agencies was JPY2.2tn (+36% versus 2015), and the ratio of OTA handling volume to total travel agency handling volume increased to 27.1%. In contrast, the online handling volume for TTAs rose only slightly. This indicates that a portion of TTAs' offline handling volume has shifted to OTAs.

TTA: Traditional travel agency
OTA: Online travel agency

Breakdown of travel agencies' handling volume

Handling volume (JPYbn)	FY2015	FY2017	% change
TTA offline	5,464.5	5,270.3	-3.6%
% of total	69.8%	63.7%	
TTA online	711.4	754.5	6.1%
% of total	9.1%	9.1%	
OTA	1,649.7	2,243.2	36.0%
% of total	21.1%	27.1%	

Source: Shared Research based on Japan Online Travel Market Survey Fourth Edition (Phocuswright Japan)

Domestic online travel market

In the domestic travel market, the online travel market was worth JPY4.5tn in 2017. In 2015, when the last survey was conducted, its value was JPY3.7tn, so there was an increase of 19.5%.

Breakdown of domestic online travel market

(JPYbn)	FY2015	FY2017	% change
Accomodation	1,659.5	2,005.3	20.8%
Airlines	1,208.1	1,436.1	18.9%
Railways	513.2	598.1	16.5%
Busses	228.1	265.3	16.3%
Rental cars	119.1	150.4	26.3%
Cruise	0.0	1.2	-
Total	3,728.0	4,456.4	19.5%

Source: Shared Research based on Japan Online Travel Market Survey Fourth Edition (Phocuswright Japan)

Numbers of Japanese traveling overseas and inbound tourists

In 2020, the number of Japanese traveling overseas fell 84.2% YoY to 3mn and the number of foreign tourists visiting Japan (inbound tourists) 87.1% YoY to 4mn. Both the number of Japanese traveling overseas and inbound tourists in 2020 were negatively affected by the spread of COVID-19. As of June 2021, the pandemic had not been brought under control, so prospects are for an ongoing slump in 2021.

Number of Japanese traveling overseas, number of inbound tourists

(mn)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Overseas travellers	16.99	18.49	17.47	16.90	16.21	17.12	17.89	18.95	20.08	3.17
YoY	-	8.8%	-5.5%	-3.3%	-4.1%	5.6%	4.5%	6.0%	5.9%	-84.2%
Visitors to Japan	6.22	8.36	10.36	13.41	19.74	24.04	28.69	31.19	31.88	4.12
YoY	-	34.4%	24.0%	29.4%	47.1%	21.8%	19.3%	8.7%	2.2%	-87.1%

Source: Shared Research based on data from Ministry of Justice and Japan National Tourism Organization (JNTO)

Comparable companies and competitors

AirTrip's business portfolio contains the AirTrip Travel Agency (online travel agency business) and IT Offshore Development segments. Competitors exist for each business; however, no other company has the same portfolio, making simple comparisons difficult.

Comparable companies and competitors for AirTrip's AirTrip Travel Agency include Adventure, Ad Tourist Co., Ltd. (unlisted), Sakura Travel Co., Ltd. (unlisted), and the Japanese subsidiary for Expedia (NASDAQ: EXPE). In IT Offshore Development, one competitor is CO-WELL (unlisted).

Below is an overview of the main comparable companies and competitors for each business.

Adventure, Inc. (TSE Mothers: 6030)
Established in 2006, Adventure is the No. 2 OTA in Japan. The company operates Skyticket, a flight search, comparison, and booking website. Product handling volume totaled about JPY49.6bn in FY06/20. Adventure's OPM was 0.9% in FY06/20.

Open Door Inc. (TSE1: 3926)
This company operates the TRAVELKO travel comparison site, established in 1997. TRAVELKO conducts bulk searches of travel products with over 350 reservation sites, including AirTrip's. However, Open Door's relationship with AirTrip is collaborative rather than competitive.

Listed companies comparable to or competing with AirTrip

Comparison of key financial data (JPYmn)	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20
AirTrip (6191)	**FY09/14**	**FY09/15**	**FY09/16**	**FY09/17**	**FY09/18**	**FY09/19**	**FY09/20**
	Cons.	**Cons.**	**Cons.**	**Cons.**	**IFRS**	**IFRS**	**IFRS**
Operating revenue	1,451	2,755	4,001	5,534	12,451	24,306	21,241
YoY	51.0%	89.8%	45.2%	38.3%	125.0%	95.2%	-12.6%
Online Travel Agency	997	1,718	2,897	3,895	10,112	21,505	18,794
YoY	-	72.3%	68.7%	34.4%	159.6%	112.7%	-12.6%
IT Offshore Development	343	879	1,099	1,534	2,153	2,455	1,888
YoY	-	156.4%	25.1%	39.5%	40.3%	14.0%	-23.1%
Operating profit	99	313	618	731	1,239	676	-8,994
Operating profit margin	6.8%	11.4%	15.5%	13.2%	10.0%	2.8%	-
Online Travel Agency	346	562	944	965	269	1,110	-7,544
Operating profit margin	34.7%	32.7%	32.6%	24.8%	2.7%	5.2%	-40.1%
IT Offshore Development	32	19	83	163	148	172	-
Operating profit margin	9.3%	2.1%	7.5%	10.7%	6.9%	7.0%	0.0%
Profit attributable to owners of the parent	45	172	340	420	942	731	-8,692
Shareholders' equity	-	341	2,276	2,822	5,135	6,579	389
ROE	53.1%	67.5%	26.0%	19.1%	23.0%	7.5%	-28.0%
Number of employees	391	510	616	866	1,412	1,527	1,296
Operating revenue per employee	4	5	6	6	9	16	16
Online Travel Agency	-	-	33	69	390	568	562
Operating revenue per employee	-	-	88	56	26	38	33
IT Offshore Development	-	-	548	768	974	941	712
Operating revenue per employee	-	-	2	2	2	3	3
Adventure (6030)	**FY06/14**	**FY06/15**	**FY06/16**	**FY06/17**	**FY06/18**	**FY06/19**	**FY06/20**
	Cons.	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**IFRS**	**IFRS**
Revenue	893	1,510	2,684	5,269	18,788	50,475	49,627
YoY	-	69.1%	77.7%	96.3%	256.6%	168.7%	-1.7%
Operating profit	30	158	286	414	527	512	461
Operating profit margin	3.4%	10.5%	10.7%	7.9%	2.8%	1.0%	0.9%
Profit attributable to owners of the parent	21	110	146	242	331	185	301
Shareholders' equity	17	1,028	1,168	1,543	1,406	1,497	1,493
ROE	292.5%	21.1%	13.3%	17.9%	22.4%	12.7%	20.1%
Number of employees	12	17	22	37	158	363	365
Revenue per employee	74	89	122	142	119	139	136
OpenDoor (3926)	**FY03/14**	**FY03/15**	**FY03/16**	**FY03/17**	**FY03/18**	**FY03/19**	**FY03/20**
	Cons.	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**
Sales	1,989	2,468	2,997	4,010	4,970	4,937	1,122
YoY	-	24.1%	21.4%	33.8%	23.9%	-0.7%	-77.3%
Operating profit	332	850	999	1,156	1,703	1,538	-772
Operating profit margin	16.7%	34.4%	33.3%	28.8%	34.3%	31.2%	-68.8%
Net income attributable to owners of the parent	400	536	633	757	1,099	925	-652
Shareholders' equity	1,787	2,706	3,345	4,140	5,202	6,124	6,210
ROE	25.1%	23.9%	20.9%	20.2%	23.5%	16.3%	-10.6%
Number of employees	131	138	143	158	166	179	195
Sales per employee	15	18	21	25	30	28	6

Source: Shared Research based on company data

Strengths and weaknesses

Strengths

- **Cross-selling via dynamic package services (AirTrip Plus)**: AirTrip aims to achieve growth by shifting from a lineup centered on airline tickets sold individually to airline ticket and hotel booking sets (AirTrip Plus). Unlike the dynamic package services offered by other companies, AirTrip Plus provides users with more options and lower starting prices by handling airline tickets from low-cost carriers (LCCs) in addition to tickets from full-service carriers. This is made possible by the fact that the company has its own search system for airline tickets. Japan Airlines (JAL group) and All Nippon Airways (ANA group) moving to dynamic pricing for discount airline tickets targeting travel agencies is a tailwind for AirTrip Plus. In addition, the company is well positioned to benefit from the Go To Travel campaign (temporarily suspended as of March 2021 due to a renewed surge of the pandemic), which was introduced by the government to subsidize the tourism industry in response to the spread of COVID-19, as its packaged airline ticket and accommodation products are eligible for those subsidies.
- **Certain amount of natural customer inflow on improved awareness of the AirTrip brand and higher repeat customer rate**: The company has actively promoted the AirTrip brand, spending more than 40% of gross profit on advertising prior to the arrival of COVID-19. One of the company's important KPIs, organic gross profit (gross profit from customers who arrived at the company's website by doing a search with AirTrip as a keyword or who used the company's app, rather than being brought by ads or meta search engines) approximately quintupled over the two years through FY09/19. This indicates improvement in customer awareness of the AirTrip brand and in the repeat customer rate. According to the company's survey, brand recognition stood at just under 50% as of November 2020.
- **An offshore development base**: In IT Offshore Development, Vietnam subsidiary Evolable Asia Co., Ltd. conducts the offshore development of software used in AirTrip Travel Agency. AirTrip is the only domestic OTA to have its own offshore development base. For AirTrip, offshore development enables it to quickly display search results on its website at low cost. In addition to software for internal use, the offshore base provides development services (exclusive teams of engineers and office space) to other Japanese companies.

Weaknesses

- **Airlines' high direct-to-consumer sales ratio for domestic airline tickets**: AirTrip is the leading Japanese OTA in domestic airline tickets, but it had only about 5% of the JPY1.59tn handling volume for domestic airline tickets (2018). This is because domestic airline websites (JAL and ANA groups) dominate direct-to-consumer sales, with a 70% market share.
- **Weaker global brand awareness and capital strength than overseas OTAs**: Overseas there are OTAs such as Expedia and Booking.com with global brand awareness and strong capital positions that clearly exceed AirTrip's. As AirTrip expands the scale of its businesses, it is likely to face increasing competition from these companies (or from domestic companies that partner with them). The revenue structure of OTAs is a typical breakeven point model in which the greater the handling volume, the greater the advantage. For this reason, it is not easy for the company to expand into areas in which it would compete with overseas OTAs.
- **Low barriers to entry mean many competitors**: AirTrip's core business, the AirTrip Travel Agency (online travel agency) segment, had over 50 competitors in the mid-2000s. Barriers to entry are low because the technology to make websites to search, compare, and sell reservations is relatively simple. Differentiating a company based on its website and prices is difficult. Shared Research sees low barriers to entry as a weakness not only for AirTrip, but for the OTA industry as a whole.

Historical performance and financial statements

Historical results

Q1 FY09/21 results (out February 12, 2021)

- In Q1 FY09/21, the company logged a total handling volume of JPY10.4bn. The company recorded operating revenue of JPY6.6bn (-17.8% YoY; based on comparison of continuing operations only), operating profit of JPY763mn (+277.7% YoY), a pre-tax profit of JPY725mn (+383.3% YoY), and profit attributable to owners of the parent of JPY432mn (-37.6% YoY). AirTrip Travel Agency business under the Online Travel Agency segment performed favorably particularly in domestic travel, thanks in part to the Go To Travel campaign, a government subsidy program for the tourism industry (Note: Temporarily suspended on December 28, 2020 due to a renewed surge of COVID-19). Earnings contributions from the newly launched Healthcare business was greater than initially expected, owing to demand for PCR testing among others.
- The company has been working to change its cost structure since FY09/20 in response to the decline in handling volume associated with the spread of COVID-19 and improve its breakeven point. The company continued to reduce cash out costs across the group, and as of Q1 FY09/21, SG&A expenses stood at roughly JPY450mn/month. Depending on handling volume, the company aims to limit monthly SG&A expenses in FY09/21 to JPY420–570mn, with monthly fixed costs at JPY260mn–310mn and variable costs at JPY160mn–260mn.
- Revised FY09/21 company forecast: On March 15, 2021, the company announced a revision to its earnings forecast. Its revised forecast calls for operating revenue of JPY24.3bn (unchanged from previous forecast), operating profit of JPY1.0bn (previously JPY449mn), pre-tax profit of JPY940mn (previously JPY389mn), profit attributable to owners of the parent of JPY561mn (previously JPY275mn) and EPS of JPY27.9 (previously JPY13.47). Existing businesses (AirTrip Travel Agency, Inbound Travel, Wi-Fi rental, IT Offshore Development, Life Innovation, Healthcare, and Investment) have continued to perform well as various initiatives and cost reduction measures that the company has implemented since FY09/20 continue to yield results in FY09/21. Operating profit for Q1 FY09/21 was JPY763mn, well ahead of the previous forecast. In January 2021, there was a slowdown in the AirTrip Travel Agency business due to the impact of a resurgence in COVID-19 infections and the declaration of a state of emergency. However, the slowdown was milder than initially expected by the company, with demand on the mend. In addition, the company has made solid progress in diversifying and restructuring the business portfolio within the group compared to FY09/20, and the impact on the AirTrip Travel Agency business has been offset by the other businesses, reducing downside risk for the group as a whole. The operating revenue forecast remains unchanged partly because National Ryutsu Sangyo Co., Ltd. will be excluded from consolidation, as announced on February 24, 2021. For additional details, please see the Full-year company forecast for FY09/21 section later in this report.
- Go To Travel campaign: It was planned to run from July 22, 2020 until spring 2021. However, it was suspended temporarily on December 28, 2020 to a renewed outbreak of the pandemic. It was still suspended as of March 17, 2021. The government is considering reinstating the program once the emergency declaration is lifted, but has not decided on timing or methodology yet. Media reports suggest it is mulling a staged resumption, lower caps on subsidies, and an extended period.
- All warrants on convertible bonds exercised: The warrants attached to convertible bonds the company issued on September 14, 2020, had all been exercised by February 19, 2021. Exercise of the warrants issued on September 1, 2020, is at the company's discretion. AirTrip said it would grant approval depending on the share price and funding needs.

Results by segment

Online Travel Agency

From Q1 FY09/20, the Online Travel Agency segment contains the AirTrip Travel Agency, Inbound Travel, and Life Innovation businesses. In Q1 FY09/21, the Online Travel Agency segment generated operating revenue of JPY5.8bn (-21.1% YoY) and segment operating profit of JPY627mn (+104.2% YoY).

- AirTrip Travel Agency business performed favorably particularly in domestic travel thanks in part to the Go To Travel campaign, a government subsidy program for the tourism industry (Note: Temporarily suspended on December 28, 2020 due to a renewed surge of COVID-19). Earnings contributions from the newly launched Healthcare business was greater than initially expected, owing to demand for PCR testing among others.
- Revenue from AirTrip Plus (airline tickets and accommodation sold as sets) was strong. The share of unbundled airline tickets in the domestic travel sales mix declined from about 80–85% in the pre-pandemic era to about 60%. Shared Research understands that because handling volume and operating revenue are identical for AirTrip Plus, its weighting in operating revenue has also climbed.
- Gross profit in the domestic travel business was initially forecast at JPY360mn for October, JPY380mn for November, and JPY550mn for December 2020. It came in at JPY360mn in October, JPY450mn in November, and JPY440mn in December. November results exceeded initial forecasts partly due to the Go To Travel campaign. December saw some cancellations as end-of-year demand suffered amid a renewed spread of COVID-19.
- Before the pandemic, monthly gross profit averaged about JPY500mn in the domestic travel business and JPY400mn in the overseas travel business. As of Q1 FY09/21, gross profit in the domestic travel business had recovered to roughly 70–80% of previous levels.
- In January 2021, AirTrip BTM changed its name to Pikapaka, and the former Pikapaka changed its name to Pikapaka Medical Services. AirTrip BTM had previously focused on business travel services for the corporate sector, but in light of declining business travel demand, it pivoted to a welfare business including healthcare services (such as PCR testing).
- Gross profit in other businesses (excluding the domestic and overseas travel businesses; including the IT Offshore Development and Investment businesses) was initially forecast at JPY160mn for October, JPY150mn for November, and JPY170mn for December 2020. It came in at JPY310mn in October, JPY190mn in November, and JPY150mn in December. In addition to strong results from PCR testing in the Healthcare business, the stock market listing of investee Headwaters in October contributed. AirTrip invested heavily in advertising PCR testing through TV commercials and other means in Q1. It said that it expected OPM in the Healthcare business to increase from Q2 onward as it recouped returns from its advertising.

IT Offshore Development

In Q1 FY09/21, the IT Offshore Development segment generated operating revenue of JPY426mn (-16.0% YoY) and segment operating profit of JPY30mn (-25.0% YoY).

- The core subsidiary in the IT Offshore Development segment, Hybrid Technologies, continues to prepare for a listing, and aims at an IPO as early as 2021.

Investment

In Q1 FY09/21, the Investment segment generated operating revenue of JPY295mn (+315.5% YoY) and segment operating profit of JPY316mn (+93.9% YoY).

- The number of companies in the investment portfolio grew to 66 as of February 2021 (64 as of end-September 2020). Total investment was about JPY2.5bn as of February 2021 (JPY2.3bn as of end-September 2020). The year started strong, with the investee Headwaters Co., Ltd. going public on September 29, 2020.

Revised full-year FY09/20 results (out December 28, 2020)

- In FY09/20, the company logged a total handling volume, including in discontinued operations, of JPY74.7bn. On a continuing business basis, the company recorded operating revenue of JPY21.2bn (-12.6% YoY), an operating loss of JPY9.0bn (operating profit of JPY676mn in FY09/19), a pre-tax loss of JPY9.2bn (pre-tax profit of JPY588mn in FY09/19), a loss of JPY8.8bn (profit of JPY751mn in FY09/19), and a loss attributable to owners of the parent of JPY8.7bn (profit of JPY731mn in FY09/19). Operating revenue and profit declined due to the impact from the COVID-19 pandemic.
- The company did not issue full-year FY09/20 earnings forecasts when announcing Q3 results, largely due to uncertainties over the impact of COVID-19 and the effect of measures taken by the company. However, it did note that if non-recurring factors such as the dire environmental changes and the company's countermeasures are excluded, operating revenue would be in the JPY22.5–24.0bn range while operating profit/loss prior to impairment losses would be in the -JPY600mn to +JPY400mn range. When including discontinued operations, actual operating revenue was JPY21.2bn, and operating losses were JPY2.0bn, which prior to the booking of impairment losses, including for discontinued operations, were larger than the company expected.
- The company continued to reduce cash out costs across the group, with September 2020 costs down 57% compared to February 2020. As of September 2020, SG&A expenses stood at roughly JPY440mn/month.
- AirTrip recorded an impairment loss of JPY7.0bn (included in operating losses) due to the impact of the COVID-19 outbreak. The company booked impairment losses of JPY5.9bn in Q4, reflecting the dropout of inbound and outbound demand as well as the loss of some domestic demand. Impairment losses were booked on goodwill in most of its businesses, excluding mag2 Co., Ltd. (TSE: JASDAQ, 4059) and the Wi-Fi business which showed favorable performance, and on software in overseas travel operations.
- The Go To Travel campaign (economic policy aimed at supporting domestic tourist destinations that suffered from COVID-19 fallout) helped to expand total handling volume (this includes domestic airfare + hotel, domestic hotel, domestic tour reservation handling volume) in October by roughly 6.4x compared to July.
- On August 27, 2020, AirTrip announced that it would issue No. 1 Series unsecured convertible bonds with warrants attached and a separate issue of No. 14 Series warrants. The company set a funding limit of JPY6.2bn. It also secured near-term working capital funding of JPY1.5bn under a commitment line contract. In addition, AirTrip subsidiary mag2 Co., Ltd. became a listed company on September 24, 2020. Given that mag2 Co., Ltd. is a subsidiary, unrealized gains and losses on that company's shares (acquisition price of about JPY1.4bn, market capitalization as of November 2020 of JPY6.0bn, remaining stake of about 75%) are not reflected in AirTrip's consolidated results. AirTrip believes it has taken appropriate actions in response to business risks posed by the COVID-19 pandemic and does not believe there are any significant material uncertainties at present threatening going concern. The company also noted that there appears little risk of the company booking additional impairment losses moving forward.
- The company revised its full-year FY09/21 earnings forecast on November 30, 2020, after announcing results. Its revised forecast calls for operating revenue of JPY24.0bn (previous forecast of JPY23.5bn), operating profit of JPY390mn (JPY300mn), pre-tax profit of JPY330mn (240mn), profit attributable to owners of the parent of JPY240mn (JPY180mn), and EPS of JPY11.75 (JPY8.81). For additional details, please see the Full-year company forecast for FY09/21 section later in this report.

Results by segment

Online Travel Agency

From Q1 FY09/20, the Online Travel Agency segment contains the AirTrip Travel Agency, Inbound Travel, and Life Innovation businesses. In FY09/20, the Online Travel Agency segment generated operating revenue of JPY18.8bn (+12.8% YoY) and a segment operating loss of JPY7.5bn (profit of JPY1.1bn in FY09/19).

- At an extraordinary board meeting held on September 30, 2020, the company's board passed a resolution and signed an agreement to transfer all of its holdings in consolidated subsidiary Hikawa Co., Ltd. to San-Ei Gen F.F.I., Inc. AirTrip acquired Hikawa for about JPY900mn and following an improvement in that company's value, sold it for roughly JPY1.5bn. Management at AirTrip decided to sell Hikawa after considering the latter's improvement in value, as well as its financial health and the ease at which AirTrip could find a buyer. The company in its FY09/20 results announcement noted Hikawa's classification as a discontinued business.

IT Offshore Development

In FY09/20, the IT Offshore Development segment generated operating revenue of JPY1.9bn (-23.1% YoY) and a segment operating profit of JPY0mn (profit of JPY172mn in FY09/19).

- Operating revenue for Q4 declined 38% YoY as some of the segment's clients, including the company, scaled back development. The segment appears to have returned to profitability from the beginning of FY09/21.

Investment

In FY09/20, the Investment segment generated operating revenue of JPY558mn (+61.7% YoY) and a segment operating loss of JPY247mn (profit of JPY332mn in FY09/19).

- The number of companies in the investment portfolio grew to 64 as of September 2020. Total investment was JPY2.3bn as of September 2020. Revenue gains were supported by the sale of shares on the listing of three companies in which the company had invested.
- Company investee Headwaters Co., Ltd. listed on the TSE Mothers index with the 4011 company code in September 2020. However, without intra-market trading prior to the last day of AirTrip's fiscal term, and the initial offering price not being reached, investment gains or losses based on the market price for Headwaters were not included in AirTrip's FY09/20 results, but are expected to be reflected in the company's FY09/21 financial statements.

Cumulative Q3 FY09/20 results (out August 14, 2020)

- In Q3 FY09/20, the company logged a total handling volume of JPY67.0bn (-32.3% YoY), operating revenue of JPY19.2bn (+19.0% YoY), operating loss of JPY1.1bn (operating profit of JPY270mn in Q3 FY09/19), pre-tax loss of JPY1.3bn (pre-tax profit of JPY208mn in Q3 FY09/19), and loss attributable to owners of the parent of JPY1.2bn (profit of JPY57mn in Q3 FY09/19).
- Q3 revenues for the AirTrip Travel Agency business (included in the Online Travel Agency business) declined steeply while cumulative consolidated handling volume declined 32.3% YoY. Operating revenue increased 19.0% YoY as a result of an increase in the sales mix of products whose handling volume is the same as operating revenue, such as Hikawa Co., Ltd. (around JPY600–700mn per quarter), AirTrip Ticket, and AirTrip Plus.
- The company continued to reduce cash out costs, with July 2020 costs down 55% compared to February 2020. The company increased the volume of product listing ads QoQ as the domestic travel business began to recover and reduction in advertising expenses versus February 2020 was down to 59% from 73% in May. However, the company reduced other overhead such as office rent and expenses by 47% from February (versus 5% reduction in May).
- The company recorded an impairment loss of JPY1.0bn (included in operating loss) in Q2 due to the impact of the novel coronavirus outbreak. As the outbreak resulted in deteriorated profitability, the company decided to downsize some labor-intensive product offerings (i.e., tour business) and recorded losses on software and goodwill to reflect this. In addition, the company recorded a loss based on the current and future profitability of certain subsidiaries it considered selling due to the deterioration in profitability caused by the novel coronavirus outbreak.

- ▷ Recording non-recurring profit in the Online Travel Agency business (Q1 FY09/20): Following the acquisition of Hikawa Co., Ltd., the Online Travel Agency business recorded non-recurring profit. Negative goodwill contributed to about a JPY700mn increase in profits, and M&A-related expenses contributed to about a JPY100mn decrease in profits, resulting in a net gain of about JPY600mn.
- ▷ At the time of its Q3 results announcement on August 14, 2020, the company has still not issued full-year earnings forecasts given the uncertainties over the impact of COVID-19 and the effect of measures taken by the company. However, it did note that if non-recurring factors such as the dire environmental changes and the company's countermeasures are excluded, operating revenue would be in the JPY22.5–24.0bn range while operating profit/loss prior to impairment losses would be in the -JPY600mn to +JPY400mn range. As of the reporting of Q3 results, the company had no plans to book additional impairment losses. See the Full-year company forecast for FY09/20 section for more details, including the assumptions underlying the full-year company forecast.
- ▷ The company entered into a JPY1.5bn commitment line agreement expiring on September 30, 2020 with Mizuho Bank, but extended the term of the agreement until March 31, 2021. On August 27, 2020, the company announced that it would issue the No. 1 Series unsecured convertible bonds with warrants attached and a separate issue of No. 14 Series warrants. Both the convertible bond issue and separate issue of new stock warrants will be made via a third-party allocation.

Monthly profit/loss

Gross profit was JPY250mn in May, JPY450mn in June (versus the company's forecast of JPY350mn at the time of announcing Q2 results,) and JPY400mn in July (JPY450mn). In June, gross profit surpassed the company's forecast, because demand recovered faster than expected after the state of emergency was lifted. Gross profit fell below the company's forecast in July, however, because cancellations increased from mid-July as the number of new COVID-19 cases climbed again and the Life Innovation and IT Offshore Development segments also underperformed. Summer leisure demand came under pressure from shortened school summer vacations, because schools were closed in spring to prevent the spread of COVID-19.

Results by segment

Online Travel Agency

From Q1 FY09/20, the Online Travel Agency segment contains the AirTrip Travel Agency, Inbound Travel, and Life Innovation businesses.

In Q3 FY09/20, the Online Travel Agency segment generated operating revenue of JPY17.2bn (+22.1% YoY) and segment operating loss of JPY289mn (JPY147mn profit in Q3 FY09/19). The segment operating loss includes JPY1.0bn in impairment losses as well as about JPY600mn negative goodwill from the acquisition of Hikawa Co., Ltd.

AirTrip Travel Agency

- ▷ The Go To Travel campaign (economic policy aimed at supporting domestic tourist destinations that suffered from COVID-19 fallout) helped to double total handling volume by late July including domestic accommodation (this includes domestic airfare + hotel, domestic hotel, domestic tour reservation handling volume) versus early July before the campaign was initiated. However, handling volume of air tickets only has been sluggish. Air tickets have been affected by 70% of demand being for business travel and being excluded from the Go To Travel campaign.
- ▷ Being a travel agency, the company does not refund customers who cancel flight reservations unless it receives a refund from the airline. Put another way, the company is protected from the financial risk of being unable to recover fares due to cancellations, although there is a risk of making a negative impression on customers. The company commented that for overseas air tickets, some refunds on canceled reservations have been delayed because of problems with the airline, but since the rush of cancellations has now passed, the proportion of unpaid refunds should begin to decline.

Life Innovation

- The company launched the healthcare business (part of the Life Innovation segment) as a new business base, investing in unlisted medical consulting company Pikapaka, which started a free private (not covered by NHI) PCR test reservation site as part of the AirTrip website in August 2020. The healthcare business had previously prepared to collaborate with medical institutions to provide medical tourism services, but launched an alternative service instead, because inbound demand looks unlikely to resume in the near future.

IT Offshore Development

In Q3 FY09/20, the IT Offshore Development segment generated operating revenue of JPY1.5bn (-19.6% YoY) and segment operating profit of JPY76mn (-43.3% YoY). The company employed more than 1,000 engineers as of end-June 2020.

Investment

In Q3 FY09/20, the Investment segment generated operating revenue of JPY553mn (+128.5% YoY) and segment operating loss of JPY79mn (profit of JPY473mn in Q3 FY09/19). The number of companies in the investment portfolio grew to 64 as of July 2020. Total investment was JPY2.3bn as of July 2020.

- Headwaters Co., Ltd. (TSE Mothers: 4011), in which the company invests through the Primerock No. 2 Investment Limited Partnership is scheduled to hold an IPO in September 2020. This will be the sixth IPO for the Investment segment.

Financing announced in Q3 FY09/20

On August 27, 2020, the company announced that it would issue the No. 1 Series unsecured convertible bonds with warrants attached and a separate issue of No. 14 Series warrants. The company's financing policy has been to maintain a high level of financial soundness while increasing liquidity on hand, and ongoing exploration of multiple ways to procure funds. The latest financing is consistent with this policy. The company plans to reduce interest-bearing debt and spread repayment out over a longer term. The company decided to raise JPY6.1bn (approximate net amount) to reduce interest-bearing debt by JPY2.0bn and cover the estimated investment for growth required in an earnings recovery phase (JPY4.1bn).

- On August 27, 2020, the company announced that its board of directors had approved the issuance of No. 1 Series unsecured convertible bonds with warrants attached and a separate issue of No. 14 Series warrants. Both the convertible bond issue and separate issue of new stock warrants will be made via a third-party allocation (i.e., private placement). The issuing terms for the convertible bonds include provisions for adjusting the conversion price; the issuing terms for the warrants include an exercise price adjustment clause as well as an exercise consent clause.
- With the issue of convertible bonds with warrants and a separate issue of warrants (No. 14 Series warrants), the company is looking to procure new capital in such a way that some of the funds can be secured in the near term and some funds further down the road, when the price of its shares has risen and it can control the amount of the near-term dilution resulting from conversion of the convertible bonds and exercise of the warrants. The convertible bonds are designed to encourage conversion before maturity, i.e., they are based on the assumption that they will be converted to shares. The main purpose of the warrants is to enable nimble financing at a time of earnings recovery. That being said, according to the company, market conditions will determine whether or not the full amount will be used for M&A and other investment, and the warrants could be canceled.
- Anticipating a further recovery in its stock price in the future, AirTrip is looking to raise more capital than it did in its previous round of fundraising. According to the company, permission will be granted for the No. 14 Series warrants to be exercised once the stock price reaches the level in line with the company's management policies. The issuing terms also give the company the flexibility to acquire the outstanding No. 14 Series warrants depending on a number of factors including its stock price, the amount of capital it already procured, and its capital needs, and thereby control dilution.

- By maximizing the use of the investor client base of SBI Securities and Mizuho Securities with whom the convertible bonds and the separate issue of new stock warrants will be placed, the company is looking to raise new capital while making every effort to avoid an adverse impact on the demand-supply balance for its common shares.
- The following is a summary of the press release from the company and has not been prepared with the aim of making an investment recommendation.

Amount of capital to be raised and planned use

With the issue of convertible bonds with warrants and the separate issue of new stock warrants, the company is looking to raise a combined total of JPY6.150bn, of which it expects to net JPY6.127bn after expenses. The funds raised will be split between (1) funds received immediately following the issuance of the convertible bonds with warrants and (2) funds received over time in the future, as the company's stock price rises and the No. 14 Series warrants are exercised.

The funds raised from the issuance of the convertible bonds with warrants will be used between September 2020 and September 2023 to repay a total of some JPY1.0bn in loans outstanding from financial institutions.

The funds raised from the exercise of the No. 14 Series warrants issued will go towards a combination of new investments and loan repayments, all of which are to be made between September 2020 and September 2023. More specifically, the company has budgeted (1) just over JPY2.8bn for mergers and acquisition; (2) JPY1.3bn for investments in systems and other expenditures aimed at expanding businesses in new fields and entering new markets under its post-pandemic growth strategy, *AirTrip 2020*; and (3) JPY1.0bn for repayments of loans outstanding from financial institutions.

Details of issue of unsecured convertible bonds with warrants attached

The conversion of convertible bonds with warrants will result in the issuance of 667,000 to 933,000 new shares, representing potential dilution of between 3.3% and 4.9%. The scheduled payment date is September 14, 2020. The bonds do not pay interest and come to maturity on September 13, 2023. The bond issue will be placed in its entirety with SBI Securities Co. Ltd.

Overview of terms of conversion for convertible bonds

The convertible bonds with warrants will have an initial conversion price of JPY1,500, or 4% above the closing price of the company's shares on the day prior to the approval of the issue by the company's board of directors (August 27, 2020). The conversion price will be fixed at the initial conversion price for a period of two years and six months from the issuing date, either at the company's option or in the event that the company's share price has not exceeded the initial conversion price by at least 30% for five consecutive trading days. In contrast to convertible bonds allowing the issuer to reduce the conversion price as needed and issue still more new shares, this provision in the issuing terms of AirTrip's convertible bond issue will control the number of new shares issued as a result of the conversion of the bonds and thereby limit the dilution of earnings per share resulting from the conversion. In this manner, the company also aims to benefit from some of the future increases in its share price that would allow the bonds to be converted at a higher price and raise more capital for investments to support future growth initiatives.

During the 30-month period following issuing date, in the event the trade-weighted average closing price of the company's shares runs below the initial conversion price in regular trading on the stock exchange for 20 consecutive trading days, the company will have the one-time option of reducing the conversion price to a price equal to 90% of average share price during that 20-day period. This provision in the issuing terms means that even if the company's share price has come down and remains below the initial conversion price for a sustained period of time, thus preventing the bonds from being converted, the company has the option of reducing the conversion price to a level that would allow the bonds to be converted and bring in addition equity capital to reinforce its financial position—though it may do this only once.

In the event that the trade-weighted average closing price of the company's common shares is at least 30% above the initial conversion price for at least five consecutive trading days and bondholders request that their bonds be converted, the conversion price will, as a general rule, be adjusted based on the closing price of the shares in regular trading on the stock exchange on the trading day immediately prior to the date the request was made. This provision in the issuing terms of the convertible bonds allows the company to raise the conversion price if the shares have risen past a certain level, thereby controlling the amount of new shares issued and the dilution of earnings per share when the stock in on the rise.

After the 30-month period from the date of issue has come to an end (when there are only six months left in the conversion period), the issuing terms give the company more leeway to adjust the conversion price to accommodate moves in its share price. In the event the share price is higher than it is now, the company is thinking that, after setting the conversation price so as to encourage conversion up to a certain point, it should set the conversion price with an eye on controlling the dilution from bond being converted as the stock price rises. Should the share price be lower than it is now, the company will think more about achieving a certain level of conversion so as to secure additional equity capital and reinforce its equity base. The issuing terms allow a minimum conversion price of JPY1,007, equal to 70% of the closing price of the company's shares on August 26, 2020. After August 14, 2023, a soft mandatory clause will take effect, enabling AirTrip to acquire the convertible bonds provided there is mutual agreement between the company and the party with whom the bonds were placed.

Overview of No. 14 Series warrant issue

The warrants will have an initial exercise price of JPY1,438, equal to the closing price of the company's shares on the Tokyo Stock Exchange on August 26, 2020. Starting September 15, 2020, the exercise price for the warrants will be set at 92% of the closing price of the company's shares on the Tokyo Stock Exchange on the trading day prior to the first authorization day of individual exercise requests, the price being rounded down to the nearest yen. In the event that the adjusted exercise price then falls below the minimum authorized exercise price of JPY1,007, the minimum exercise price will become the post-adjustment exercise price. The minimum exercise price of JPY1,007 is equal to 70% of the closing price of the company's common stock on August 26, 2020.

The exercise of all warrants would result in the issuance of 3,555,000 new shares, representing potential dilution of 17.7%. The warrants will be privately placed with SBI Securities and Mizuho Securities on September 14, 2020, and will be exercisable between September 15, 2020 and September 11, 2023.

Overview of exercise price adjustment clause and exercise consent clause

The new share warrants are also part of the current round of fundraising, and are aimed at securing additional equity capital and reinforcing the company's equity base upon their future exercise by the parties with whom they were placed. Issued via a private placement, the warrants will be exercisable for a period of approximately three years; the exercise price is subject to adjustments.

As the exercise of the warrants must have the consent of the company, the issuing terms of the warrants allows the company, at its own discretion, to make the determination of whether the conditions governing the exercise of the warrants have been met and whether to allow the party with whom the warrants were placed to exercise the warrants.

To exercise the warrants, the party with whom they were placed must make a request in writing in accordance with the terms of the contract governing the warrant issue, and receive a written permission from AirTrip in return. The warrants must be exercised within no more than 60 trading days following receipt of the permission, and the number of warrants to be exercised is limited to the number prescribed in the written permission.

Provisions governing requests for warrant buybacks

After the warrants have been issued, the party with whom the warrants were placed may request that the company buy back the warrants in the event that (1) the company's common share price on the Tokyo Stock Exchange closes below the minimum exercise price for the warrants for five consecutive trading days between September 15, 2020 and August 1, 2023, or (2) at any time between August 2 and August 31, 2023. Should such a request be made, the company must buy back each warrant held by the party with whom it was placed at a price equal to the price set at the time it was originally issued.

Outlook

The company said it expected the convertible bond issue and the accompanying issue of new stock warrants to be accretive from the perspective of existing shareholders, explaining that the funds raised would allow it to make the additional investments needed to grow its businesses and improve profitably, and also strengthen its financial position, and this would allow it in turn to grow earnings and increase its enterprise value over the medium to long term. The company added that it did not expect the current round of fundraising to have any impact on FY09/20 results.

1H FY09/20 results (out June 12, 2020)

- In 1H FY09/20, the company logged a total handling volume of JPY61.5bn (-5.1% YoY), operating revenue of JPY15.4bn (+44.5% YoY), operating loss of JPY660mn (operating profit of JPY178mn in 1H FY09/19), pre-tax loss of JPY759mn (pre-tax profit of JPY140mn in 1H FY09/19), and loss attributable to owners of the parent of JPY741mn (profit of JPY78mn in 1H FY09/19).
- Revenues for the AirTrip Travel Agency business (included in the Online Travel Agency business) declined due to the impact of the novel coronavirus outbreak.
- Total handling volume declined YoY in 1H FY09/20, but operating revenue increased YoY due to an increased sales mix of products whose handling volume is the same as operating revenue, such as Hikawa Co., Ltd. (JPY600–700mn per quarter), AirTrip Ticket, and AirTrip Plus.
- The company's preliminary management estimates of gross profit in February 2020 were JPY460mn for domestic travel, JPY410mn for overseas travel, and JPY190mn for other businesses. Gross profit declined to JPY330mn for domestic travel, JPY180mn for overseas travel, and JPY190mn for other businesses in March 2020, and was down to JPY80mn for domestic travel, -JPY10mn for overseas travel, and JPY190mn for other businesses in April 2020. May figures were similar to those in April.
- The company recorded an impairment loss of JPY1.0bn (included in operating loss) due to the impact of the novel coronavirus outbreak. As the outbreak resulted in deteriorated profitability, the company decided to downsize some labor-intensive product offerings (i.e., tour business) and specialize in areas of high demand such as Okinawa, Hokkaido, and Hawaii. The company recorded impairment losses on software and goodwill to reflect this, writing down book value to zero. In addition, the company recorded a loss based on the current and future profitability of certain subsidiaries it considered selling due to the deterioration in profitability caused by the novel coronavirus outbreak.
- Recording non-recurring profit in the Online Travel Agency business (Q1 FY09/20): Following the acquisition of Hikawa Co., Ltd., the Online Travel Agency business recorded non-recurring profit. Negative goodwill contributed to about a JPY700mn increase in profits, and M&A-related expenses contributed to about a JPY100mn decrease in profits, resulting in a net gain of about JPY600mn.
- The company withdrew its full-year FY09/20 earnings forecast announced on November 14, 2019 and left forecasts undetermined as it had difficulty making reasonable forecast calculations due to the impact of the novel coronavirus outbreak as of June 12, 2020. Going forward, the company plans to monitor the situation of the outbreak and make an announcement as soon as it is able to disclose its earnings forecast. The year-end dividend forecast for FY09/20 is also undetermined, and the company plans to make an announcement as soon as it is able to do so. For details on the company's gross profit and cost reduction estimates as of June 12, 2020, see the Full-year company forecast for FY09/20 section below.
- The company entered into a JPY1.5bn commitment line agreement expiring on September 30, 2020 with Mizuho Bank. It plans to maintain a high level of financial soundness while increasing liquidity on hand, and continue to explore multiple ways to procure funds.

Results by segment

Online Travel Agency

From Q1 FY09/20, the Online Travel Agency segment contains the AirTrip Travel Agency, Inbound Travel, and Life Innovation businesses.

In 1H FY09/20, the Online Travel Agency segment generated operating revenue of JPY14.3bn (+50.5% YoY), and segment operating profit of JPY223mn (-4.7% YoY). Segment operating profit for Online Travel Agency includes the negative goodwill amount from the acquisition of Hikawa Co., Ltd.

IT Offshore Development

In 1H FY09/20, the IT Offshore Development segment generated operating revenue of JPY1.0bn (-11.0% YoY) and segment operating profit of JPY53mn (-52.6% YoY). The company employed more than 1,000 engineers as of end-March 2020.

Investment

In 1H FY09/20, the Investment segment generated operating revenue of JPY71mn (none in 1H FY09/19) and segment operating loss of JPY243mn (profit of JPY237mn in 1H FY09/19). The company recorded losses at end-1H FY09/20 on some listed stocks it holds due to a fall in market value. We note that Cyber Security Cloud, Inc. (TSE Mothers: 4493), in which AirTrip invests, listed its stock on March 26, 2020. The share price has more than doubled from the initial offer price after adjustment for a stock split. The number of companies in the investment portfolio grew to 64 as of May 2020. Total investment was JPY2.3bn as of May 2020. Perceiving that the market for unlisted shares had started to overheat a year ago, the company cut back on minority investments and focused on investing in companies that offer business synergies. AirTrip commented that it does not intend to change this policy for some time.

Income statement

Income statement (JPYmn)	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/17 IFRS	FY09/18 IFRS	FY09/19 IFRS	FY09/20 IFRS
Sales (Operating revenue)	**1,451**	**2,755**	**4,001**	**5,534**	**5,533**	**12,451**	**24,306**	**21,241**
YoY	51.0%	89.8%	45.2%	38.3%	-	125.0%	95.2%	-12.6%
Cost of sales (operating revenue)	349	730	679	937	937	5,590	11,386	13,737
Cost ratio	24.0%	26.5%	17.0%	16.9%	16.9%	44.9%	46.8%	64.7%
Gross profit	**1,102**	**2,025**	**3,322**	**4,597**	**4,596**	**6,861**	**12,920**	**7,504**
GPM	76.0%	73.5%	83.0%	83.1%	83.1%	55.1%	53.2%	35.3%
SG&A expenses	1,003	1,712	2,703	3,866	3,848	7,234	12,868	9,121
YoY	-	70.7%	57.9%	43.0%	-	88.0%	77.9%	-29.1%
SG&A ratio	69.1%	62.2%	67.6%	69.9%	69.5%	58.1%	52.9%	42.9%
Gain on investments	-	-	-	-	370	1,288	150	-412
Other operating revenue	-	-	-	-	2	371	546	330
Other operating expenses	-	-	-	-	-40	-47	-71	-7,296
Operating profit	**99**	**313**	**618**	**731**	**1,088**	**1,239**	**676**	**-8,994**
YoY	297.0%	215.1%	97.7%	18.1%	-	13.9%	-45.4%	-
OPM	6.8%	11.4%	15.5%	13.2%	19.7%	10.0%	2.8%	-
Recurring profit (Pre-tax profit)	**93**	**306**	**571**	**696**	**1,095**	**1,226**	**588**	**-9,190**
YoY	311.7%	227.2%	87.0%	21.8%	-	12.0%	-52.0%	-
RPM	6.4%	11.1%	14.3%	12.6%	19.8%	9.8%	2.4%	-
Extraordinary gains (losses)	-	-2	1	-	-	-	-	-
Income taxes (tax expenses)	-	109	179	162	273	146	165	-80
Implied tax rate	-	35.9%	31.3%	23.3%				
Net income attrib. to minority (non-controlling) interests	24	22	52	113	112	137	19	-133
Net income attributable to owners of the parent	**45**	**172**	**340**	**420**	**702**	**942**	**731**	**-8,692**
YoY	209.0%	283.3%	97.3%	23.5%	-	34.2%	-22.4%	-
Net margin	3.1%	6.3%	8.5%	7.6%	12.7%	7.6%	3.0%	-

Source: Shared Research based on company data
Note: Figures may differ from company data owing to differences in rounding methods.

Difference between JGAAP and IFRS

AirTrip (formerly EA) voluntarily adopted International Financial Reporting Standards (IFRS) from FY09/18. Significant differences in earnings results based on JGAAP and IFRS are as follows.

- Goodwill amortization: Under JGAAP, goodwill must be amortized annually within 20 years. Under IFRS, the scope of goodwill is different from JGAAP, an impairment test must be conducted at least once a year, and there is no goodwill amortization.
- Investment profit/loss: Under IFRS, the valuation of operating investment securities and investment securities (including unlisted securities) at the end of each fiscal year is on a market value basis.

(JPYmn)	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/17 IFRS	FY09/18 IFRS	FY09/19 IFRS	FY09/20 IFRS
Handling volume	**15,370**	**20,655**	**27,782**	**40,116**	**40,016**	**83,166**	**145,981**	**74,700**
Sales	**1,451**	**2,755**	**4,001**	**5,534**	**5,533**	**12,451**	**24,306**	**21,241**
Cost of sales	349	730	679	937	937	5,590	11,386	13,737
Gross profit	**1,102**	**2,025**	**3,322**	**4,597**	**4,596**	**6,861**	**12,920**	**7,504**
Consolidated SG&A expenses	1,003	1,712	2,703	3,866	3,848	7,234	12,868	9,121
Salaries and allowances	131	195	369	507	792	1,905	2,969	3,146
Advertising expenses	369	662	1,269	1,897	1,896	2,964	5,726	2,148
Sales commission	98	219	311	235	255	662	1,223	826
Provision for bonuses	5	17	20	14	-	-	-	-
Provision for loyalty points	0	0	3	1	-	-	-	-
Provision for shareholder benefits	-	-	15	47	-	-	-	-
Provision for doubtful accounts	-1	-2	0	-1	-	-	-	-
Outsourcing expenses	-	-	-	-	428	681	1,057	1,124
Depreciation and amortization	-	-	-	-	88	383	812	939
Other	402	621	717	1,166	389	639	1,080	665
Gain on investments	-	-	-	-	370	1,288	150	-412
Other operating revenues	-	-	-	-	2	371	546	330
Other operating expenses	-	-	-	-	-40	-47	-71	-7,296
Operating profit	**99**	**313**	**618**	**731**	**1,088**	**1,239**	**676**	**-8,994**
% of handling volume								
Cost of sales	2.3%	3.5%	2.4%	2.3%	2.3%	6.7%	7.8%	18.4%
Gross profit	**7.2%**	**9.8%**	**12.0%**	**11.5%**	**11.5%**	**8.2%**	**8.9%**	**10.0%**
Consolidated SG&A expenses	6.5%	8.3%	9.7%	9.6%	9.6%	8.7%	8.8%	12.2%
Salaries and allowances	0.9%	0.9%	1.3%	1.3%	2.0%	2.3%	2.0%	4.2%
Advertising expenses	2.4%	3.2%	4.6%	4.7%	4.7%	3.6%	3.9%	2.9%
Sales commission	0.6%	1.1%	1.1%	0.6%	0.6%	0.8%	0.8%	1.1%
Provision for bonuses	0.0%	0.1%	0.1%	0.0%	-	-	-	-
Provision for loyalty points	0.0%	0.0%	0.0%	0.0%	-	-	-	-
Provision for shareholder benefits	0.0%	0.0%	0.1%	0.1%	-	-	-	-
Provision for doubtful accounts	0.0%	0.0%	0.0%	0.0%	-	-	-	-
Outsourcing expenses	-	-	-	-	1.1%	0.8%	0.7%	1.5%
Depreciation and amortization	-	-	-	-	0.2%	0.5%	0.6%	1.3%
Other	2.6%	3.0%	17.9%	21.1%	1.0%	0.8%	0.7%	0.9%
Gain on investments	-	-	-	-	0.9%	1.5%	0.1%	-0.6%
Other operating revenues	-	-	-	-	0.0%	0.4%	0.4%	0.4%
Other operating expenses	-	-	-	-	-0.1%	-0.1%	0.0%	-9.8%
Operating profit	**0.6%**	**1.5%**	**2.2%**	**1.8%**	**2.7%**	**1.5%**	**0.5%**	**-12.0%**

Source: Shared Research based on company data
Note: Figures may differ from company data owing to differences in rounding methods.

Balance sheet

Balance sheet (JPYmn)	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/17 IFRS	FY09/18 IFRS	FY09/19 IFRS	FY09/20 IFRS
Current assets	**892**	**1,521**	**4,025**	**5,158**	**5,395**	**15,202**	**20,140**	**15,023**
Cash and deposits	229	639	2,356	2,139	2,054	5,320	8,997	7,042
Accounts receivable	397	610	1,104	1,386	1,567	4,442	5,239	2,364
Operational investment securities	-	-	-	1,100	1,520	3,889	4,606	4,359
Inventories	13	75	274	45	45	87	428	435
Others	254	197	290	487	209	1,464	870	823
Fixed assets	381	543	817	2,321	2,491	9,736	11,112	6,916
Tangible fixed assets	59	61	41	367	393	1,111	1,324	480
Intangible fixed assets	99	155	306	1,335	1,393	7,403	8,398	5,419
Investments and other assets	222	328	471	619	705	1,222	1,390	1,017
Total assets	**1,273**	**2,064**	**4,842**	**7,479**	**7,888**	**24,939**	**31,253**	**21,940**
Current liabilities	**1,022**	**1,487**	**2,281**	**3,519**	**3,584**	**15,014**	**15,717**	**11,490**
Accounts payable	514	669	1,293	1,558	2,045	4,333	4,414	2,646
Short-term debt	227	325	225	655	782	6,802	7,519	6,185
Other current liabilities	281	493	762	1,306	757	3,879	3,784	2,659
Fixed liabilities	**49**	**180**	**190**	**733**	**903**	**4,444**	**5,436**	**7,911**
Long-term debt	-	100	87	623	622	4,009	5,111	4,842
Others	49	80	102	110	281	435	325	3,069
Total liabilities	**1,071**	**1,667**	**2,470**	**4,252**	**4,487**	**19,458**	**21,153**	**19,401**
Net assets	**202**	**397**	**2,371**	**3,226**	**3,400**	**5,567**	**10,099**	**2,538**
Capital stock	215	215	1,020	1,031	1,031	1,100	2,922	3,138
Capital surplus	20	20	825	837	815	2,117	4,175	4,887
Retained earnings	-68	105	445	865	1,145	1,876	2,598	-6,135
Treasury stock	-	-	-	-	-	-	0	0
Accum. other comprehensive income	2	2	-13	40	10	5	19	92
Share subscription rights	-	-	-	-	-	-	-	-
Non-controlling interests	32	56	95	404	397	380	382	555
Total capial and liabilities	**1,273**	**2,064**	**4,841**	**7,479**	**7,888**	**24,939**	**31,253**	**21,940**
Working capital	-104	16	85	-127	-433	196	1,253	153
Total interest-bearing debt	227	425	312	1,278	1,404	10,811	12,630	11,027
Net cash	2	214	2,044	861	650	-5,491	-3,633	-3,985
Current ratio	87%	102%	176%	147%	151%	101%	128%	131%
Fixed ratio	188.6%	136.8%	34.5%	71.9%	73.3%	174.9%	110.0%	272.5%
Equity ratio	13.3%	16.5%	47.0%	37.1%	38.0%	20.4%	31.1%	9.0%

Source: Shared Research based on company data
Note: Figures may differ from company data owing to differences in rounding methods.

On August 27, 2020, AirTrip announced that it would issue No. 1 Series unsecured convertible bonds with warrants attached and a separate issue of No. 14 Series warrants. The company set a funding limit of JPY6.2bn. It also secured near-term working capital funding of JPY1.5bn under a commitment line contract. In addition, AirTrip subsidiary mag2 Co., Ltd. became a listed company on September 24, 2020. Given that mag2 Co., Ltd. is a subsidiary, unrealized gains and losses on that company's shares (acquisition price of about JPY1.4bn, market capitalization as of November 2020 of JPY6.0bn, remaining stake of about 75%) are not reflected in AirTrip's consolidated results. AirTrip believes it has taken appropriate actions in response to business risks posed by the COVID-19 pandemic and does not believe there are any significant material uncertainties at present threatening going concern. The company also noted that there appears little risk of the company booking additional impairment losses moving forward.

Cash flow statement

Cash flow statement (JPYmn)	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/17 IFRS	FY09/18 IFRS	FY09/19 IFRS	FY09/20 IFRS
Cash flows from operating activities (1)	160	331	605	217	218	527	-76	-559
Cash flows from investing activities (2)	-139	-167	-456	-1,312	-1,437	-1,010	-678	256
Free cash flow (1+2)	20	164	149	-1,095	-1,219	-483	-754	-303
Cash flows from financing activities	112	216	1,477	943	941	3,662	4,459	-1,643
Net income attrib. to parent company shareholders	45	172	340	420	814	1,080	751	-8,825
Depreciation	20	64	89	114	114	114	889	1,616
Amortization of goodwill	-	-	-	-	-	-	-	-
Purchase of tangible fixed assets	-29	-36	-29	-22	-22	-22	-267	-220
Purchase of intangible fixed assets	-29	-83	-120	-158	-158	-158	-1,105	-600
Change in working capital	-	121	69	-212	-306	629	1,057	-1,100
Simple FCF	-	-3	211	567	1,054	385	-789	-6,929
Cash and cash equivalents (year-end)	**229**	**639**	**2,356**	**2,139**	**2,054**	**5,320**	**8,997**	**7,042**

Source: Shared Research based on company data
Note: Figures may differ from company data owing to differences in rounding methods.
Note: The figures for net income through FY09/17 are net income attributable to parent company shareholders.

Monthly performance (disclosure suspended from April 2020)

FY09/14	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Handling vol.	1,172	1,199	1,048	866	900	1,352	1,030	1,132	1,455	2,144	1,607	1,441
YoY	-	-	-	-	-	-	-	-	-	-	-	-
Direct sales	-	-	-	-	-	-	-	-	-	-	-	-

FY09/15	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Handling vol.	1,335	1,381	1,362	1,110	1,326	1,744	1,666	1,614	2,083	2,800	2,259	1,961
YoY	14%	15%	30%	28%	47%	29%	62%	43%	43%	31%	41%	36%
Direct sales	-	-	-	-	-	-	-	-	-	-	-	-

FY09/16	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Handling vol.	2,022	1,942	1,786	1,622	2,111	2,347	2,226	2,189	2,665	3,294	2,706	2,771
YoY	51%	41%	31%	46%	59%	35%	34%	36%	28%	18%	20%	41%
Direct sales	-	-	-	-	-	69%	87%	79%	90%	78%	70%	122%

FY09/17	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Handling vol.	2,586	2,459	2,143	2,118	2,900	3,541	3,189	3,144	4,138	4,354	4,479	5,379
YoY	28%	27%	20%	31%	37%	51%	43%	44%	55%	32%	66%	94%
Direct sales	74%	75%	75%	74%	60%	76%	53%	42%	30%	22%	10%	24%

FY09/18	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Handling vol.	4,447	4,321	4,139	3,855	4,836	5,451	5,370	5,763	11,347	12,635	14,272	12,313
YoY	72%	76%	93%	82%	67%	54%	68%	83%	174%	190%	219%	129%
Direct sales	26%	26%	25%	39%	49%	37%	68%	98%	204%	301%	542%	240%

FY09/19	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Handling vol.	9,719	9,569	10,821	9,400	10,825	13,099	12,983	11,452	13,040	14,060	17,501	13,594
YoY	119%	121%	161%	144%	124%	140%	142%	99%	15%	11%	23%	10%
Direct sales	313%	245%	350%	284%	256%	300%	315%	277%	31%	26%	35%	31%

FY09/20	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Handling vol.	11,697	11,397	12,953	11,911	9,159	4,419						
YoY	20%	19%	20%	27%	-15%	-66%						
Direct sales	44%	46%	32%	33%	-9%	-68%						

Source: Shared Research based on company data
Note: Figures are preliminary estimates and may differ from actual quarterly results. YoY comparisons are comparisons with year-ago figures through FY09/17 and figures released by the company from FY09/18 onward.
Note: Figures may differ from company data owing to differences in rounding methods.

The company announced that it would temporarily suspend the disclosure of monthly handling volumes from April 2020 onward, with the March 2020 figure being the last, due to teleworking and store closures in response to the COVID-19 pandemic since April. It will announce when it will resume disclosing monthly handling volumes at a later date.

Regarding cancellations

AirTrip releases preliminary handling volume figures on a monthly basis. These figures do not reflect cancellations. For this reason, special circumstances (e.g., terrorism or the spread of an infectious disease) may cause a significant difference between these preliminary figures and final figures.

Other information

News and topics

March 2021

On March 15, 2021, the company announced a revision to its earnings forecast.

Revised FY09/21 earnings forecast

- Operating revenue: JPY24.3bn (unchanged from previous forecast)
- Operating profit: JPY1.0bn (previously JPY449mn)
- Pre-tax profit: JPY940mn (JPY389mn)
- Profit*: JPY561mn (JPY275mn)
- EPS: JPY27.9 (JPY13.47)

*Profit attributable to owners of the parent

Reasons for the revision

The company revised up its full-year FY09/21 earnings forecast as it expects each profit item to improve. The operating revenue forecast remains unchanged partly because National Ryutsu Sangyo Co., Ltd. will be excluded from consolidation, as announced on February 24, 2021.

- Existing businesses (AirTrip Travel Agency, Inbound Travel, Wi-Fi rental, IT Offshore Development, Life Innovation, Healthcare, and Investment) have continued to perform well as various initiatives and cost reduction measures that the company has implemented since FY09/20 continue to yield results in FY09/21. Operating profit for Q1 FY09/21 was JPY763mn, well ahead of the previous forecast.
- In January 2021, there was a slowdown in the AirTrip Travel Agency business due to the impact of a resurgence in COVID-19 infections and the declaration of a state of emergency. However, the slowdown was milder than initially expected by the company, with demand on the mend. In addition, the company has made solid progress in diversifying and restructuring the business portfolio within the group compared to FY09/20, and the impact on the AirTrip Travel Agency business has been offset by the other businesses, reducing downside risk for the group as a whole.

February 2021

On February 24, 2021, the company announced a business alliance with Cabin Co., Ltd. accompanied by a basic agreement on a change in its consolidated subsidiary (share transfer).

The company has announced that it will enter into a business alliance with Cabin in their various business operations. In addition, it has reached a basic agreement to transfer its entire shareholding in National Ryutsu Sangyo Co., Ltd., a wholly owned subsidiary of the company which buys and sells tickets, to Cabin. The move is part of AirTrip's efforts to diversify and restructure the business portfolio within the group.

- The share transfer is scheduled for the end of March 2021, with the transfer price not yet determined. If the share transfer goes ahead as planned, National Ryutsu Sangyo Co., Ltd. will no longer be included in the scope of consolidation of AirTrip. The impact of the share transfer and the business alliance on the company's results is currently under review. A further announcement on this will be made upon completion of the review.
- National Ryutsu Sangyo's sales for FY12/20 were JPY7.8bn, with an operating loss of JPY30mn and net income attributable to owners of the parent of JPY5.0mn.

- Based on the conclusion of the share transfer agreement, the company and Cabin will sign a business alliance agreement whereby the company will support Cabin through its AirTrip Travel Agency business, Wi-Fi rental business, Healthcare business and marketing support activities.

January 2021

On January 5, 2021, the company announced a revision to its earnings forecast.

Revised FY09/21 earnings forecast

- Operating revenue: JPY24.3bn (previous forecast: JPY24.0bn)
- Operating profit: JPY449mn (JPY390mn)
- Pre-tax profit: JPY389mn (JPY330mn)
- Profit*: JPY275mn (JPY240mn)
- EPS: JPY13.47 (JPY11.75)

*Profit attributable to owners of the parent

Reasons for the revision

The company revised up its full-year FY09/21 earnings forecast as it expects operating revenue and each profit line to improve.

- Existing businesses (AirTrip Travel Agency, Inbound Travel, IT Offshore Development, Life Innovation, Healthcare, and Investment) have continued to perform well as various initiatives and cost reduction measures that the company has implemented since FY09/20 continue to yield results in FY09/21.
- In the AirTrip Travel Agency business, Q1 operating revenue and profits were particularly strong in the domestic business, exceeding previous forecasts. The newly launched Healthcare business also contributed more to earnings than initially expected by capturing demand for PCR testing and other services. The Investment segment also got off to a good start, with company investee Headwaters Co., Ltd. listing on the TSE Mothers (TSE Mothers: 4011) on September 29, 2020.
- Although the COVID-19 pandemic has negatively affected travel demand, the company thinks the downside risk is not significant compared to FY09/20 as it made progress in changing its cost structure and diversifying its business portfolio.

December 2020

On December 28, 2020, the company announced a partial revision to its earnings results for full-year FY09/20.

The company partially revised its earnings results for full-year FY09/20 it announced on November 13, 2020. The revision mainly concerned the estimated amount of impairment losses and other related items reflected in the consolidated financial statements.

- Earnings results for full-year FY09/20 after the revision were a total handling volume (including discontinued operations) of JPY74.7bn, operating revenue of JPY21.2bn (-12.6% YoY; on a continuing business basis, same applies below), an operating loss of JPY9.0bn (operating profit of JPY676mn in FY09/19), a pre-tax loss of JPY9.2bn (pre-tax profit of JPY588mn in FY09/19), a loss of JPY8.8bn (profit of JPY751mn in FY09/19), and a loss attributable to owners of the parent of JPY8.7bn (profit of JPY731mn in FY09/19).
- Figures in the report have been revised to reflect this revision.

November 2020

On November 30, 2020, the company announced a revision to its earnings forecast.

Revised FY09/21 earnings forecast

- Operating revenue: JPY24.0bn (previous forecast: JPY23.5bn)
- Operating profit: JPY390mn (JPY300mn)
- Pre-tax profit: JPY330mn (JPY240mn)
- Profit*: JPY240mn (JPY180mn)
- EPS: JPY11.75 (JPY8.81)

*Profit attributable to owners of the parent

Reasons for the revision

Existing businesses (AirTrip Travel Agency, Inbound Travel, IT Offshore Development, Life Innovation, and Investment) are performing well as various initiatives and cost reduction measures that the company has implemented since FY09/20 continue to yield results. Revenue and profit have been recovering faster than the company had expected, particularly in the AirTrip Travel domestic business, bolstered by the Go To Travel campaign, a government program to subsidize the tourism industry. Furthermore, the newly launched Healthcare segment started up smoothly and has been contributing to earnings. Accordingly, the company expects that operating revenue and each profit line will improve.

September 2020

On September 30, 2020, the company announced a change in its consolidated subsidiary (share transfer).

At an extraordinary board meeting held on September 30, 2020, the company's board passed a resolution and signed an agreement to transfer all of its holdings in consolidated subsidiary Hikawa Co., Ltd. to San-Ei Gen F.F.I., Inc.

- The impact of this share transfer on consolidated results is expected to be minimal. The company has not disclosed its FY09/20 earnings forecast, but noted that it would promptly disclose important information related to business results, including this share transfer, as it comes to light.
- The share transfer was executed on September 30, 2020, and the transfer price is not disclosed.
- The company's performance has been impacted by a decline in travel demand and instability in financial markets due to the novel coronavirus pandemic. Consequently, AirTrip has been looking at ways to improve enterprise value of its group companies, including through business portfolio restructuring. The company thinks that transferring all of its shares in Hikawa to San-Ei Gen, a comprehensive manufacturer of food additives, will be beneficial to Hikawa's future growth and increase its enterprise value given the possible synergistic effects with Hikawa's tea processing technology and extensive track record in transactions in the tea manufacturing business.

On September 15, 2020, the company announced a revised dividend forecast for FY09/20.

At the time of its Q3 FY09/20 results announcement on August 14, 2020, the company left its dividend forecast for FY09/20 undetermined. However, at a Board of Directors meeting held on September 15, the company decided to revise its per share dividend forecast. Year-end dividend forecast, as well as earnings forecast, had also been undetermined, but in consideration of its policy of providing stable and continuous dividends and current financial position, the company decided to revise per share year-end dividend forecast to JPY10. Together with an interim dividend, the company plans to pay an annual dividend of JPY10 per share.

August 2020

On August 27, 2020, the company announced that its board of directors had approved the issuance of No. 1 Series unsecured convertible bonds with warrants attached and a separate issue of No. 14 Series warrants. Both the convertible bond issue and separate issue of new stock warrants will be made via a third-party allocation (i.e., private placement). The issuing terms for the convertible bonds include provisions for adjusting the conversion price; the issuing terms for the warrants include an exercise price adjustment clause as well as an exercise consent clause.

With the issue of convertible bonds with warrants and a separate issue of warrants (No. 14 Series warrants), the company is looking to procure new capital in such a way that some of the funds can be secured in the near term and some funds further down the road, when the price of its shares has risen and it can control the amount of the near-term dilution resulting from conversion of the convertible bonds and exercise of the warrants.

Anticipating a further recovery in its stock price in the future, AirTrip is looking to raise more capital than it did in its previous round of fundraising. According to the company, permission will be granted for the No. 14 Series warrants to be exercised once the stock price reaches the level in line with the company's management policies. The issuing terms also give the company the flexibility to acquire the outstanding No. 14 Series warrants depending on a number of factors including its stock price, the amount of capital it already procured, and its capital needs, and thereby control dilution.

By maximizing the use of the investor client base of SBI Securities and Mizuho Securities with whom the convertible bonds and the separate issue of new stock warrants will be placed, the company is looking to raise new capital while making every effort to avoid an adverse impact on the demand-supply balance for its common shares.

The following is a summary of the press release from the company and has not been prepared with the aim of making an investment recommendation.

Amount of capital to be raised and planned use

With the issue of convertible bonds with warrants and the separate issue of new stock warrants, the company is looking to raise a combined total of JPY6.150bn, of which it expects to net JPY6.127bn after expenses. The funds raised will be split between (1) funds received immediately following the issuance of the convertible bonds with warrants and (2) funds received over time in the future, as the company's stock price rises and the No. 14 Series warrants are exercised.

The funds raised from the issuance of the convertible bonds with warrants will be used between September 2020 and September 2023 to repay a total of some JPY1.0bn in loans outstanding from financial institutions.

The funds raised from the exercise of the No. 14 Series warrants issued will go towards a combination of new investments and loan repayments, all of which are to be made between September 2020 and September 2023. More specifically, the company has budgeted (1) just over JPY2.8bn for mergers and acquisition; (2) JPY1.3bn for investments in systems and other expenditures aimed at expanding businesses in new fields and entering new markets under its post-pandemic growth strategy, *AirTrip 2020*; and (3) JPY1.0bn for repayments of loans outstanding from financial institutions.

Details of issue of unsecured convertible bonds with warrants attached

The conversion of convertible bonds with warrants will result in the issuance of 667,000–933,000 new shares, representing potential dilution of between 3.3% and 4.9%. The scheduled payment date is September 14, 2020. The bonds do not pay interest and come to maturity on September 13, 2023. The bond issue will be placed in its entirety with SBI Securities Co. Ltd.

Overview of terms of conversion for convertible bonds

The convertible bonds with warrants will have an initial conversion price of JPY1,500, or 4% above the closing price of the company's shares on the day prior to the approval of the issue by the company's board of directors (August 27, 2020). The conversion price will be fixed at the initial conversion price for a period of two years and six months from the issuing date, either at the company's option or in the event that the company's share price has not exceeded the initial conversion price by at least 30% for five consecutive trading days. In contrast to convertible bonds allowing the issuer to reduce the conversion price as needed and issue still more new shares, this provision in the issuing terms of AirTrip's convertible bond issue will control the number of new shares issued as a result of the conversion of the bonds and thereby limit the dilution of earnings per share resulting from the conversion. In this manner, the company also aims to benefit from some of the future increases in its share price that would allow the bonds to be converted at a higher price and raise more capital for investments to support future growth initiatives.

During the 30-month period following issuing date, in the event the trade-weighted average closing price of the company's shares runs below the initial conversion price in regular trading on the stock exchange for 20 consecutive trading days, the company will have the one-time option of reducing the conversion price to a price equal to 90% of average share price during that 20-day period. This provision in the issuing terms means that even if the company's share price has come down and remains below the initial conversion price for a sustained period of time, thus preventing the bonds from being converted, the company has the option of reducing the conversion price to a level that would allow the bonds to be converted and bring in addition equity capital to reinforce its financial position—though it may do this only once.

In the event that the trade-weighted average closing price of the company's common shares is at least 30% above the initial conversion price for at least five consecutive trading days and bondholders request that their bonds be converted, the conversion price will, as a general rule, be adjusted based on the closing price of the shares in regular trading on the stock exchange on the trading day immediately prior to the date the request was made. This provision in the issuing terms of the convertible bonds allows the company to raise the conversion price if the shares have risen past a certain level, thereby controlling the amount of new shares issued and the dilution of earnings per share when the stock in on the rise.

After the 30-month period from the date of issue has come to an end (when there are only six months left in the conversion period), the issuing terms give the company more leeway to adjust the conversion price to accommodate moves in its share price. In the event the share price is higher than it is now, the company is thinking that, after setting the conversation price so as to encourage conversion up to a certain point, it should set the conversion price with an eye on controlling the dilution from bond being converted as the stock price rises. Should the share price be lower than it is now, the company will think more about achieving a certain level of conversion so as to secure additional equity capital and reinforce its equity base. The issuing terms allow a minimum conversion price of JPY1,007, equal to 70% of the closing price of the company's shares on August 26, 2020.

After August 14, 2023, a soft mandatory clause will take effect, enabling AirTrip to acquire the convertible bonds provided there is mutual agreement between the company and the party with whom the bonds were placed.

Overview of No. 14 Series warrant issue

The warrants will have an initial exercise price of JPY1,438, equal to the closing price of the company's shares on the Tokyo Stock Exchange on August 26, 2020. Starting September 15, 2020, the exercise price for the warrants will be set at 92% of the closing price of the company's shares on the Tokyo Stock Exchange on the trading day prior to the first authorization day of individual exercise requests, the price being rounded down to the nearest yen. In the event that the adjusted exercise price then falls below the minimum authorized exercise price of JPY1,007, the minimum exercise price will become the post-adjustment exercise price. The minimum exercise price of JPY1,007 is equal to 70% of the closing price of the company's common stock on August 26, 2020.

The exercise of all warrants would result in the issuance of 3,555,000 new shares, representing potential dilution of 17.7%. The warrants will be privately placed with SBI Securities and Mizuho Securities on September 14, 2020, and will be exercisable between September 15, 2020 and September 11, 2023.

Overview of exercise price adjustment clause and exercise consent clause

The new share warrants are also part of the current round of fundraising, and are aimed at securing additional equity capital and reinforcing the company's equity base upon their future exercise by the parties with whom they were placed. Issued via a private placement, the warrants will be exercisable for a period of approximately three years; the exercise price is subject to adjustments.

As the exercise of the warrants must have the consent of the company, the issuing terms of the warrants allows the company, at its own discretion, to make the determination of whether the conditions governing the exercise of the warrants have been met and whether to allow the party with whom the warrants were placed to exercise the warrants.

To exercise the warrants, the party with whom they were placed must make a request in writing in accordance with the terms of the contract governing the warrant issue, and receive a written permission from AirTrip in return. The warrants must be exercised within no more than 60 trading days following receipt of the permission, and the number of warrants to be exercised is limited to the number prescribed in the written permission.

Provisions governing requests for warrant buybacks

After the warrants have been issued, the party with whom the warrants were placed may request that the company buy back the warrants in the event that (1) the company's common share price on the Tokyo Stock Exchange closes below the minimum exercise price for the warrants for five consecutive trading days between September 15, 2020 and August 1, 2023, or (2) at any time between August 2 and August 31, 2023. Should such a request be made, the company must buy back each warrant held by the party with whom it was placed at a price equal to the price set at the time it was originally issued.

Outlook

The company said it expected the convertible bond issue and the accompanying issue of new stock warrants to be accretive from the perspective of existing shareholders, explaining that the funds raised would allow it to make the additional investments needed to grow its businesses and improve profitably, and also strengthen its financial position, and this would allow it in turn to grow earnings and increase its enterprise value over the medium to long term. The company added that it did not expect the current round of fundraising to have any impact on FY09/20 results.

History

Date	Event
May 2007	Hideki Yoshimura (now CGO) and Munenori Oishi (now chairman) established Tabi Capital Corp. in Shibuya-ku, Tokyo to run an online travel agency business.
Aug. 2007	DTS Co., Ltd. (absorption-type merger in October 2009) was established as a subsidiary. DTS acquired e-koukuuken.com, a site selling airline tickets, from IVT Inc. (company with Munenori Oishi as president that underwent an absorption-type merger in October 2011). This business became one of the group's services.
Oct. 2007	Tabi Capital acquired all shares in Valcom Co., Ltd. (company in which Hideki Yoshimura was president and that underwent an absorption-type merger in October 2009). Tabi Capital turned Valcom's site selling airline tickets, AirsGate, into one of the group's services.
Jan. 2008	Tabi Capital acquired the overseas travel business from Tabi Web Co., Ltd. to improve sales capabilities in the overseas travel division. Tabi Capital purchased Tabi WEB, a site selling overseas hotel bookings, from Tabi Web Co., Ltd. and turned the site into one of the group's services.
Dec. 2009	Tabi Capital acquired from Paradigm Shift Inc. the CAS Tour site (international airline ticket sales) and turned the site into one of the group's services.
Aug. 2011	Tabi Capital launched the TRIP STAR service to provide multiple product offerings under a common brand.
Oct. 2011	The company began offering BTM services.
Mar. 2012	As a joint venture with the Soltec Group, Tabi Capital established Evolable Asia Co., Ltd (now a consolidated subsidiary) in Ho Chi Minh City, Vietnam. The company launched the IT Offshore Development segment.
Oct. 2013	Tabi Capital changed its name to Evolable Asia Corp.
Jan. 2014	Evolable Asia received a transfer of business rights and assets in the airline ticket sales business from Soratabi.com Co., Ltd. and launched soratabi.com, a site selling airline tickets, as one of the group's services.
Jan. 2016	Evolable Asia opened a base in Silicon Valley, California.
Mar. 2016	Evolable Asia's shares listed on the Mothers market of the TSE.
Jul. 2016	The company acquired all shares in El Monte RV Japan Co., Ltd., which operates a camper rental business, converting the company to a subsidiary.
	Evolable Asia acquired all shares in Rakuda Inc., which operates a domestic hotel reservation site, converting the company to a subsidiary.
Aug. 2016	EA established Kanxashi Corporation as a joint venture with First Camel Inc. and Ability Consult Co., Ltd. to sell the Kanxashi Cloud bulk plan registration system for lodging facilities.
Mar. 2017	EA founded AirTrip Exchange Co., Ltd. to move into the foreign exchange business. Stock market listing change to TSE First Section
Apr. 2017	Vietnam subsidiary acquired Punch Entertainment (Vietnam) Company Limited (subsidiary of DeNA), which became a subsidiary.
Sep. 2017	EA made leading online magazine publisher mag2 a subsidiary
Nov. 2017	EA made N's Enterprise Co., Ltd. (a JAL authorized sales agency) a subsidiary
Mar. 2018	Established Inbound Platform Corp. by merging El Monte RV Japan with AirTrip Exchange
Apr. 2018	Made Destination Japan (runs Wi-Fi rental service for foreign visitors) a subsidiary
May 2018	Made AirTrip (currently AirTrip International, formerly DeNA Travel), largest OTA for overseas air tickets, a subsidiary
Aug. 2018	Made Vietnamese software developer Kayac Hanoi a subsidiary
Jan. 2020	Evolable Asia changed its name to AirTrip Corp.
Sep. 2020	Subsidiary mag2 listed on JASDAQ

Source: Shared Research based on company data

Founding: To May 2007

In May 2007, Hideki Yoshimura (current CGO) and Munenori Oishi (current chairman) merged their respective online travel agency businesses to form Tabi Capital Corp., EA's predecessor. The two founders set up their initial companies as university students: Mr. Oishi in 1995 at age 21 while a student at Meiji University; Mr. Yoshimura in 2003 at age 20 while at the University of Tokyo.

When established in 1995, Mr. Oishi's travel agency mainly offered domestic travel through magazines. From this base, the company developed through the purchase of domestic airline tickets, establishing strong relationships with Japanese airlines.

In 2003, Mr. Yoshimura set up Valcom Co., Ltd. (absorbed by EA in October 2009) with Sul Yoosa (current CEO of Vietnam subsidiary Evolable Asia Co., Ltd.), a friend and Keio University student then. The company sold products branded by Hanshin Tigers, a professional baseball team. One year later, another acquaintance introduced them to Mr. Oishi. This meeting led Valcom to change its business model to procuring domestic airline tickets and other travel products and selling them online.

According to EA, by the mid-2000s there were more than 50 competing websites in the OTA market. Websites run by companies without financial strength or brand power found it difficult to win customers. Mr. Yoshimura therefore introduced the new business model of selling airline tickets via the websites of other companies with the brand power to attract customers (now EA's B2B2C services). Sales grew as a result.

Mr. Yoshimura and Mr. Oishi worked together to purchase and supply airline tickets through their respective companies. In May 2007, they decided to merge their companies into Tabi Capital Corp., EA's predecessor. In this way, they laid the groundwork for EA, combining their respective procurement and sales capabilities.

Getting established: Mid-2007 to mid-2012

From 2007 to 2011, Mr. Yoshimura and Mr. Oishi transferred their airline ticket sales websites from their respective companies to the new company, Evolable Asia Corporation. They also expanded services by purchasing sites selling overseas hotel accommodation and international airline tickets. In B2B2C services, they aggressively used websites of companies with more brand power to sell their products: they increased the number of client companies from 20 in 2008 to 300 in 2016.

To find talented, lower-cost engineers who could help accelerate the speed of its airline ticket reservation site, Tabi Capital in 2011 set up a development hub in Vietnam. This move was suggested by the friend Mr. Yoosa, who was helping out at his father's company, which manufactured plant equipment in Vietnam. Thereafter, Tabi Capital launched its IT Offshore Development segment, using its engineers in Vietnam to provide offshore services for Japanese companies. This move marked the establishment of the current two-business portfolio: the Online Travel Agency (now AirTrip Travel Agency) and IT Offshore Development segments.

Growth, domain expansion: Since mid-2012

In October 2013, the company changed its name to the current Evolable Asia Corp. (EA). In January 2014, EA acquired a site selling airline tickets from Soratabi.com Co., Ltd. This site, soratabi.com, today provides EA's main B2C service. In March 2016, EA's shares were listed on the Mothers market of the Tokyo Stock Exchange.

Seeing a shortage in accommodation owing to the rise in inbound tourism, EA believed that demand for renting campers in Japan would increase. In July 2016, the company decided to acquire a 100% stake in El Monte RV Japan Co., Ltd., which was headed by Mr. Takehara, a decade-long friend of Mr. Yoshimura.

Also in July 2016, EA acquired all shares in Rakuda Inc., which operates a Japanese hotel reservation site, and made the company a subsidiary. This move expanded EA's business domain.

EA acquired a series of companies in rapid succession starting in 2017, expanding its business territory. In the IT Offshore Development segment, consolidated subsidiary Evolable Asia Co., Ltd. acquired in April 2017 Punch Entertainment (Vietnam) Company Limited (subsidiary of DeNA), which became a subsidiary. In May 2017, Evolable Asia Co., Ltd. acquired all shares of EVA and Everddy Co., Ltd. and made them group companies. In August 2018 the company acquired all the shares in Hanoi, Vietnam based Kayac Hanoi (former subsidiary of website creator Kayac). The acquired company has 30 employees who are mostly website designers and engineers with expertise in games and VR. In this way, EA is expanding the scope of the IT Offshore Development business.

In the Online Travel Agency segment, EA acquired Basu sagasu from Willgate, Inc. by business transfer in April 2017. Basu sagasu is an express bus reservation service, offering strong synergies with EA's other travel-related services, such as airline ticket and Shinkansen reservations. In May 2017, EA acquired Tokyo Masters Co., Ltd., whose main business is organizing business travel. In October 2017, EA took an 85.7% stake in mag2, with a user base of 7.5mn online magazine subscribers and 15mn monthly PV), which became a subsidiary. In November 2017, EA made N's Enterprise Co., Ltd. (JAL authorized sales agency with strength in purchasing domestic JAL flights) a subsidiary.

In May 2018, EA acquired all the shares in DeNA Travel from DeNA and made it a subsidiary (see next section for details). The company was already the biggest OTA in domestic airline tickets. By absorbing the largest OTA in overseas airline tickets and overseas travel, the company became second largest in the industry overall. EA and DeNA Travel (now Airtrip International) have complementary areas of strength. Combining the strengths of EA, which excels in domestic airline tickets, with those of DeNA Travel (now AirTrip; overseas airline tickets and hotels, and domestic and overseas tours), allows EA to expand its lineup as an all-round OTA*. EA aims to increase the power of its brand by expanding its market share. In terms of cost, the company can reduce purchase costs through economies of scale (volume discounts), lower development costs by improving efficiency and sharing, and mutually complement human resources.

* EA is Japan's only comprehensive OTA that has authorized sales agent agreements with all domestic airlines (Japan Airlines (JAL), All Nippon Airways (ANA), Skymark Airlines, Peach Aviation, Jetstar, Vanilla Air, Spring Japan, AirAsia, and Fuji Dream Airlines). DeNA Travel has direct agreements with 37 full-service carriers (Jejuair, American Airlines, Air Canada, Air France, Finnair, EVA Air, Air Busan, Air China, China Airlines, Cathay Pacific, South China Airlines, Delta Airlines, Etihad Airways, Hawaiian Airlines, Juneyao Air, Hong Kong Airlines, Korean Air, KLM, Lufthansa, Jin Air, Swiss International Air Lines, Malaysia Airlines, ANA, Air Macau, Air New Zealand, Asiana Airlines, Philippine Airlines, Qatar Airlines, Air Seoul, Scandinavian Airlines, Thai International Airways, Turkish Airlines, Scoot, T'way Air, United Airlines, Vietnam Airlines, and Easter Jet). The company also has API links with 15 international LCCs (Jetstar group, AirAsia group, Spring Air, Tiger Air Taiwan, Vanilla Air, Scoot, T'way Air, HK Express, and Peach Aviation).

Trade name change (as of January 1, 2020)

The company changed its trade name from Evolable Asia Corp. to AirTrip Corp. in order to clarify the company's position of focusing on development of various businesses centered on AirTrip, in addition to homogenizing its trade name and brand name and further increasing awareness of the AirTrip brand. AirTrip Corp., a subsidiary of the company that mainly sells AirTrip overseas travel products changed its trade name to Airtrip International Corp.

Corporate governance and top management

Corporate governance system (as of December 31, 2020)

Capital structure	
Controlling interests	N
Foreign shareholding	Under 10%
Organization, directors, and auditors	
Organization	Company with Audit & Supervisory Board
Number of directors (per Articles of Incorporation)	15
Number of directors	11
Directors' term of office (per Articles of Incorporation)	2 years
Chairman of the Board of Directors	President
Outside directors	3
Independent outside directors	1
Nominating committee or compensation committee	N
Number of Audit & Supervisory Board members (per Articles of Incorporation)	No upper limit set
Number of Audit & Supervisory Board members	4
Outside members of Audit & Supervisory Board	2
Independent outside members of Audit & Supervisory Board	1
Other	
Implementation of measures regarding director incentives	Stock option system
Eligible for stock options	Inside directors, outside directors, inside members of Audit & Supervisory Board, outside members of Audit & Supervisory Board, employees, directors of subsidiaries, auditors of subsidiaries, employees of subsidiaries, others
Disclosure of directors' compensation	Individual compensation not disclosed
Policy to determine amount and calculation method of remuneration	N
Corporate takeover defenses	N

Source: Shared Research based on company data

Top management

President: Yusuke Shibata (born August 5, 1972)

Graduate of the University of Tokyo's Economics Department, Faculty of Economics. Joined Tohmatsu Tax Co. (now Deloitte Touche Tohmatsu LLC) in 2005. Appointed CFO of Evolable Asia in May 2015. Appointed president and CFO of AirTrip in January 2020.

President: Yusuke Shibata

Source: Company website

Chairman: Munenori Oishi (born November 19, 1972)

Studied in the School of Law at Meiji University. While a university student, founded IVT Inc. (merged in October 2011 with Tabi Capital Corp.). Jointly founded Tabi Capital Corp. (now EA) in 2007 and was appointed chairman (current position).

Chief Growth Officer (CGO): Hideki Yoshimura (born May 23, 1982)

Graduate of the University of Tokyo's Business Administration Department, Faculty of Economics, with a major in business administration and financial engineering. While a university student, founded Valcom Co., Ltd. (merged with Tabi Capital Corp. in October 2009). Jointly founded Tabi Capital Corp. (now AirTrip) in 2007 and was appointed president. Appointed CGO of AirTrip in January 2020.

Management structure changes (as of December 20, 2019)

In order to further strengthen and improve the management structure to consolidate the business base and increase enterprise value, Yusuke Shibata, who was representative director and CFO, will be appointed as representative director, president, and CFO. The company also announced that Hideki Yoshimura, representative director and president, will be appointed as Chief Growth Officer (CGO). At the FY09/19 earnings results briefing, AirTrip provided the additional explanation that Mr. Yoshimura was leaving his position as director of AirTrip to avoid any conflict of interest (in broad terms) arising from the listing in December 2019 of shares in BuySell Technologies Co., Ltd. (TSE Mothers: 7685), which a fund owned by Mr. Yoshimura acquired in 2017. In addition, in regard to the reason that AirTrip did not invest in BuySell Technologies, the company explained that it takes a value approach to investment, making acquisitions for figures equal to no more than five years' worth of operating profit, so the 2017 acquisition price of JPY5bn (BuySell Technologies had net assets of about JPY200mn and operating profit of about JPY200mn at the time) did not match its criteria for investment.

Major shareholders (as of March 31, 2021)

Top shareholders	Shares held ('000)	Shareholding ratio
Munenori Oishi	6,365	29.7%
Yoshimura Holdings Co., Ltd.	2,826	13.2%
Custody Bank of Japan, Ltd. (Trust account)	1,289	6.0%
The Master Trust Bank of Japan, Ltd. (Trust account)	690	3.2%
Custody Bank of Japan, Ltd. (Trust account)	454	2.1%
The Nomura Trust and Banking Co., Ltd. (Trust account)	393	1.8%
JPMBL RE NOMURA IN TERNATIONAL PLC 1 COLL EQUITY (Standing proxy: MUFG Bank, Ltd.)	368	1.7%
BNYM AS AGT/CLTS NON TREATY JASDEC (Standing proxy: MUFG Bank, Ltd.)	302	1.4%
GOVERNMENT OF NORWAY (Standing proxy: Citibank N.A. Tokyo Branch)	273	1.3%
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd. Settlement Dept.)	250	1.2%
SUM	13,210	61.7%

Source: Shared Research based on company data
Figures may differ from company data owing to differences in rounding methods

Dividend policy

AirTrip considers returning profit to shareholders (including in the form of dividends) to be an important management initiative and therefore its basic policy is to distribute stable dividends even as it retains adequate earnings to ensure it can meet capital requirements to strengthen its financial structure and management base and invest in long-term development. The company believes it is capable of distributing surplus funds twice a year, as interim and year-end dividends, but currently pays only year-end dividends. It targets a consolidated payout ratio of about 20% and aims to distribute profit in line with performance (with strong profit growth resulting in high dividends) while retaining sufficient capital to cover aggressive business development.

Financing announced in Q3 FY09/20

On August 27, 2020, the company announced that it would issue the No. 1 Series unsecured convertible bonds with warrants attached (CBs) and a separate issue of No. 14 Series warrants. The company's financing policy has been to maintain a high level of financial soundness while increasing liquidity on hand, and ongoing exploration of multiple ways to procure funds. The latest financing is consistent with this policy. The company plans to reduce interest-bearing debt and spread repayment out over a longer term. The company decided to raise JPY6.1bn (approximate net amount) to reduce interest-bearing debt by JPY2.0bn and cover the estimated investment for growth required in an earnings recovery phase (JPY4.1bn). The CBs had all been exercised by February 19, 2021.

- On August 27, 2020, the company announced that its board of directors had approved the issuance of No. 1 Series unsecured convertible bonds with warrants attached and a separate issue of No. 14 Series warrants. Both the convertible bond issue and separate issue of new stock warrants will be made via a third-party allocation (i.e., private placement). The issuing terms for the convertible bonds include provisions for adjusting the conversion price; the issuing terms for the warrants include an exercise price adjustment clause as well as an exercise consent clause.
- With the issue of convertible bonds with warrants and a separate issue of warrants (No. 14 Series warrants), the company is looking to procure new capital in such a way that some of the funds can be secured in the near term and some funds further down the road, when the price of its shares has risen and it can control the amount of the near-term dilution resulting from conversion of the convertible bonds and exercise of the warrants. The convertible bonds are designed to encourage conversion before maturity, i.e., they are based on the assumption that they will be converted to shares. The main purpose of the warrants is to enable nimble financing at a time of earnings recovery. That being said, according to the company, market conditions will determine whether or not the full amount will be used for M&A and other investment, and the warrants could be canceled.
- Anticipating a further recovery in its stock price in the future, AirTrip is looking to raise more capital than it did in its previous round of fundraising. According to the company, permission will be granted for the No. 14 Series warrants to be exercised once the stock price reaches the level in line with the company's management policies. The issuing terms also give the company the flexibility to acquire the outstanding No. 14 Series warrants depending on a number of factors including its stock price, the amount of capital it already procured, and its capital needs, and thereby control dilution.
- The following is a summary of the press release from the company and has not been prepared with the aim of making an investment recommendation.

Amount of capital to be raised and planned use

With the issue of convertible bonds with warrants and the separate issue of new stock warrants, the company is looking to raise a combined total of JPY6.150bn, of which it expects to net JPY6.127bn after expenses. The funds raised will be split between (1) funds received immediately following the issuance of the convertible bonds with warrants and (2) funds received over time in the future, as the company's stock price rises and the No. 14 Series warrants are exercised.

The funds raised from the issuance of the convertible bonds with warrants will be used between September 2020 and September 2023 to repay a total of some JPY1.0bn in loans outstanding from financial institutions.

The funds raised from the exercise of the No. 14 Series warrants issued will go towards a combination of new investments and loan repayments, all of which are to be made between September 2020 and September 2023. More specifically, the company has budgeted (1) just over JPY2.8bn for mergers and acquisition; (2) JPY1.3bn for investments in systems and other expenditures aimed at expanding businesses in new fields and entering new markets under its post-pandemic growth strategy, *AirTrip 2020*; and (3) JPY1.0bn for repayments of loans outstanding from financial institutions.

Details of issue of unsecured convertible bonds with warrants attached

The conversion of convertible bonds with warrants will result in the issuance of 667,000 to 933,000 new shares, representing potential dilution of between 3.3% and 4.9%. The scheduled payment date is September 14, 2020. The bonds do not pay interest and come to maturity on September 13, 2023. The bond issue will be placed in its entirety with SBI Securities Co. Ltd.

Overview of terms of conversion for convertible bonds

The convertible bonds with warrants will have an initial conversion price of JPY1,500, or 4% above the closing price of the company's shares on the day prior to the approval of the issue by the company's board of directors (August 27, 2020). The conversion price will be fixed at the initial conversion price for a period of two years and six months from the issuing date, either at the company's option or in the event that the company's share price has not exceeded the initial conversion price by at least 30% for five consecutive trading days. In contrast to convertible bonds allowing the issuer to reduce the conversion price as needed and issue still more new shares, this provision in the issuing terms of AirTrip's convertible bond issue will control the number of new shares issued as a result of the conversion of the bonds and thereby limit the dilution of earnings per share resulting from the conversion. In this manner, the company also aims to benefit from some of the future increases in its share price that would allow the bonds to be converted at a higher price and raise more capital for investments to support future growth initiatives.
During the 30-month period following issuing date, in the event the trade-weighted average closing price of the company's shares runs below the initial conversion price in regular trading on the stock exchange for 20 consecutive trading days, the company will have the one-time option of reducing the conversion price to a price equal to 90% of average share price during that 20-day period. This provision in the issuing terms means that even if the company's share price has come down and remains below the initial conversion price for a sustained period of time, thus preventing the bonds from being converted, the company has the option of reducing the conversion price to a level that would allow the bonds to be converted and bring in addition equity capital to reinforce its financial position—though it may do this only once.

In the event that the trade-weighted average closing price of the company's common shares is at least 30% above the initial conversion price for at least five consecutive trading days and bondholders request that their bonds be converted, the conversion price will, as a general rule, be adjusted based on the closing price of the shares in regular trading on the stock exchange on the trading day immediately prior to the date the request was made. This provision in the issuing terms of the convertible bonds allows the company to raise the conversion price if the shares have risen past a certain level, thereby controlling the amount of new shares issued and the dilution of earnings per share when the stock in on the rise.

After the 30-month period from the date of issue has come to an end (when there are only six months left in the conversion period), the issuing terms give the company more leeway to adjust the conversion price to accommodate moves in its share price. In the event the share price is higher than it is now, the company is thinking that, after setting the conversation price so as to encourage conversion up to a certain point, it should set the conversion price with an eye on controlling the dilution from bond being converted as the stock price rises. Should the share price be lower than it is now, the company will think more about achieving a certain level of conversion so as to secure additional equity capital and reinforce its equity base. The issuing terms allow a minimum conversion price of JPY1,007, equal to 70% of the closing price of the company's shares on August 26, 2020. After August 14, 2023, a soft mandatory clause will take effect, enabling AirTrip to acquire the convertible bonds provided there is mutual agreement between the company and the party with whom the bonds were placed.

Overview of No. 14 Series warrant issue

The warrants will have an initial exercise price of JPY1,438, equal to the closing price of the company's shares on the Tokyo Stock Exchange on August 26, 2020. Starting September 15, 2020, the exercise price for the warrants will be set at 92% of the closing price of the company's shares on the Tokyo Stock Exchange on the trading day prior to the first authorization day of individual exercise requests, the price being rounded down to the nearest yen. In the event that the adjusted exercise price then falls below the minimum authorized exercise price of JPY1,007, the minimum exercise price will become the post-adjustment exercise price. The minimum exercise price of JPY1,007 is equal to 70% of the closing price of the company's common stock on August 26, 2020.

The exercise of all warrants would result in the issuance of 3,555,000 new shares, representing potential dilution of 17.7%. The warrants will be privately placed with SBI Securities and Mizuho Securities on September 14, 2020, and will be exercisable between September 15, 2020 and September 11, 2023.

Overview of exercise price adjustment clause and exercise consent clause

The new share warrants are also part of the current round of fundraising, and are aimed at securing additional equity capital and reinforcing the company's equity base upon their future exercise by the parties with whom they were placed. Issued via a private placement, the warrants will be exercisable for a period of approximately three years; the exercise price is subject to adjustments.

As the exercise of the warrants must have the consent of the company, the issuing terms of the warrants allows the company, at its own discretion, to make the determination of whether the conditions governing the exercise of the warrants have been met and whether to allow the party with whom the warrants were placed to exercise the warrants.

To exercise the warrants, the party with whom they were placed must make a request in writing in accordance with the terms of the contract governing the warrant issue, and receive a written permission from AirTrip in return. The warrants must be exercised within no more than 60 trading days following receipt of the permission, and the number of warrants to be exercised is limited to the number prescribed in the written permission.

Provisions governing requests for warrant buybacks

After the warrants have been issued, the party with whom the warrants were placed may request that the company buy back the warrants in the event that (1) the company's common share price on the Tokyo Stock Exchange closes below the minimum exercise price for the warrants for five consecutive trading days between September 15, 2020 and August 1, 2023, or (2) at any time between August 2 and August 31, 2023. Should such a request be made, the company must buy back each warrant held by the party with whom it was placed at a price equal to the price set at the time it was originally issued.

Principal group companies (as of March 17, 2021)

Subsidiaries	Location	Stake	Business
Airtrip International Corp. (formerly AirTrip Corp.)	Minato-ku, Tokyo	100.0%	AirTrip Travel Agency
N's Enterprise Co., Ltd.	Osaka City, Osaka	100.0%	AirTrip Travel Agency
AirTrip Stay	Minato-ku, Tokyo	65.0%	Inbound travel business
Rakuda Inc.	Minato-ku, Tokyo	100.0%	AirTrip Travel Agency
Inbound Platform Corp.	Minato-ku, Tokyo	94.7%	Inbound travel business
mag2 Co., Ltd.	Shinagawa-ku, Tokyo	72.9%	Life Innovation
Evolable Asia Agent Co., Ltd.	Minato-ku, Tokyo	100.0%	IT offshore development
Kyushu Hotel Resort (Hotel Seaport)	Kashiwazaki, Niigata	100.0%	AirTrip Travel Agency
Souki Asia Co., Ltd.	Minato-ku, Tokyo	100.0%	Life Innovation
747 Enterprise Co., Ltd.	Minato-ku, Tokyo	100.0%	AirTrip Travel Agency
PikaPaka	Minato-ku, Tokyo		Life Innovation
Evolable Asia Co., Ltd.	Ho Chi Minh City, Vietnam	51.0%	IT offshore development
EVOLABLE ASIA SOLUTION & BUSINESS CONSULTANCY COMPANY LIMITED	Ho Chi Minh City, Vietnam	51.0%	IT offshore development
Punch Entertainment (Vietnam) Co., Ltd.	Ho Chi Minh City, Vietnam		IT offshore development
GREVO Co., Ltd.	Ho Chi Minh City, Vietnam		IT offshore development

Source: Shared Research based on company data

Employees

Consolidated employees	FY09/13 Par.	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/17 IFRS	FY09/18 IFRS	FY09/19 IFRS	FY09/20 IFRS
Online Travel Agency	na	na	na	33	69	69	390	568	562
IT Offshore Development	na	na	na	548	768	768	974	941	712
Investment	na	na	na	-	2	2	4	2	4
Other	na	na	na	-	-	-	14	-	-
Company-wide	na	na	na	35	27	27	30	16	18
Total consolidated employees	na	391	510	616	866	866	1,412	1,527	1,296

Source: Shared Research based on company data

Company philosophy

AirTrip's corporate motto is "One Asia: Asia becomes one and leads the world." The company's mission is "Harnessing the power of IT for the movement of people and collaboration in Asia." Here, "movement" refers to the AirTrip Travel Agency segment; "collaboration" points to the services provided in the IT Offshore Development segment.

Profile

Company	Head office
AirTrip Corp.	Atago Green Hills MORI Tower 19F 2-5-1 Atago, Minato-ku, Tokyo
Phone	**Listed on**
+81-3-3431-6191	Tokyo Stock Exchange First Section
Established	**Exchange listing**
May 2007	March 31, 2016
Website	**Fiscal year-end**
http://www.evolableasia.com/en/	September

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at https://sharedresearch.jp.

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Aeon Delight Co., Ltd.	Earth Corporation	KLab Inc.	ROUND ONE Corporation
Aeon Fantasy Co., Ltd.	Edion Corporation	Kondotec Inc.	RYOHIN KEIKAKU CO., LTD.
Ai Holdings Corporation	Elecom Co., Ltd.	Kumiai Chemical Industry Co., Ltd.	SanBio Company Limited
AI inside Inc.	en Japan Inc.	Lasertec Corporation	SANIX INCORPORATED
AirTrip Corp.	Estore Corporation.	Locondo, Inc.	Sanrio Company, Ltd.
and factory, inc.	euglena Co., Ltd.	LUCKLAND CO., LTD.	SATO HOLDINGS CORPORATION
ANEST IWATA Corporation	FaithNetwork Co., Ltd.	Marumae Co., Ltd.	SBS Holdings, Inc.
AnGes Inc.	Ferrotec Holdings Corporation	MATSUI SECURITIES CO., LTD.	Seikagaku Corporation
Anicom Holdings, Inc.	FIELDS CORPORATION	Media Do Co., Ltd.	Seria Co.,Ltd.
Anritsu Corporation	Financial Products Group Co., Ltd.	Medical System Network Co., Ltd.	Serverworks Co.,Ltd.
Apaman Co., Ltd.	First Brothers Col, Ltd.	MEDINET Co., Ltd.	SHIFT Inc.
ARATA CORPORATION	FreeBit Co., Ltd.	MedPeer,Inc.	Shikigaku Co., Ltd
Artspark Holdings Inc.	Gamecard-Joyco Holdings, Inc.	Mercuria Investment Co., Ltd.	SHIP HEALTHCARE HOLDINGS, INC.
AS ONE CORPORATION	GameWith, Inc.	Metaps Inc.	SIGMAXYZ Inc.
Ateam Inc.	GCA Corporation	Micronics Japan Co., Ltd.	SMS Co., Ltd.
Aucfan Co., Ltd.	Good Com Asset Co., Ltd.	MIRAIT Holdings Corporation	Snow Peak, Inc.
AVANT CORPORATION	Grandy House Corporation	Monex Goup Inc.	Solasia Pharma K.K.
Axell Corporation	GiG Works Inc.	MORINAGA MILK INDUSTRY CO., LTD.	SOURCENEXT Corporation
Azbil Corporation	Hakuto Co., Ltd.	Mortgage Service Japan Limited.	Space Value Holdings CO., LTD
AZIA CO., LTD.	Hamee Corp.	MRT Inc.	Star Mica Holdings Co., Ltd.
AZoom, Co., Ltd.	Happinet Corporation	NAGASE & CO., LTD	Strike Co., Ltd.
Base Co., Ltd	Harmonic Drive Systems Inc.	NAIGAI TRANS LINE LTD.	Sunnexta Group Inc.
BEENOS Inc.	HENNGE K.K.	NanoCarrier Co., Ltd.	SymBio Pharmaceuticals Limited
Bell-Park Co., Ltd.	Hosokawa Micron Corporation	NEC Networks & System Integration Corporation	Synchro Food Co., Ltd.
Benefit One Inc.	Hope, Inc.	Net Marketing Co., Ltd.	TAIYO HOLDINGS CO., LTD.
B-lot Co.,Ltd.	HOUSEDO Co., Ltd.	Net One Systems Co.,Ltd.	Takashimaya Company, Limited
Broadleaf Co., Ltd.	H2O Retailing Corporation	Nichi-Iko Pharmaceutical Co., Ltd.	Take and Give Needs Co., Ltd.
CanBas Co., Ltd.	IDOM Inc.	NIHON CHOUZAI Co.,Ltd.	TEAR Corporation
Canon Marketing Japan Inc.	IGNIS LTD.	Nihon Denkei Co., Ltd.	Tenpo Innovation Inc.
Career Design Center Co., Ltd.	i-mobile Co.,Ltd.	Nippon Commercial Development Co., Ltd.	3-D Matrix, Ltd.
Carna Biosciences, Inc.	Inabata & Co., Ltd.	Nippon Koei Co., Ltd.	The Hokkoku Bank,Ltd.
CARTA HOLDINGS, INC	Infocom Corporation	NIPPON PARKING DEVELOPMENT Co., Ltd.	TKC Corporation
CERES INC.	Infomart Corporation	NIPRO CORPORATION	TKP Corporation
Chiyoda Co., Ltd.	Intelligent Wave, Inc.	Nisshinbo Holdings Inc.	Tsuzuki Denki Co., Ltd.
Chori Co., Ltd.	ipet Insurance CO., Ltd.	Nisso Corporation	TOCALO Co., Ltd.
Chugoku Marine Paints, Ltd.	Itochu Enex Co., Ltd.	NS TOOL CO., LTD.	TOKAI Holdings Corporation
cocokara fine Inc.	ItoKuro Inc.	OLBA HEALTHCARE HOLDINGS,Inc.	Tokyu Construction Co., Ltd.
COMSYS Holdings Corporation	JAFCO Co.,Ltd.	OHIZUMI MFG. CO., LTD.	TOYOBO CO., LTD.
COTA CO.,LTD.	JMDC Inc.	Oisix ra daichi Inc.	Toyo Ink SC Holdings Co., Ltd
CRE, Inc.	JSB Co., Ltd.	Oki Electric Industry Co., Ltd	Toyo Tanso Co., Ltd.
CREEK & RIVER Co., Ltd.	JTEC Corporation	ONO SOKKI Co., Ltd.	Tri-Stage Inc.
Daiichi Kigenso Kagaku Kogyo Co., Ltd.	J Trust Co., Ltd	ONWARD HOLDINGS CO.,LTD.	TSURUHA Holdings
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Daiseki Co., Ltd.	JINS HOLDINGS Inc.	PARIS MIKI HOLDINGS Inc.	VISIONARY HOLDINGS CO., LTD.
Daiwabo Holdings Co.,Ltd.	JP-HOLDINGS, INC.	PCA CORPORATION	V-cube,Inc.
Demae-Can CO., LTD	KAMEDA SEIKA CO., LTD.	PIGEON CORPORATION	World Holdings Co., Ltd.
DIC Corporation	Kanamic Network Co.,LTD	P3, inc.	YELLOW HAT LTD.
Digital Arts Inc.	KANEMATSU CORPORATION	QB Net Holdings Co., Ltd.	YOSHINOYA HOLDINGS CO., LTD.
Digital Garage Inc.	kaonavi, inc.	RACCOON HOLDINGS, Inc.	ZAPPALLAS, INC.

Attention: If you would like to see companies you invest in on this list, ask them to become our client, or sponsor a report yourself.

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