

Japan's Leading Tourism and Aviation Weekly

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****Discussion begins in earnest toward Japan-Thailand Tourism Promotion Year***

Pracha Maleenont, Minister of Tourism and Sports of Thailand, and Juthamas Siriwan, the Governor of Tourism Authority of Thailand (TAT), visited Japan in early February to join "Thainess to the World" event in Sapporo. Minister Maleenont has proposed to place 2007 as "Year of Japan-Thailand Tourism Promotion" in accordance with the 120th anniversary of friendship between both nations. Accepting the proposal, the Ministry of Land, Infrastructure and Transport, the counterpart of Japan, will soon begin working-level discussions with TAT.



Minister Maleenont said, "I hope full-scale discussion for Year of Japan-Thailand Tourism Promotion will immediately begin to select committee members and to make particular project ideas. The projects will further deepen friendship between both nations." Also, he revealed that he has proposed the Japanese government for Minister of Land, Infrastructure and Transport Kazuo Kitagawa to visit Thailand in May this year.

TAT Governor Juthamas Siriwan revealed that the number of Japanese visitors for 2005 may reach 1.2 million, and added that a goal for 2006 is 1.3 million. The average stay days in Thailand by a Japanese visitor were 7.03, longer than those in other Asian countries. Also, the average consumption a day by a Japanese visitor was approximately 4,500 baht in 2005, 29.78% more than a year ago. Siriwan emphasized that Japanese visitors are extremely important for Thailand.

This year TAT is promoting "Grand Invitation Thailand 2006," which celebrates His Majesty King Bhumibol Adulyadej's Sixtieth Anniversary nationwide. Siriwan has particularly appealed "The Grand Royal Barge Procession" on June 6, 9 and 12 this year and "Royal Flora Ratchaphruek 2006," which is an international flower festival in the

suburbs of Chiang Mai from November 1 this year to January 31 next year. “The Grand Royal Barge Procession” will be joined by royal families of foreign countries, including Japanese imperial family. Siriwan also expects that “Royal Flora Ratchaphruek 2006” will be a further chance to promote Chiang Mai as a tourist destination.

+Phuket appeals golfing, health and local cuisines as tourist attractions

Phuket Governor Udomask Uswarangkura, who also visited Japan this time, said that the resort island is making efforts to increase Japanese tourists especially in the peak season from May to August. One of the efforts is to offer more than 50% cheaper golfing fee than usual in May this year. Also, discount or privilege campaigns for shopping in Phuket will be provided. In August, medical programs for health life or special spa programs will be available in the island. International Food Festival is expected to attract tourists’ interests as well.

Uswarangkura mentioned restoration from the Tsunami disaster: “Phuket will completely recover to the condition before the Tsunami disaster within this year.” Ground and sea infrastructure developments will start in the island.

**Hawaii seeks quality rather than quantity in the Japanese market*

Hawaii Tourism Authority (HTA) Director of Tourism Marketing Frank Haas (Photo: right), who visited Japan to join Hawaii Tourism Japan (HTJ)’ hosting travel seminars and workshops, said that Hawaii is still more preferred by Japanese tourists than other destinations, as the number of Japanese visitors grew for two consecutive years. The number of Japanese visitors to Hawaii for 2005 was up 2.7% to 1,522,356 compared to the previous year.



The target of Japanese visitors to Hawaii for 2006 is 1.5 million. However, the Authority has recognized that it may be a difficult goal to be accomplished because of tight room supplies in the islands. While HTJ is appealing new tourist charms to the Japanese market under the Discover Aloha campaign, it is calling for earlier bookings and production of theme-oriented high quality products to travel companies of Japan.

Hawaii welcomed about 7.4 million visitors from all over the world, which represented the most visitors ever. As the number of Japanese visitors grew for two consecutive years, Haas emphasized that Japan is still one of the most important market for Hawaii. HTA and HTJ aim to upgrade Hawaii to a destination for Japanese tourists to stay for a longer time and to spend more money by sending new information to the Japanese market, Haas added.

HTJ Executive Director Takashi Ichikura (Photo: left) revealed, “Demands of honeymoon, wedding, incentive tours and sport group tours grew largely in 2005.” The statistics finds that the numbers of Japanese honeymoons and weddings for 2005 increased by 17.7% to 232,805 and by 20% to about 54,000 respectively compared to a year ago. Also, the number of accompanied visitors reached 10.4 on an average. HTJ highly expects that honeymoon and wedding will still be a profitable market for Hawaii.

Also, Ichikura said, “Earlier booking and increase of visitors during a shoulder season are essential efforts in the Japanese market under the current condition that the number of visitors from mainland America has remarkably been growing. To improve profitability of travel products for Hawaii, HTJ will further introduce theme-oriented tourist attractions, such as indigenous cultures or history of Hawaii.”

+Four focal categories for expansion of SIT

HTJ defines “Hula,” “History & Art,” “Romance” and “Walking/Running” as four focal categories this year and provided special tourist pamphlets for each category. “Hula” is getting popular in Japan with more than 300,000 devotees. Also, it can be a gateway to other Hawaiian cultures like music or lei. “History & Art” may help whole sellers of Japan produce new products to experience indigenous history and cultures of Hawaii.

“Romance” will focus on “Vow Renewal” for senior tourists as well as traditional wedding and honeymoon. HTJ will

highlight “Walking/Running” by introducing a wide variety of trail courses in Hawaii to meet satisfactions from beginners to experienced walkers or runners.

In the meantime, HTJ has launched “Hawaii Specialist Test,” the E-learning course, on its website to help the travel industry know about Hawaii better and plan, produce and sell higher quality products. In addition, HTJ is providing new sales & planning guidebooks and new promotional posters and is planning to host about 40 seminars nationwide through 2006.

**ANA Hello Tour is seeking higher quality in its new package products*

ANA Sales is selling ANA Hello Tour package tour products for the first half of FY2006, offering higher quality for each tour than before. Meanwhile, the ANA-affiliated whole seller will begin marketing “Tabi Doki” products, which are more reasonable tours, in the middle of February. For the first half of FY2006, ANA Sales aims to collect 78,300 customers, 17% more than a year ago, particularly leveraging the businesses for Europe, Asia and China.

It is noteworthy that ANA Hello Tour is offering package products for new destinations in Eastern and Central Europe in addition to Russia or three Baltic countries. Out of all 29 tour courses for Europe, fifteen tour courses are set up for the first time. The new tour courses are served by Star Alliance members’ flights transferred from ANA’s Frankfurt, Paris or London flights. Regarding Russia, ANA Hello Tour will exploit the tourist market, ahead of ANA that intends to restart its flight services for Russia.

For mainland America and Hawaii, ANA Hello Tour is providing full-scale driving tour products, which combine hotel and rent-a-car, in cooperation with Hertz in mainland America and Dollar in Hawaii. Interestingly the products are not mere optional tours but full-served package tours with complete automobile insurance covered. In mainland America, the products are offered in Las Vegas, Los Angeles and San Francisco.

+Improving product quality for each destination

All of 29 tour courses for Europe limit the number of participants. At the same time, some courses are offering “departures exclusively for lady customers” and “departures exclusively for one participant” to meet needs from lady groups or individual tourists. Also, “Special Selection Travel,” the highest category tour product, is accompanied by an experienced tour conductor with his or her career of more than 1,000 days. In addition, a wide variety of options for dinner, stopover or early departure are available.

For Asia, hotels are designated in all tour courses, and the prearranged shopping times during tours are excluded from itineraries. For America and Hawaii, new services are offered to meet individual travelers’ needs, in addition to the full-scale driving package tours. Also, tours for World Heritage in State of New Mexico are newly available.

ANA Sales expects that the number of ANA Hello Tour customers for FY2005 will reduce by 16% to 133,800 compared to FY2004. Healthy businesses for America, Hawaii and Guam have been offset by poor businesses for Europe, China and Asia.

For FY2006, ANA Sales hopes to increase ANA Hello Tour customers with strategic development of both higher quality products and reasonable “Tabi Doki” products. The customer goal for the first half of FY2006 is 78,300, 17% more than a year earlier.

<Customer estimations for FY2005>

America = 8,300 (up 5%)
 Hawaii = 16,200 (up 2%) Guam = 20,700 (up 3%)
 Europe = 22,300 (down 17%)
 Africa and Middle East = 700 (down 33%)
 Asia = 49,000 (down 21%)
 China = 15,500 (down 32%)
 Others = 1,100 (down 50%)

<Customer goals for the first half of FY2006>

America = 4,200 (down 2%)

Hawaii = 7,800 (down 5%)
 Guam = 11,400 (up 1%)
 Europe = 13,800 (up 20%)
 Africa and Middle East = 400 (even)
 Asia = 30,200 (up 29%)
 China = 10,500 (up 40%)

**ANA targets large increases of revenue and profit under the new midterm plan*

ANA released the new midterm corporate plan for the next four years (FY2006 to FY2009) on January 31 this year, placing the four fiscal years as the important term for ANA to become “number one airline in Asia.” Although ANA usually makes a three-fiscal years corporate plan, it released the four-fiscal years plan this time because a business plan for completion of the Haneda-re-expansion program in FY2009 should be included.

According to the midterm corporate plan, ANA aims at the following consolidated financial results for FY2009: operating revenue of 1,550 billion yen (11.4% more than FY2005), operating profit of 100 billion yen (27.3% more than FY2005), ordinary profit of 76 billion yen (35.7% more than FY2005) and net profit of 42 billion yen (2.47 times more than FY2005).

Consolidating profitability for the domestic flight business, ANA will make efforts to accomplish the targets by growing the international passenger flight business and the cargo business.

ANA plans to provide 1.38 times more ASK on its international routes for FY2009 than those for FY2005, while to provide almost the same ASK on its domestic routes for FY2009 as FY2005. It is remarkable that ANA aims to offer 10.71 times more ATK on its cargo flights for FY2009 than FY2005, as ANA launches a new joint venture for cargo flight operation with Japan Post. For the domestic flight business, ANA will increase flight frequencies with smaller aircraft, however it will not expand the business scale itself.

ANA forecasts that the growth rate of domestic passenger demand is 0% to 3% during the period compared to the result for FY2005. Also, international passenger demand is averagely expected to expand by 3% at the maximum compared to the result for FY2005. However ANA hopes to carry up to 8% more passengers on China and Asia flights during the period than the result for FY2005. For the international cargo business, ANA particularly expects that cargo demand between Japan and China will mark 10% to 15% increase during the period compared to the result for FY2005.

At the same time, ANA will make every effort to cut costs because it forecasts that the oil price will probably remain at a high level. The midterm corporate plan calls for reductions of indirect fixed cost of 10 billion yen by FY2007 and direct fixed cost of 10 billion yen by FY2009. Also, ANA will try to reduce its interest-bearing debts of about 200 billion yen during the period.

For the business strategy under the midterm corporate plan, ANA will extend its international flight network in four regions of North America, Europe, China and Asia equally by increasing flights to hub airports of Star Alliance partners. Also, it will actively provide more frequencies on its short-haul international routes with smaller aircraft, such as B737-700 or A320, to improve profitability for the international passenger flight business.

ANA has recently announced that it will be a launch customer for Boeing 737-700ER with the longest flight range among the 737 family for the first time in the world. ANA has ordered two 737-700ERs, which are included in 45 737s on order. The long-range aircraft will give ANA more flexibility to make a flight plan, possibly for India or Russia.

For the international cargo flight business, which ANA regards as a promising business field, ANA aims to establish a basic freighter network between Japan and China, America and Asia in the beginning. ANA expects to consolidate a freighter network based on Haneda Airport on both international and domestic routes after FY2009.

The business goals for each fiscal year are as follows:

<FY2006>

Consolidated operating revenue = 1,390 billion yen

Consolidated operating profit = 76 billion yen

Consolidated ordinary profit = 45 billion yen
 Consolidated net profit = 22 billion yen Growth rate of ATK = 285% (compared to FY2005)
 Growth rate of ASK on domestic flights = 101% (compared to FY2005)
 Growth rate of ASK on international flights = 104% (compared to FY2005)

<FY2007>

Consolidated operating revenue = 1,450 billion yen
 Consolidated operating profit = 81 billion yen
 Consolidated ordinary profit = 47 billion yen
 Consolidated net profit = 18 billion yen Growth rate of ATK = 457% (compared to FY2005)
 Growth rate of ASK on domestic flights = 101% (compared to FY2005)
 Growth rate of ASK on international flights = 120% (compared to FY2005)

<FY2008>

Consolidated operating revenue = 1,490 billion yen
 Consolidated operating profit = 90 billion yen
 Consolidated ordinary profit = 65 billion yen
 Consolidated net profit = 38 billion yen Growth rate of ATK = 844% (compared to FY2005)
 Growth rate of ASK on domestic flights = 101% (compared to FY2005)
 Growth rate of ASK on international flights = 123% (compared to FY2005)

<FY2009>

Consolidated operating revenue = 1,550 billion yen
 Consolidated operating profit = 100 billion yen
 Consolidated ordinary profit = 76 billion yen
 Consolidated net profit = 42 billion yen Growth rate of ATK = 1071% (compared to FY2005)
 Growth rate of ASK on domestic flights = 100% (compared to FY2005)
 Growth rate of ASK on international flights = 138% (compared to FY2005)

**ANA to revise upward its financial outlook for FY2005*

ANA announced on January 31 that it has revised upward its financial outlook for the full year of FY2005, when it reported better financial results for the third quarter of FY2005 (October to December 2005) than originally expected. ANA re-estimates to increase revenue from 1,326 billion yen initially to 1,350 billion yen, operating profit from 74 billion yen initially to 78.5 billion yen, recurring profit from 44.5 billion yen initially to 56 billion yen and net profit from 10 billion yen initially to 17 billion yen on a consolidated basis.

Although ANA estimates that its fuel cost will approximately expand to 136 billion yen for FY2005 from 102 billion yen for FY2004, it has judged the upward revision because of higher business traveler demand on the North America and Europe flights, growing cargo demand and steady increase of domestic passengers. However, the revised net profit for FY2005 will be 9.9 billion yen lower than the net profit for FY2004.

For the third quarter of FY2005, ANA reported that consolidated revenue increased by 5.7% to 1,038 billion yen compared to a year ago, comprising 524.6 billion yen from the domestic passenger flight business, 173 billion yen from the international passenger flight business and 63.5 billion yen from the cargo business. Also, ANA posted operating profit of 89.9 billion yen (81.1 billion yen a year ago) and recurring profit of 75.3 billion yen (65.3 billion yen a year ago). Net profit reduced to 29.9 billion yen from 35 billion yen a year ago.

During the third quarter, ANA carried 34,710,968 domestic flight passengers, 2.7% more than a year ago, and 3,054,072 international flight passengers, 0.8% fewer than a year ago. Although ANA reduced tourist passengers on its international flights partially because of negative influences from the anti-Japan demonstrations in China and Korea, higher business travel demand allowed ANA to raise unit price by 7.2%, which resulted in the revenue growth for the international flight passenger business.

**ANA and Japan Post will launch a new joint venture for cargo operation*

ANA and Japan Post launched ANA & JP Express (AJV), a new joint venture for cargo operation, on February 1 this year, according to the business tie-up between both companies, which was announced in October last year. In the beginning a main body for the new joint venture is a cargo section of Air Japan, a subsidiary of ANA, with a capital of 30 million yen invested 100% by ANA. After the Ministry of Internal Affairs and Communications approves investment in AJV by Japan Post in April this year, Japan Post will join the new business, and at the same time Nippon Express, Japan's largest logistic company, and Mitsui O.S.K. (MOL), a shipping service company, will invest in AJV.

AJV will ultimately be invested 51.7% by ANA, 33.3% by Japan Post, 10% by Nippon Express and 5.0% by MOL.

Kenkichi Honbo, ANA Senior Vice President Cargo Marketing and Services, will take office as president of AJV. The new joint venture will start the full-scale business on Haneda-Kansai International-Shanghai route with ANA's B767-300Fs in this coming August, targeting sales of 10 billion yen for FY2006. In the future, it is planning to operate cargo flights from Central Japan International Airport to Anchorage and Chicago.

AJV will mainly deal with an express service in the beginning and extend its business to a logistic service after increasing cargo flights to some extent. AJV will introduce 10 freighters by 2009, out of which seven are 767Fs. Other three will possibly be large freighters. Placing the cargo business as one of the three core businesses, ANA has already started operating the third B767F since this February and will take delivery of the fourth one in the first half of FY2006. ANA and AJV will co-use the 767F fleet.

**JAL and SKY tie up for code-sharing flights on Haneda-Kobe route*

JAL announced on January 30 to have agreed with Skymark Airlines (SKY) to begin code-sharing flights on Haneda-Kobe route on April 1 this year. The agreement will be effective on JAL's serving four flights daily (two return flights) and SKY's serving six flights daily (three return flights) on the route. Kobe Airport will open on February 16 this year.

In addition to the Haneda flights by B777-200 and B767, JAL Group plans to serve two return flights by B767 on Sapporo route, two return flights by B777-200 on Naha (Okinawa) route, one return flight by B737 on Sendai route, two return flights by B737 on Kagoshima route and one return flight by B737 on Kumamoto route. The B737 flights will be served by JAL Express.

Also, ANA is scheduled to serve two return flights by B767-300 and A320 on Haneda route, one return flight by DHC8-400 on Niigata route, one return flight by A320 on Sendai route, one return flight by A320 on Sapporo route, two return flights by A320 on Kagoshima route and two return flights by B767-300 on Naha route.

Kobe Airport is likely to operate 27 return flights daily or 54 take-offs and landings daily, which will be close to the daily maximum of 60 take-offs and landings.

**Flight connections are growing at Centrair*

JAL and ANA has been increasing passengers for flight transfers between domestic and international flights at Central Japan International Airport or Centrair since the airport opened in February last year.

ANA has successfully expanded monthly passengers transferred from its domestic flights to international flights, including other airlines' flights, at Centrair from 1,000 approximately for the first month to 3,000 approximately for December 2005. Likewise, JAL has served five times more transfer passengers at Centrair for December 2005 than those for May 2005.

Transfer demands from Fukuoka and Sapporo are relatively high. According to the JAL's statistics, transfer passengers from Fukuoka was about six times as many as those from Sapporo or Okinawa at Centrair for December 2005. The growth may be attributed to the suspension of JAL's Fukuoka-Honolulu flights. Also, ANA has increased passengers transferring at Centrair from domestic Fukuoka or Sapporo flights of ANA not only to international flights of ANA but

also to Frankfurt flights of Lufthansa or to San Francisco flights of United Airlines.

A share of transfer passengers at Centrair is still small. However it is true that Centrair is preferred by transfer passengers from local cities mainly because of its shorter connection time between a domestic flight and an international flight.

Before Centrair opened, former Nagoya Airport-Narita Airport flights were busy because a lot of passengers from Nagoya transferred to international flights at Narita. However, the number of passengers on Narita-Centrair route for December 2005 reduced by 18% compared to a year ago, according to Narita International Airport Co. It probably means that part of international flight passengers has shifted to Centrair from Narita.

**Centrair still increased international flight passengers*

Central Japan International Airport or Centrair reported the number of international flight passengers for December 2005 was up 12% to 398,600 over the same month 2004. On the contrary, the number of domestic flight passengers was down 6% to 456,100 compared to a year ago. The total number of passengers for December 2005 was accordingly 854,600 passengers, 2% more than a year ago.

Centrair handled cargos of 22,593 tons for December 2005, 176% more than a year ago, classified into 11,424 tons for loading (up 224%) and 11,170 tons for unloading (up 140%).

The number of take-offs and landings was 8,543 times, 20% fewer than a year ago because former Nagoya Airport operated flights by Air Self-Defense Force a year ago. The total consisted of 3,005 times for international flights (up 48%) and 5,537 times for domestic flights (down 36%).

The number of visitors to the airport including non-passengers for the month reached 1,187,000, and monthly retail revenue in the terminal was 2,032 million yen.

**Narita passengers for 2005 reached more than 31 million*

Narita International Airport Co. (NAA) reported on January 31 that the number of passengers for December 2005 was 2,576,344, almost the same as a year ago. The monthly number of international flight passengers was 2,487,338, classified into 1,530,143 Japanese nationals (down 1%), 669,939 foreigners (up 4%) and 287,256 transits (down 3%). The monthly number of domestic passengers was down 5% to 89,006 compared to a year ago.

The number of passengers for calendar year of 2005 totaled 31,553,068, 1% more than 2004, which were broken down into 30,429,471 international flight passengers (up 1%) and 1,123,597 domestic flight passengers (down 1%). The total number of international flight passengers was divided into 19,107,542 Japanese nationals (up 1%), 8,042,097 foreigners (up 3%) and 3,279,832 transits (down 1%).

Narita operated 15,927 taking-offs and landings for December 2005, which brought the total for 2005 to 188,275 taking-offs and landings, 2% more than a year ago. The monthly number was broken down into 14,855 for international flights (including 12,288 for passenger flights, 2,315 for cargo flights and 252 for others) and 1,072 for domestic flights. The annual number was sorted into 175,559 for international flights (including 146,306 for passenger flights, 26,681 for cargo flights and 2,572 for others) and 12,716 for domestic flights.

Narita dealt with cargos of 196,953 tons for December 2005, 1% less than a year ago, including 93,834 tons for loading and 103,119 tons for unloading. The total volume of cargos for 2005 reached 2,232,687 tons, 3% less than a year ago, including 1,058,783 tons for loading and 1,173,904 tons for unloading.