



President & CFO Yusuke Shibata

Airtrip Corp. (6191)

Company Information

Exchange	TSE 1st Section
Industry	Service industry
President & CFO	Yusuke Shibata
HQ Address	Atago Green Hills Mori Tower, 2-5-1 Atago, Minato-ku, Tokyo
Year-end	End of September
Homepage	https://www.airtrip.co.jp/en/

Stock Information

Share Price	Number of shares issued		Total market cap	ROE (Actual)	Trading Unit
¥3,285	22,107,965shares		¥72,624 million	49.8%-	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
undecided	-	¥31.66	103.8x	¥335.58	9.8x

*The share price is the closing price on November 26. Number of shares issued, ROE and BPS are from FY 9/21.

Earnings Trend

Fiscal Year	Sales	Operating Income	Profit before tax	Net Income	EPS	DPS
September 2018 Act.	12,426	1,152	1,138	855	49.09	10.00
September 2019 Act.	24,306	680	588	733	39.07	10.00
September 2020 Act.	21,191	-8,760	-8,956	-8,380	-433.80	10.00
September 2021 Act.	17,662	3,158	3,059	2,361	111.61	10.00
September 2022 Est.	13,000	1,000	940	700	31.66	-

*Unit: yen, million yen. The forecast of DPS for this term is still to be determined. The Japanese accounting standards were used until FY 9/17. IFRS is discretionally applied from FY 9/18. Profit before tax is the ordinary income based on the Japanese standards. Net income is profit attributable to owners of parent. Hereinafter the same applies.

This report outlines Fiscal Year September 2021 earnings results and other information about AirTrip Corporation.

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Key Points

- The trading volume in the term ended September 2021 was 33,622 million yen, down 53.8% year on year. Sales revenue decreased 16.8% year on year to 17,662 million yen due to the impact of the COVID-19 pandemic. Gross profit increased 1.4% year on year to 7,612 million yen. Operating income improved 12,152 million yen year on year, moving into the black with a profit of 3,158 million yen and recording the highest profit in the corporate history. Operating income excluding impairment loss came to 4,055 million yen.
- For the term ending September 2022, the company will continue the strategical diversification of the business portfolio by operating AirTrip 2022 “Restart” project, projecting an operating income of 1 billion yen. However, the forecasts were kept conservative as it did not consider factors that would improve the performance, such as the recovery of domestic travel brought about by the GoTo Travel campaign, etc., the recovery of international travel and the number of foreign visitors to Japan, and contributions made by the Investment Business. While the annual dividend remains undecided, the company aims to achieve a dividend payout ratio of 20%.
- The poster boy of the comprehensive travel platform AirTrip changed from Ryuji Akiyama from the comedy trio Robert to IKKO, who matches the target age group, with the aim of further developing the AirTrip brand and popularizing it.
- As the vaccination rate is over 70% and the emergency level in Tokyo was lowered to level 1, the government announced new contents of the GoTo Travel campaign on November 19. The socioeconomic situation is picking up, as the discount in a certain prefecture is now granted to not only the residents of that prefecture, but also the residents of surrounding prefectures, so the recovery of revenues can be expected to improve the business performance more than forecasted. However, the omicron variant of the COVID-19, which was detected in early November, has been also found in Hong Kong and Israel, so care should be taken regarding the risk of reinfection.

1. Company Overview

AirTrip Corp. conducts a variety of businesses centered on the AirTrip online travel business, which operates the comprehensive travel platform "AirTrip," boasting the largest Internet ticket trading volume. In the inbound travel business, the company provides various services to foreign visitors to Japan and private lodging management companies. As for the IT offshore development business, the company has about 1,000 IT engineers and is engaged in the largest lab-type offshore development among Japanese companies. Moreover, the company is focusing on life innovation business that provides services in peripheral areas with synergies under the theme of making customers' lives more convenient in a variety of situations. Their another focus is on the investment business, aiming to expand service lines and improve profits by pursuing synergies through collaborations with investee companies by investing in growing companies. Their medium-term target is to achieve a trading volume of 500 billion yen.

【1-1 Corporate History】

In May 2007, Tabi Capital Co., Ltd. was established to provide online travel agency services.

Since then, the Company has been expanding its product line-up through M&A and business transfers.

In March 2012, the Company began IT offshore development business in Vietnam. Taking this opportunity, in order to clearly show the Company’s direction towards the integrated IT business, it changed its name to Evolvable Asia Corp. in October 2013.

In March 2016, it was listed on the Mothers Section of the Tokyo Stock Exchange. One year later, in March 2017, it moved to the First Section of the Tokyo Stock Exchange.

In May 2018, the company achieved the largest Internet trading volume of airline tickets due to the reorganization of the former DeNA Travel into a subsidiary.

On January 1, 2020, as the operating company of "AirTrip," which has the largest Internet trading volume of airline tickets, the company unified its trade name and brand name to build a stronger business foundation and further improve the popularity of the "AirTrip" brand. Also, the company changed its name to AirTrip Corp. to demonstrate its stance of concentrating on various businesses centered on "AirTrip."

【1-2 Corporate Philosophy, etc.】

Corporate Philosophy	<p>One Asia</p> <p>Becoming a Leading Company in the Golden Age of Asia</p> <p>Asia is emerging as a single economic zone. Under this circumstance, through the movement of people and businesses, AirTrip will serve as a bridge linking Asia.</p> <p>AirTrip links Asia, and Asia becomes connected.</p>
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Mission	We will continue to grow endlessly by grasping all the changes in the Asian economic area as business opportunities.
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Code of conduct	<p>*Always put customers first!</p> <p>We are always aware of our customers’ point of view and work for the customers</p> <p>*Conscientiousness, peace of mind and trust are more important than anything!</p> <p>It is the core of our business to provide detailed work, give peace of mind to our customers and respond to their trust.</p> <p>*Continue to improve as professionals!</p> <p>We cannot grow unless we improve each and every aspect of our work.</p> <p>*Swift response, fast implementation, speed!</p> <p>We respond to our customers faster than any other companies and develop a system faster than any other companies.</p> <p>* Timesaving by restricting time for dealing with visitors in 30 minutes, and for meetings in 20 minutes.</p> <p>Achieve work-life balance.</p>
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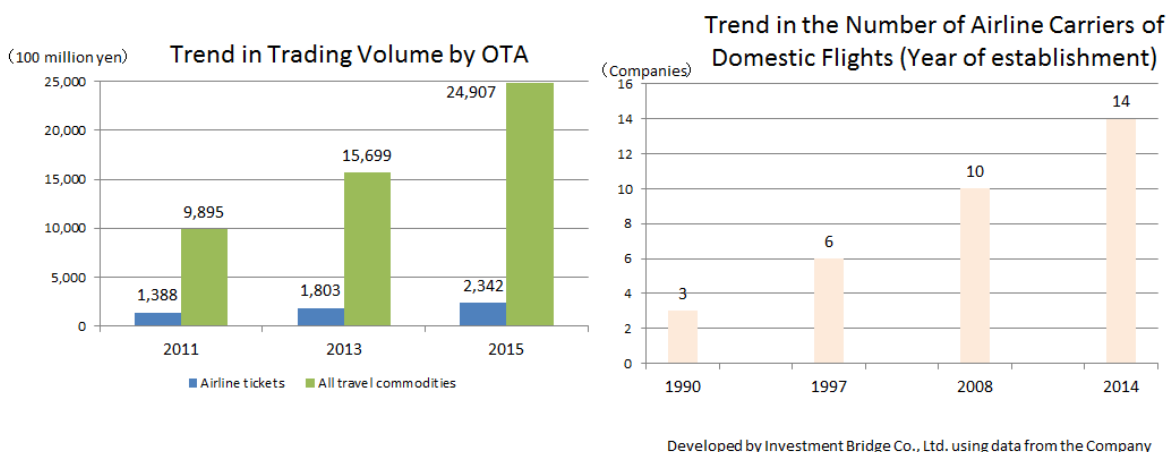
【1-3 Market Environment】

◎Online travel commodities sales continue to grow.

The number of airline companies providing domestic flights has increased due to the rapid growth of low-cost carriers (LCCs). This has resulted in an increase in OTA users due to growing demand for comparison searches. The trading volume of travel commodities by OTA in the Fiscal Year 2015 was 2.5 trillion yen with an annual growth rate of 26% since 2011. It is a rapidly growing industry.

The domestic accommodation market mainly supported this rapid growth. The trading volume of airline tickets was 230 billion yen, indicating a double-digit growth at an annual rate of 14%. Thus, in the future, following the domestic accommodation market, the domestic airline tickets market is expected to grow significantly.

However, the novel coronavirus's impact has forced travel demand to stagnate, and the future recovery trend is uncertain.



◎IT offshore development that has a large potential for growth

The outsourcing software development market in Japan is about 10 trillion yen, and the annual growth rate is about 3%. Among them, the offshore development is only about 1% (about 100 billion yen).

In the US, the rate is over 10%, indicating that the Japanese market can grow to the scale of 1 trillion yen (increase from current 1% to 10%).

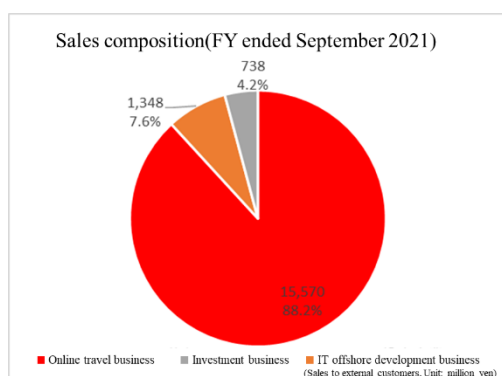
Actually, the order amount from Japan to Vietnam is increasing at an annual rate of 17.8%.

【1-4 Business Description】

There are five business domains: AirTrip online travel business, Inbound travel agency business, IT offshore development business, Life innovation business, and Investment business.

With the company name change in January 2020, the online travel agency business name was changed to AirTrip online travel business, and life innovation business was separated from the online travel agency business.

(There have been no changes in the reporting business segments. They are divided into online travel agency business segment, IT offshore development business segment, and investment business segment. The inbound travel business is included in the online travel agency business segment.)



(1) Online Travel Agency Business

① AirTrip online travel Business

It sells travel products such as domestic airline tickets, domestic accommodations, overseas airline tickets and overseas accommodations through the comprehensive travel platform "AirTrip" and various sales channels.

Domestic airline tickets	•Contracts signed with all domestic airline groups
Domestic accommodations	•Offering 1,400 facilities, mostly luxurious ryokans, in Japan.
Overseas airline tickets / accommodations	•Issuing international airline tickets as an authorized IATA agent (※). •Offering about 40,000 overseas facilities.

※IATA (International Air Transport Association): The IATA is a trade association of the world's airlines.

Sales channels	Overview
Direct managed site (B-to-C)	The Company operates integrated service platform at “AirTrip”.
B-to-B-to-C	The Company provides travel content to the online media of over 500 companies. The media will enjoy benefits such as enriching original content, enhancing customer satisfaction, and creating new profit sources.
Wholesale service (B-to-B)	The Company provides mainly domestic airline tickets and sales management systems to travel agencies.
Business Travel Management (BTM)	The Company provides a free cloud-based service called “AirTrip BTM” for corporate business trip management. The company has contracts with 3,529 companies (as of September 2020).

Initially, the comprehensive travel platform "AirTrip" mainly handled domestic airline tickets. Now, it is rapidly expanding its lineup including overseas airline tickets, hotels, domestic and overseas tours, buses, rental cars, and the Japanese bullet train (Shinkansen). Moreover, the company steadily increased the number of users by actively developing various advertising activities such as TV commercial to raise awareness, operating various campaigns, and improving UI and UX on a daily basis. The number of customers for Business Travel Management, which arranges business trips for corporate users, has steadily increased to 3,516 companies as of the end of March 2020.

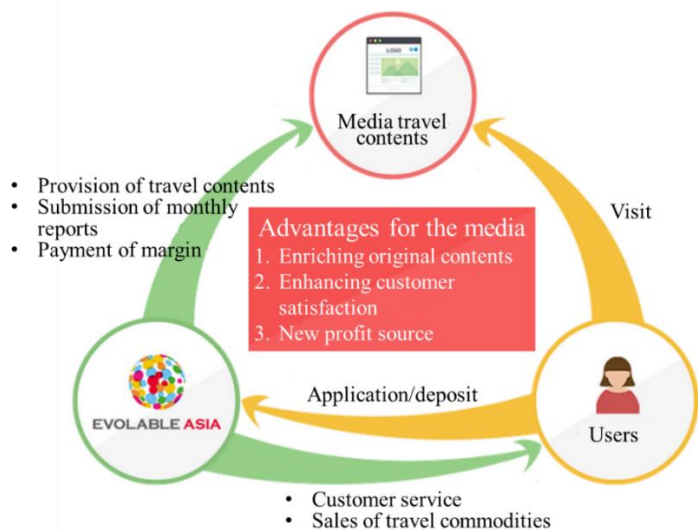
(Strengths of business)

The Company has the largest trading volume of domestic airline tickets in the Japanese OTA industry. The agreements with all domestic airline groups, a unique business condition enjoyed only by the Company, enable the Company to issue flight tickets. Advantageous procurement prices combined with self-issuing of tickets (no need to outsource) make its cost competitiveness overwhelmingly strong.

In addition, the Company has “competitive supply routes” based on strong relationships of trust with each airline company resulting from long-term business relationships, “diverse sales routes”, and “low-cost system development using its own offshore IT development capacity”. Because of these factors, the Company has created high barriers to entry.

② Inbound Travel Business

In order to respond to the demand from the inbound foreign travelers, the Company offers multilingual websites (currently 7 languages) to sell travel commodities directly to inbound travelers online and provide search/reservation engine of domestic travel content (mainly domestic flight tickets) on an OEM basis to the local travel agencies and media operators primarily in the Asian region. In addition to starting Japanese first system collaboration in the domestic airline ticket field with Ctrip.com (the largest travel company in China), the company is promoting partnerships with other Chinese travel agencies.



(From the company's website)

(Strengths of business)

The Company's expertise in OEM provision and its proprietary offshore development allows them to meet customers' needs with inexpensive and speedy development.

(2) IT offshore development business

The Company hires about 1000 engineers in 3 locations (Ho Chi Minh, Hanoi, and Da Nang) in Vietnam as of March 2020.

It offers system development of web services, applications, etc. and business process outsourcing (BPO). The customers are mostly web service providers such as GREE, Inc.

(Strengths of business)

The Company has recruiting capabilities in Vietnam and expertise in starting development teams.

Against the backdrop of a shortage of IT engineers and rising wages for engineers in Japan, since its establishment in 2012, the Company has grown to have the largest number of employees among the Japanese offshore development companies in Southeast Asia.

The company does not offer entrusted development but is specialized in lab-style development services.

The operation rate is almost 100% because the Company forms a team with dedicated staff members for each customer to reflect the customer's needs on a long-term (in principle, over a year) contract basis and the team operates under respective customer.

In addition, customers are billed engineers' cost from the time of employment. Therefore, there is no risk for the Company in terms of delayed delivery or idle employees.

Because of its stock business model, scale expansion and significant increase in earnings can be expected.

(3) Investment business

It is positioned as the business having characteristics of CVC (corporate venture capital). The company will pursue a synergistic effect as well as opportunities for capital gains. The company also engages in investment incubation business.

As of September 2021, the company had invested in 66 companies, and the total investment amount was 2.8 billion yen.

2. Fiscal Year September 2021 Earnings Results**(1) Consolidated Business Results**

	FY 9/20	Ratio to sales	FY 9/21	Ratio to sales	YoY
Trading volume	72,700	-	33,622	-	-53.8%
Sales revenue	21,241	100.0%	17,662	100.0%	-16.8%
Gross profit	7,504	35.3%	7,612	43.3%	+1.4%
Operating Income	-8,994	-	3,158	17.9%	
Net income for this period	-8,692	-	2,361	13.4%	-

*Unit: million yen. IFRS is applied. Net income for this period means profit attributable to owners of parent. FY 9/20 includes discontinued operations.

In addition to drop in sales, profit falls into the red due to impairment losses.

The trading volume in the term ended September 2021 was 33,622 million yen, down 53.8% year on year.

Sales revenue decreased 16.8% year on year to 17,662 million yen due to the impact of the COVID-19 pandemic. Gross profit increased 1.4% year on year to 7,612 million yen. Operating income improved 12,152 million yen year on year, moving into the black with a profit of 3,158 million yen and recording the highest profit in the corporate history. Operating income excluding impairment loss came to 4,055 million yen.

(Breakdown of the impairment losses)

900 million yen recorded in the entire Group.

Seeing that the demand forecast is uncertain due to the COVID-19, the company recorded impairment losses on software and wrote off some of the current investments.

Regarding business of the subsidiaries, it recorded valuation loss pertaining to fixed assets and inventory investment, and loss from investment in the Game Business.

Furthermore, valuation loss stemming from the impact of the COVID-19 on business investees was recorded.

(2) Trends by segment

	FY 9/20	Ratio to sales	FY 9/21	Ratio to sales	YoY
Sales					
Online travel agency business	18,794	88.5%	15,570	88.2%	-17.1%
IT offshore development business	1,888	8.9%	1,348	7.6%	-28.6%
Investment business	558	2.6%	738	4.2%	+32.3%
Total	21,241	100.0%	17,662	100.0%	-16.8%
Operating Income					
Online travel agency business	-7,544	-	2,561	16.4%	-
IT offshore development business	0	-	519	38.5%	-
Investment business	-247	-	820	111.1%	-
Total	-8,994	-	3,158	17.9%	-

*Unit: million yen. The composition ratio of operating income means operating income margin on sales.

① Online travel agency business

Sales declined, but profit turned positive.

Sales dropped, due to the spread of COVID-19 and each country's measures for preventing the spread of COVID-19. The profit/loss from this business segment improved 1,015 million yen year on year to a surplus of 2,561 million yen, thanks to the effects of the diversification and reestablishment of the business portfolio, cost reduction, and so on.

② IT offshore development business

Sales decreased, but profit greatly increased.

Sales declined due to the spread of the COVID-19 and measures to prevent the spread of the infection implemented around the world, while profit considerably grew to 519 million yen due to effective cost reduction, etc.

③ Investment business

Sales increased with profit moving into the black.

In step with the listing of the investee (ROBOT PAYMENT) for the IPO project, the company sold its shares, increasing sales. The business segment income improved by 1,074 million yen, achieving a profit of 820 million yen and thus moving into the black.

(3) Financial standing and cash flows**◎Summarized Balance Sheet**

	End of Sep. 2020	End of Sep. 2021		End of Sep. 2020	End of Sep. 2021
Current assets	15,023	15,653	Current liabilities	11,490	8,879
Cash, etc.	7,042	8,771	Trade payables, etc.	2,646	1,229
Trade receivables, etc.	2,364	1,357	Interest-bearing debts	6,185	5,292
Other financial assets	4,359	4,869	Noncurrent liabilities	7,911	4,286
Noncurrent assets	6,916	5,723	Interest-bearing debts	4,842	2,150
Tangible fixed assets	480	362	Total liabilities	19,402	13,166
Intangible fixed assets	1,091	869	Capital	2,538	8,211
Goodwill	1,172	1,116	Capital surplus	4,887	2,013
Other financial assets	970	574	Retained earnings	-6,135	3,887
Total assets	21,940	21,377	Total liabilities and net assets	21,940	21,377

*Unit: million yen. "Cash, etc." mean cash and cash equivalent. "Trade receivables, etc." mean trade receivables and other credits. "Trade payables, etc." mean trade payables and other liabilities. Interest-bearing debts include lease liabilities.

BRIDGE REPORT



As a result of the recovery in business performance, retained earnings increased and capital increased by 5,673 million yen to 8,211 million yen. As a result, the equity ratio (the ratio of equity attributable to owners of the parent) improved by 26.5 percentage points from 11.5% at the end of the previous fiscal year to 38.1%.

◎Cash Flow

	FY 9/20	FY 9/21	Increase/decrease
Operating Cash Flow	-559	4,190	+4,749
Investing Cash Flow	256	-804	-1,060
Free Cash Flow	-303	3,386	+3,689
Financing Cash Flow	-1,643	-1,760	-117
Cash and equivalents	7,042	8,771	+1,729

*Unit: million yen

The cash inflow from operating activities considerably increased as the income before taxes moved into the black, and free cash flow improved. The cash position improved.

3. Fiscal Year September 2022 Earnings Forecasts

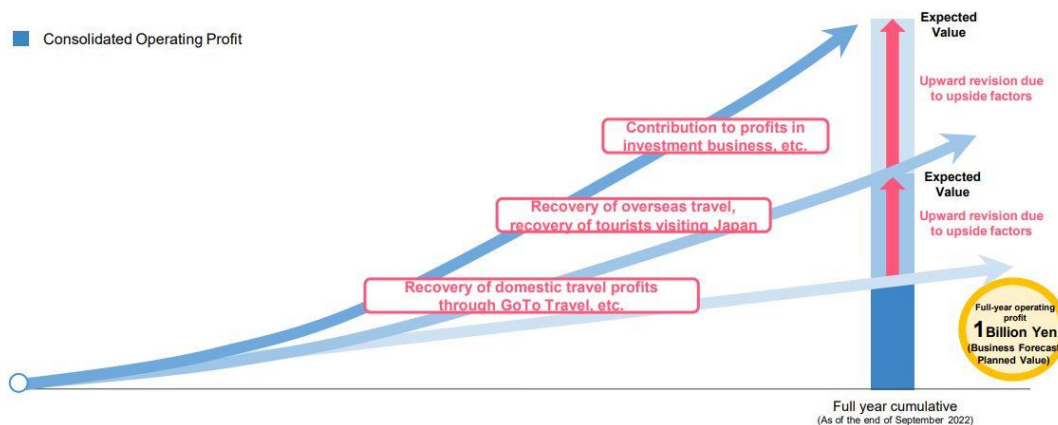
(1) Earnings forecasts

For the term ending September 2022, the company will continue the strategical diversification of the business portfolio, by operating AirTrip 2022 “Restart” project, projecting an operating income of 1 billion yen. However, the forecasts were kept conservative as it did not consider factors that would improve the performance, such as the recovery of domestic travel due to the GoTo Travel campaign, etc., the recovery of international travel and the number of foreign visitors to Japan, and contributions made by the Investment Business. While the annual dividend remains undecided, the company assumes a dividend payout ratio of 20%.

Consolidated Business Forecasts

	FY 9/21	Ratio to sales	FY 9/22(Est)	Ratio to sales	YoY
Sales revenue	17,662	100.0%	13,000	100.0%	-26.3%
Operating Income	3,158	17.9%	1,000	7.7%	-68.3%
Profit before tax	3,059	17.3%	940	7.2%	-69.2%
Net income for this period	2,361	13.4%	700	5.4%	-70.3%

*Unit: million yen. IFRS is applied. Net income for this period means profit attributable to owners of parent.



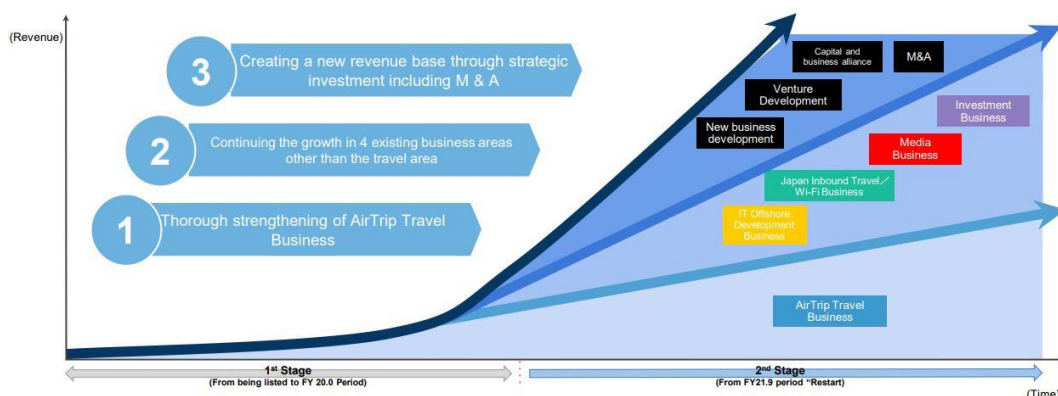
(From the company's materials)

4. Growth Strategy “AirTrip 2022”

New growth strategy for the quickest achievement of AirTrip 5000 from Restart.

(1) AirTrip 2022 Restart

Restart is a new growth strategy for the quickest achievement of AirTrip 5000. The company will keep the trading volume at the pre-pandemic level: 500 billion yen. The company will aim for the quickest accomplishment of discontinuous growth of the whole Group based on the continued growth of the five existing businesses and strategic investments including M&A, with the AirTrip Online Travel Business as the starting point.



(From the company's materials)

① Reorganization of the Healthcare Business

To redevelop a business portfolio with five new business domains (AirTrip Online Travel Business, Inbound Travel Agency Business/Wi-Fi Business, Media Business, IT Offshore Development Business, and Investment Business).

② AirTrip Online Travel Business

To expand revenues at the quickest pace in the industry based on the strategic investment in mass marketing that considers the proactive utilization of the GoTo Travel campaign, centered on the domestic travel field. Business growth will be accelerated with the new post-pandemic travel demand as the driver for growth.

③ IT Offshore Development Business, Inbound Travel Agency Business/Wi-Fi Business, and Media Business

The promotion of the diversification and restructuring of the business portfolio will be accelerated based on favorable continued growth.

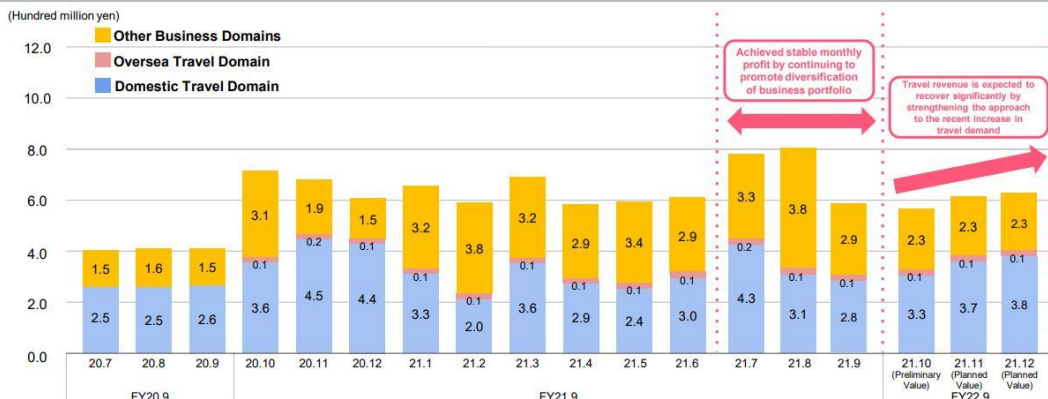
④ Investment Business

To continue the strategic and proactive investment in growing fields.

(2) To keep monthly profit in the black by promoting the business portfolio diversification

Although the domestic travel field is impacted by the decline in demand for travel due to the prolonged state of emergency, monthly profit will be stably kept in the black as other business fields maintain favorable business growth.

BRIDGE REPORT



(From the company's materials)

(3) Change of image character

The poster boy of the comprehensive travel platform AirTrip changed from Ryuji Akiyama from the comedy trio Robert to IKKO, who matches the target age group, with the aim of further developing the AirTrip brand and popularizing it.



(From the company's materials)

(4) Prime Market

The company resolved to select Prime Market, the new market segment of the Tokyo Stock Exchange (TSE), at its Board of Directors meeting.

The eligibility to be listed on the Prime Market has been confirmed in the initial assessment results by the TSE. From now on, they will proceed with formalities for transition based on the application schedule determined by TSE.

5. Conclusions

As the vaccination rate is over 70% and the emergency level in Tokyo was lowered to level 1, the government announced new contents of the GoTo Travel campaign on November 19. The socioeconomic situation is picking up, as the discount in a certain prefecture is now granted to not only the residents of that prefecture, but also the residents of surrounding prefectures, so the recovery of revenues can be expected to improve the business performance more than forecasted. However, the omicron variant of the COVID-19, which was detected in early November, has been also found in Hong Kong and Israel, so care should be taken regarding the risk of reinfection.

<Reference: Regarding Corporate Governance>

◎Organization type and the composition of directors

Organization type	Company with an audit and supervisory board
Directors	11 directors, including 3 outside ones
Auditors	4 auditors, including 2 outside ones

◎Corporate Governance Report

Last updated on Dec. 28, 2020.

<Basic policy>

Our company group considers the swift decision-making in response to the changes in the business environment, lasting business development, and gaining trust from stakeholders as the most significant business challenges. To improve the health, transparency and efficiency of the operations, all of us are striving to enhance the structure of corporate governance, thorough compliance, and timely and appropriate disclosure (of information).

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

Principles	Reasons for not implementing the principles
Supplementary Principle 1-2-2	The Company currently refrains from dispatching the notice of an annual general meeting of shareholders early for the purpose of thoroughly considering the contents before dispatching it, but we will plan to develop a system which enables early dispatch in the future. As for uploading of the notice of an annual general meeting of shareholders onto websites, it is currently disclosed on TDnet and the IR page of our company, and we will consider disclosure before dispatching the notice.
Supplementary Principle 4-1-2	Our company has not disclosed our mid-term management plan, but the board of directors designs mid-term management plans and manages their progress. We will discuss the disclosure of our mid-term management plans.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principles	Disclosure contents
Principle 1-4	Our company may hold shares strategically, if the shareholding is expected to strengthen business cooperation or contribute to the maintenance or improvement of our corporate value.
Principle 5-1	corporate strategy department is in charge of our IR activities, and the divisions of finance, accounting, publicity, general affairs, human resources, and management planning cooperate in promoting constructive dialogue with shareholders and investors. In addition, we hold results briefing session involving executives four times a year, and a company briefing session for individual investors, and deal with the request for individual interviews within a reasonable range.

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