

Japan's Leading Tourism and Aviation Weekly

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****LOOK JTB will offer many original products for the first half of FY2006***

JTB World Vacations began selling LOOK JTB products for the first half of FY2006 on January 20 this year. JTB World Vacations President Masato Ito said at a news conference, "FY2006 will be the third fiscal year for us. For the past two years, we have completed to consolidate our business base. We will further enhance our products' contents and qualities to meet diversified needs from customers."

JTB makes much of valued price, originality, diversity and creativity as its product strategies. Ito said, "LOOK JTB has sought originality for travel sources for the past two years. For FY2006, we will extend such an effort to systems or product contents to bring LOOK JTB originality to the market."

For Europe, for instance, LOOK JTB will offer "Europe Selection 100" products, in which sightseeing times or places are carefully selected to satisfy customers' preconceived views for a certain tourist spot, such as evening view in Mont-Saint-Michel. Also, LOOK JTB aims to acquire double more customers for "Chikyu Symphony (Earth Symphony in English)" products, offering more products for Africa, Silk Road or Latin America. With the business approach, JTB will challenge the specialty travel agents-centered business field as a major whole seller.

For Hawaii, JTB has developed a Japanese car navigation system in cooperation with Dollar Rent-a-car, which is available not only in Oahu but also in neighboring islands. Also, "Aloha Wedding," a direct connection system between sellers and local staff in Honolulu, is set up to enhance the wedding business in Hawaii. For the products using Northwest Airlines, the JTB original "Early Discount 60" is newly available to offer more reasonable prices to customers.

In the meantime, JTB will meet individual needs by expanding on-demand products, particularly "My Select" products.

+A customer target for FY2006 is 1.35 million

Ito said of the business overview for FY2005, "Despite several external negative factors, such as anti-Japan demonstrations in China and Korea or aftermaths of the Tsunami disaster, we have not suffered serious damages from those factors primarily because we have offered worldwide products." The number of LOOK JTB customers for FY2005 is estimated to increase by 5% to 1.3 million compared to the previous year, though it is lower than the original target of 1.35 million customers.

For FY2006, LOOK JTB aims to acquire 1.35 million customers again, as Ito explained that a total of 18.5 million Japanese overseas travelers would be expected annually without any external negative factors. However, Ito is still concerned about the chill diplomatic relations with China and Korea, saying that it may be overestimated that tourist demands for the destinations will immediately recover this year. With regard to possible reduction of international flights, Ito understands it is important to consider how JTB can collect potential tourists in local regions.

One of the promising factors for FY2006 is that the first generation of baby boomers will begin expanding the senior market. Ito said, "I believe the baby boomer generation will drastically change the senior market." JTB regards "Chikyu Symphony" as a symbolic product for the baby boomer generation, however Ito indicated, "It is just one option to meet their needs. We will have to provide a wide variety of products from simple products to deep products for them."

The followings are customer estimations for FY2005 and customer targets for FY2006:

<FY2005 (compared to the previous fiscal year)>

Hawaii = 269,000 (up 5%)

Micronesia = 250,000 (up 8%)

America = 100,000 (up 35%)

Europe = 150,000 (up 9%)

Asia = 376,000 (up 3%)

Oceania = 111,000 (up 6%)

China = 50,000 (down 31%)

In total = 1,306,000 (up 5%)

<FY2006 'compared to the previous fiscal year)>

Hawaii = 273,000 (up 1%)

Micronesia = 256,000 (up 2%)

America = 100,000 (even)

Europe = 155,000 (up 3%)

Asia = 378,000 (up 1%)

Oceania = 112,000 (up 1%)

China = 76,000 (up 52%)

In total = 1,350,000 (up 3%)

**JAL PAK will try to attract more customers with "JAL Tour Mile" service*

Restarting as an organization integrating production and sale functions in April this year, JAL PAK announced outlines of I'll and AVA products for the first half of FY2006 on January 19. JAL PAK President Akihiko Kaji said, "I hope that 2006 is a year for JAL PAK to be reborn by reforming products and sales and at the same time developing more effective cost structure." JAL PAK has already brought new I'll products to the market since January 19 and will begin selling new AVA products on February 9 this year.

The most distinctive feature for I'll and AVA products for the first half of FY2006 is introduction of "JAL Tour Mile," which will enable JAL Mileage Bank (JMB) members to get 1,000 miles per tour product in addition to flight miles if they become members of "JMB Tabi Card" as well. Also, they each will be able to get 500 miles as a bonus when they join I'll or AVA tours at the beginning. Kaji said, "The service will give customers a big merit and at the same time will practically discount product prices for them."

For the second half of FY2005, JAL PAK has been damaged by the JAL's suspending all Saipan flights and reducing Honolulu and Guam flights. Although the JAL-affiliated travel agent posted non-consolidated ordinary profit of about 10 million yen for the first half of FY2005, it has reduced revenue by 500 million yen or tour customers by 7% approximately up to the present date for the second half of FY2005. The suspension of JAL's Saipan flights has forced JAL PAK

to reduce 16,000 customers approximately since October last year, when the flight suspension was enforced.

+Probably 7% fewer tour customers for FY2005 than a year ago

JAL PAK estimates to decrease tour customers for FY2005 ending March 31 2005 by 7% to 439,200 compared to a year ago, which may be classified into 106,000 customers for I'll (down 18%) and 333,200 customers for AVA (down 2%). Up to the present date for the second half of FY2005, it has particularly reduced I'll and AVA customers for China by 16% and those for Micronesia by 24% compared to a year ago.

JAL PAK sets a target of 224,500 I'll and AVA customers for the first half of FY2006 starting April 1 this year, which is almost the same level as a year ago. The target is likely to be high for JAL PAK under the severe business environment including the ongoing restructuring of JAL's international flight networks. However, JAL PAK especially expects to increase tour customers for China by 46% for the first half of FY2006 over the same period last year and forecasts to continue increasing customers for North America (up 20%) Asia (up 14%), Oceania (up 10%) and Europe (up 8). The expected growths will offset probable large reduction of customers for Micronesia, according to JAL PAK.

Also, JAL PAK expects that the JAL's participation in Oneworld will allow the travel agent to extend product variations using flexible code-sharing flights, such as American Airlines' flights for North America, Mexico or Caribbean, British Airways' flights for London, Middle East or Africa or Finnair's flights for Nordic countries or Russia beyond Helsinki.

+Several business enhancements for the first half of FY2006

To grow the business for the first half of FY2006, JAL PAK will particularly focus on introduction of exclusive tour conductors, enhancement of SIT and FIT products as well as beginning of "JAL Tour Mile." JAL PAK has decided to allot exclusive tour conductors to each of I'll tours to improve each tour's quality further. Simultaneously JAL PAK will seek deeper contents for SIT products and develop a system to make tailor-made products for FIT.

In particular, JAL PAK will strengthen overseas wedding and honeymoon products, expand products for seniors, develop new and higher quality products for couples and promote its original service campaigns.

The followings are customer estimations for FY2005 and customer targets for the first half of FY2006:

< FY2005 (compared to a year ago)>

Hawaii = 38,500 for I'll (105%), 102,000 for AVA (99%), 140,500 in total (101%)

America = 10,800 for I'll (99%), 17,100 for AVA (103%), 27,900 in total (102%)

Europe = 13,200 for I'll (78%), 34,100 for AVA (104%), 47,300 in total (95%)

Asia = 15,000 for I'll (62%), 63,300 for AVA (106%), 78,300 in total (93%)

Oceania = 12,400 for I'll (80%), 35,100 for AVA (89%), 47,500 in total (87%)

Micronesia = 10,800 for I'll (71%), 65,200 for AVA (90%), 76,000 in total (87%)

China = 5,300 for I'll (54%), 16,400 for AVA (94%), 21,700 in total (80%)

Total = 106,000 for I'll (82%), 333,200 for AVA (98%), 439,200 in total (93%)

<The first half of FY2006 (compared to a year ago)>

Hawaii = 21,000 for I'll (104%), 50,000 for AVA (94%), 71,000 in total (97%)

America = 6,000 for I'll (121%), 10,500 for AVA (120%), 16,500 in total (120%)

Europe = 8,000 for I'll (98%), 16,500 for AVA (113%), 24,500 in total (108%)

Asia = 10,000 for I'll (114%), 35,000 for AVA (115%), 45,000 in total (114%)

Oceania = 5,500 for I'll (105%), 19,000 for AVA (111%), 24,500 in total (110%)

Micronesia = 3,900 for I'll (61%), 25,500 for AVA (68%), 29,400 in total (67%)

China = 4,600 for I'll (186%), 9,000 for AVA (132%), 13,600 in total (146%)

Total = 59,000 for I'll (105%), 165,500 for AVA (98%), 224,500 in total (100%)

*JATA survey finds inactive package tour bookings for the first three months of 2006

The recent Japan Association of Travel Agents (JATA) survey finds that five major travel agents (JTB, Kinki Nippon Tourist, Nippon Travel Agency, Hankyu Express International and JAL PAK) have totally suffered from fewer overseas package tour bookings for the first three months of 2006 than a year ago, as the survey shows that monthly reduction rates

are 9.3% for January, 13.6% for February and 0.8% for March. The travel agents have reduced bookings for all destinations for January, however they have increased bookings for Europe by 5.1% and for Guam/Saipan by 2.8% for February than a year ago respectively. The growth for Europe is mainly encouraged by Torino Olympics. For March, bookings for North America (up 19.1%), Hawaii (up 17.2%) and Europe (up 7.5%) have been increasing so far. On the contrary, the booking status for China has still been lower with reduction rates of 30% for January, 60% for February and 40% for March.

JATA said, "The inactive booking status partially results from no three-consecutive holidays in February and March this year. However, it is expected that graduation trip demand will come up to the surface after college students finish job hunting."

On the contrary, the five major travel agents succeeded in increasing a total of overseas package tour customers for 2005 by 2.3% compared to the previous year, as package tour customers for North America and Europe increased by more than 10%, though those for China largely decreased by more than 20%.

The followings are results for 2005 and booking status for the first three months of 2006 in comparison with the previous year and the same period last year:

North America = up 12.9% for 2005, down 1% for January, down 8.5% for February, up 19.1% for March

Hawaii = down 7.9% for 2005, down 9.1% for January, down 8.2% for February, up 17.2% for March

Guam/Saipan = down 8.5% for 2005, down 9.9% for January, up 2.8% for February, up 0.2% for March

Europe = up 11.0% for 2005, down 4.2% for January, up 5.1% for February, up 7.5% for March

Oceania = down 2.1% for 2005, down 3.1% for January, down 13.9% for February, down 10.3% for March

Asia = down 21.4% for 2005, down 16.1% for January, down 30.4% for February, down 24.9% for March

China = down 21.4% for 2005, down 31.2% for January, down 61.1% for February, down 43.7% for March

In total = up 2.3% for 2005, down 9.3% for January, down 13.6% for February, down 0.8% for March

**JAL will additionally suspend some leisure international flights*

JAL has decided to suspend daily Kansai International Airport (KIX)-Los Angeles flights and three Narita-Las Vegas flights weekly in October this year, when the 2006 winter schedule begins. Also, JAL will suspend daily KIX-Brisbane-Sydney flights in the end of March 2007, though it will serve the flights through FY2006 to support the Japan-Australia Year of Exchange.

In the 2006 summer schedule that will begin in the end of March this year, JAL will also shrink its international flights as follows:

Reducing from double-daily flights to daily flights on Narita-London route

Changing from daytime flights to night flights and also changing to smaller B767 on KIX-Guam route

Suspending four Komatsu-Seoul flights weekly and three Hiroshima-Seoul flights weekly

According to the new agreement between the aviation authorities of Japan and Korea, Korean Airlines will probably begin serving Komatsu-Seoul flights, and Asiana Airlines will be bale to use larger aircraft on its Hiroshima-Seoul route.

The decision represents that the JAL's strategy to revise its international passenger flight network drastically, particularly focusing on its leisure international flights. JAL has suspended all of its Saipan flights, Fukuoka-Honolulu, -Hong Kong and Seoul flights and Nagoya-Guam flights since October 2005. It is certain that the JAL's strategy on its international routes will further damage the overseas travel market.

**JAL will raise fuel surcharges on its international flights again*

JAL has decided to raise fuel surcharges on its international flights again from March 1 this year because oil price has still hovered at a high level. JAL cannot compensate for the additional fuel cost only through its voluntary efforts, according to JAL. JAL has introduced fuel surcharges on its international flights since February 2005.

On its long-haul transpacific, Hawaii, Europe and Oceania routes, JAL will raise the fuel surcharge to 8,000 yen one-way from 5,000 yen one-way today. Also, JAL will largely raise the fuel surcharges to 6,500 yen one-way from 3,600 yen one-way today on its long-haul Asia routes, such as Indonesia or Thailand, and to 3,900 yen one-way from 1,300 yen

one-way today on its short-haul Asia routes, such as Hong Kong or Taiwan, and on its Micronesia route.

JAL just enforced the rise of fuel surcharges in July last year, doubling the fuel surcharge on its long-haul international flights to 5,000 yen one-way from 2,500 yen one-way, for instance. With the re-rise of fuel surcharges this time, JAL will collect 3.2 times more fuel surcharge on its long-haul international flights than the collection about a year ago.

**Japanese carriers carried 1.5 times more passengers on Haneda-Gimpo charters*

The Ministry of Land, Infrastructure and Transport Civil Aviation Bureau recently reported that the number of passengers using international charter flights from Haneda Airport by Japanese carriers for 2005 was up 36.7% to 589,413 compared to a year ago. At the same time, Japanese carriers served a total of 2,743 flights (on a one-way basis), 399 flights more than a year ago.

The number of passengers on Haneda-Gimpo charter flights particularly increased by 53% to 422,075 compared to a year ago, as Japanese carriers operated a total of 2,072 flights for 2005, 608 flights more than a year ago. The airport authority has doubled Haneda-Gimpo charter flights from four return flights daily to eight return flights since August last year.

Including international charter flight passengers from/to Haneda Airport by foreign carriers, the total number from January to November 2005 reached 1,031,409, 49% more than the same period last year.

**Turkish Airlines will reopen its Istanbul-Kansai route*

Turkish Airlines (THY) will reopen its Istanbul-Kansai International Airport route with three flights weekly on June 14 this year. The airline has suspended the flight service since December 2003. By newly offering night departures from Kansai, it expects to gather more passengers from local regions of Japan. The flights will be served with A340-300 configured with 34 business class seats and 237 economy class seats. Like the four Istanbul-Narita flights weekly, the Kansai flights will be code-shared by JAL.

Flight schedules on the Istanbul-Kansai route are:

TK47 departs from Kansai at 22:45 to arrive at Istanbul at 5:05 on the next day (Monday, Thursday and Saturday).

TK46 departs from Istanbul at 23:45 to arrive at Kansai at 16:45 on the next day (Sunday, Wednesday and Friday).

**Departures from Kansai for this New Year holidays slightly decreased*

Osaka Immigration Bureau Kansai International Airport Office recently reported that the number of departures from the airport during 2005-2006 New Year holidays (December 28 2005 to January 9 2006) was slightly down 3.3% to 204,200 over the same period last year. On the other hand, the total number of departures and arrivals for the period was up 0.8% to 420,100 compared to a year ago, marking the most since 2001.

Kansai handled more departures for Taiwan, Guam/Saipan, Europe, North America and Thailand, while it did fewer departures for Indonesia, Hawaii, Hong Kong, China and Korea. Departure results by destination are as follows:

Korea = 30,300 (down 7.3%)

China = 27,100 (down 9.4%)

Hong Kong = 16,000 (down 15.3%)

Taiwan = 12,600 (up 28.6%)

Philippine = 2,000 (down 13.0%)

Thailand = 13,800 (up 5.3%)

Singapore = 7,500 (down 8.5%)

Indonesia = 2,600 (down 46.9%)

Other Southeast Asia = 8,500 (up 6.3%)

Mainland U.S. = 16,700 (up 5.7%)

Canada = 2,700 (up 8.0%)

Hawaii = 13,700 (down 20.8%)

Guam/Saipan = 14,400 (up 17.1%)

