

Japan's Leading Tourism and Aviation Weekly

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**JTB and JCB agree to launch a joint venture for innovative businesses*

JTB and JCB, the Japan’s leading credit card company, announced on May 30 that the pair has agreed to launch a joint venture “J & J Business Development Co.” in July this year to strengthen the current businesses and to develop innovative businesses by blending travel business and credit card payment know-how. The new company will be established with 490 million yen in capital.

JTB President and CEO Takashi Sasaki said, “I believe that the ticket-based payment will disappear five years or ten years later. Coupon-less or cashless payments are already going on in the travel industry. We will make up a new business platform by blending JTB’s serving travel and entertainment contents and JCB’s payment know-how. The new company is placed as a new strategic base for development of innovative businesses.”

JCB President and CEO Hiroya Nobuhara said, “JTB is the best partner for us to provide the best services. I expect that we can improve our services by providing a variety of JTB’s travel contents for our 55 million card members and also by taking advantage of both companies’ overseas networks.”

The new company will first merge both gift card and member card businesses as early as October this year because the businesses are expected to have higher and quicker synergy effect than other business areas. The business-scale in the area is approximately 110 billion yen in total. Sasaki revealed that the scale will expand by 25% or about 25 billion yen



five years later under J & J Business Development.

At the same time, JTB hopes to increase JTB customers by providing its travel entertainments and lifestyle contents for about 55 million JCB card members.

+Corporate solutions or overseas businesses will be developed in the future

J & J Business Development has a catchphrase of “For future creation of TE&F business.” TE&F stands for Travel Entertainment & Finance. JTB particularly aims to extend its business functions of ticket coupon, ID payment, communication, mobile phone, electric money, members’ points and C-REX by making the most of JCB’s payment know-how.

After the gift card and member card business, the new company will strengthen and expand corporate solutions, overseas businesses and financial services. For corporate solutions, a new business company may be established under J & J Business Development to supply welfare program services or business trip arrangements to corporate members with an IC card payment system, taking advantage of more than 2 million corporate members of JCB and JTB Benefit, a JTB Group company to provide welfare program service as an agency.

For overseas businesses, JTB and JCB aim to provide higher quality and effective services by merging both companies’ overseas networks. For financial services, JCB hopes to expand its travel funding business by using JCB’s payment know-how.

JCB President Nobuhara also mentioned: “We have developed Hawaii Campaign since September last year in cooperation with JTB. Also, we would like to work together with JTB in developing an inbound travel campaign, as we have more than 47 million JCB card members overseas particularly in Asia, many of who are likely to be interested in traveling in Japan.”

*JTB suffered from increase of expenses but posted more net profit for FY2005

JTB released the consolidated financial result for FY2005 (April 1 2004 to March 31 2005) on May 26, reporting that it posted more net profit than FY2004, though it largely decreased operating profit due to increase of operating expenses. According to the financial report, sales was up 2.2% to 1,263 billion yen over FY2004, however sales cost and sales expenses/administrative expenses were up 3.3% to 983 billion yen and up 2.1% to 265 billion yen respectively compared to a year ago.

Operating profit and ordinary profit for FY2005 each largely decreased by 40.8% to 14.3 billion yen and by 24.2% to 23.1 billion yen over FY 2004. However, JTB finally improved to net profit of 11.5 billion yen for FY2005 from net loss of 2.8 billion yen for FY2004 because of the positive rebound from the last financial result, in which JTB posted special losses related to allowances for retirement and fixed assets.

JTB defined FY2005 as a year to complete large-scale business reform and to shift from general travel industry to cultural exchange industry.

Out of the whole sales for FY2005, sales of the travel business was up 2.2% to 1,123 billion yen over FY2004, broken down into 626.2 billion yen for the domestic travel business (up 4.4%), 466.3 billion yen for the overseas travel business (down 1.5%) and 30.7 billion yen for inbound travel business (up 17%). The Aichi Expo was a large factor for the growths in the domestic travel and the inbound travel businesses, while the anti-Japan demonstrations discouraged the overseas travel business particularly for China and Korea.

JTB handled a total of 3,391,522 overseas travel customers for FY2005, 1.2% more than a year ago. The detailed results by destination were 491,220 for Hawaii (up 5.8%), 388,333 for Micronesia (down 9.5%), 358,142 for North America (up 5.7%), 1,385,466 for Asia (down 1.2%), 479,410 for Europe and Russia (up 11.4%) and 253,632 for Oceania (up 0.3%).

JTB remarkably increase sales associated with e-commerce by 31.9% to 72.5 billion yen for FY2005 compared to FY2004, broken down into 57.5 billion yen from internet sales (up 37.7%) and 15.1 billion yen from convenience store sales (up 13.5%).

The internet sales mainly included 36 billion yen from domestic accommodations (up 39.9%), 6.4 billion yen from overseas package products (up 62%) and 6 billion yen from media products (up 54%).

The convenience store sales mainly consisted of 5.8 billion yen from highway bus tickets (up 54.2%), 3.9 billion yen for admissions (up 5.1%) and 2.5 billion yen from ski-lift tickets (down 6.8%).

Major consolidated subsidiaries of JTB resulted in better ordinary profits for FY2005: 2,300 million yen for JTB Traveland, 1,200 million yen for JTB Communication, 900 million yen for JTB Estate, 900 million yen for JTB Hawaii, 800 million yen for JTB Publishing, 740 million yen for JTB Trading, 700 million yen for Pacific Tour Systems, 690 million yen for JTB Global Marketing & Travel and 380 million yen for JTB World Vacations.

JTB estimates sales at 1,280 billion yen, ordinary profit at 14 billion yen and net profit at 7 billion yen for FY2006 ended March 31 2007. Through FY2006, JTB Holdings will invest 8 billion yen to new business developments, business tie-ups and system developments, particularly focusing on business tie-ups with companies in Asia for expansion of MICE business.

**U.S. tourism promotional campaigns will start after the end of World Cup*

U.S. Department of Commerce (DOC) will officially begin the tourism promotional campaigns in the Japanese market in late June this year after the end of the World Cup in Germany, including advertising campaigns on TV or at stations and tie-up campaigns with media provider TSUTAYA and MITSUKOSHI department store.

Under the catchphrase of “You’ve seen the films, now visit the set,” the campaigns will feature memorable moments of the famous U.S. films to encourage Japanese tourists to visit the film sets in America. A screen scene of “Maid in Manhattan” for New York City, “Chicago” for Chicago, “Sweet Home Alabama” for Alabama or “Viva Las Vegas” for Las Vegas, for instance, will be featured on 30 seconds TV CM from middle to late July this year.

At the same time, about 400 campaign posters, maybe featuring “King Kong” or “Forrest Gump,” will be deployed at 20 key stations of JR and Tokyo Metro.

The tie-up campaign with TSUTAYA consists of two efforts, one of which is a specially set up website “SEE America in TSUTAYA” promoting Hawaii, New York, New Orleans, Chicago, San Francisco and Texas. The other is tie-up promotion at its Roppongi Hills shop, where films, books or CDs related to particularly Hawaii, New York and New Orleans are displayed. The tie-up campaign will run from June 28 to August 6.

In the tie-up with MITSUKOSHI department store, “See America Fair” event will be offered from July 11 to 19, introducing seven films of “Ocean’s Eleven” for Las Vegas, “Miami Vice” for Miami, “Mona Lisa Smile” for Massachusetts, “Jerry Maguire” for Arizona, “Sideways” for California and “Sleepless in Seattle” for State of Washington. At the event hall, tour desks will be set up to sell package tours related to the displayed destinations, and also the related products, such as California wines, will be sold.

+ "SeeAmerica.jp" will be renewed completely

In accordance with the promotional campaigns, “SeeAmerica.jp (<http://www.SeeAmerica.jp>),” which is a portal site managed by TIA, will be renewed in link to the campaigns. Even after the campaigns end in September this year, the site will offer “Online Marketing Campaign” focusing on particular regions of America and online sweepstakes on quizzes of American films.

A series of the promotional campaigns will be developed in the Tokyo Metropolitan area mainly, however DOC expects that “SeeAmerica.jp” or the tie-up with TSUTAYA will give significant effects nationwide.

+ Survey finds about 13 million people knew the campaigns in U.K.

The survey for the campaign effects in the U.K., where the campaign was conducted first, finds that about 13 million people acknowledged the campaign development, and more than 1 million unique users accessed the campaign website.

Also, the survey reports that about 2 million people want to travel America within the next two years.

Although DOC does not have a particular target for the campaigns in Japan, it expects that the promotional efforts will create more effective results than those in the U.K.

**Narita South Wing of the 1st PTB opens with Star Alliance together*

Star Alliance celebrated open of new South Wing of the first passenger terminal building at Narita Airport on June 2 this year, joined by Star Alliance CEO Jaan Albrecht, ANA President and CEO Mineo Yamamoto, United Airlines President, Chairman and CEO Glenn Tilton and representatives from Air Canada, Asiana Airlines, Thai Airways International and Scandinavia Airlines.

Albrecht said, “Star Alliance introduces co-automatic check-in machines for the alliance members at Narita for the first time. This is one of the examples for our worldwide strategy of “Moving under one Roof.” I believe the concept is giving our customers better services and us a big merit for cost management.” Across its network, Star Alliance currently has ongoing co-location projects in Bangkok, London-Heathrow, Los Angeles, Madrid, Miami and Paris.

Yamamoto said, “Out of 20 Star Alliance members including Shanghai Airlines and Air China who have just joined in the alliance, ten airlines use the new South Wing. I believe Star Alliance members will increase passengers as we can provide smoother connections for them at Narita.”

Also, Tilton said, “The Narita airport complex embodies a vision of international aviation in which Star members work together to improve efficiency and better serve our customers. Our customers deserve nothing less.”

One of the new efforts for togetherness of Star Alliance is “zonal check-in procedure” for the first time in the industry. Under common check-in counters for the member airlines, passengers complete check-in procedures at zones by class: B zone for first class, C zone for business class and E/F zone for economy class).

Also, A zone for Star Alliance Gold Members and D zone for passengers without check-in baggage are available D zone is effective to ANA, United Airlines, Air Canada and Austria Airlines today and will be effective to other Star Alliance members step by step.

Exceptionally Singapore Airlines offer check-in procedures at G zone only. H/I/J zones are used by other airlines than Star Alliance, and K zone is dedicated to travel agent check-in counters.

Security check points exclusively for first class passengers and senior mileage club members will be set up as early as July next year.



**Centrair achieved net profit much earlier than the initial target*

Central Japan International Airport (Centrair) Co. released the financial result for FY2005 (April 1 2005 to March 31 2006) on May 25 this year, reporting that it achieved net profit of 2,111 million yen for the practically first fiscal year,

much earlier than the initial target to achieve annual net profit within five years since it opened in February 2005.

The airport company posted operating profit of 9,031 million yen and recurring profit of 2,313 million yen on annual revenue of 52,637 million yen, handling a total of 11.65 million passengers, which were broken down into 6.5 million domestic flight passengers and 5.15 million international flight passengers.

The positive financial result was attributed to special demands from the Aichi Expo and the opening year. Also, the airport company benefited from lower burden on fixed asset tax in the last fiscal year, the company explained.

It is distinctive that Centrair has a share of 38.4% for non-aviation revenue (revenue from commercial activities in the terminal), which is very close to a share of 43.0% for aviation revenue. The rest of 18.6% is for revenue from tenant fees.

Financial estimations for full year of FY2006 are revenue of 52,600 million yen recurring profit of 150 million yen and net profit of 100 million yen. The company expects to increase aviation revenue due to increase of flights, while to decrease non-aviation revenue because of no more special demand.

Also, Centrair forecasts that the number of passengers for FY2006 will reach more than 12 million, including 5.3 million international flight passengers, on more than 100 domestic flights a day and more than 380 international flights a week.

At the same time, the airport company released the midterm corporate plan by FY2009, in which it aims to increase revenue by 8.3% to more than 57,000 million yen for FY2009 compared to FY2005 and to liquidate cumulative debts completely. It hopes to begin paying dividend in FY2009.

The forecast for FY2009 is based on targets of more than 13.3 million passengers, 14% more than those for FY2005, which are broken down into 6.1 million international passengers and 7.2 million domestic passengers, and also of more than 105 domestic flights a day and more than 450 international flights a week.

Central Japan International Airport Co. Vice President Kunikatsu Yamashita said at a news conference on the same day as the financial result was announced, "We will positively consider a possibility to reduce landing fees," although he added it depends on increase of revenue by expansion of flight networks.

He also mentioned how the Haneda re-expansion project will influence the airport after FY2009: "It may give us a negative impact. However I believe we will have a different advantage at that time. A good example is highly frequent international flight operations by Boeing 787, which will be introduced by ANA first. The kind of operation is suitable to our type of airport."

**Centrair resulted in 8% reduction of passengers for April*

Central Japan International Airport Co. recently reported that the number of passengers for April this year was down 8% to 887,400 over the same month last year because of negative rebound from special demand encouraged by the Aichi Expo a year ago. The total consisted of 418,500 international flight passengers, 1% smaller than a year ago, and 468,900 domestic flight passengers, 13% smaller than a year ago.

Likewise, sales in the terminal for April this year decreased by 27% to 1,987 million yen compared to a year ago. Sales from duty-free shops increased by 3% to 711 million yen, however sales from general retail shops and restaurants each decreased by 37% to 794 million yen and by 36% to 482 million yen.

On the other hand, the airport still kept high growth of international cargo handling, as it handled 22,558 tons for April this year, 49% more than a year ago, which were broken down into 12,581 tons for loading (up 66%) and 9,977 tons for unloading (up 32%).

Aircraft movements for April this year totaled 8,759, 3% more than a year ago. The monthly total consisted of 3,076 aircraft movements for international flights, 11% more than a year ago, and 5,683 aircraft movements for domestic flights, almost the same as a year ago. The total of international aircraft movements was broken down into 2,611 for passenger flights (up 4%), 405 for cargo flights (up 106%) and 60 for others (down 14%).

***Narita marked 7% increase of foreigner arrivals for April**

Narita International Airport Co. (NAA) reported on May 25 that the number of passengers for April this year was slightly up 1% to 2,502,302 over the same month last year, broken down into 2,417,736 international flight passengers (up 2%) and 84,566 domestic flight passengers (down 6%).

Out of the monthly total of international flight passengers, Narita decreased Japanese passengers by 1% to 1,386,274, however increased foreigner passengers and transit passengers by 7% to 780,990 and by 1% to 250,472 respectively compared to a year ago.

Narita has suffered from year-on-year decreases of domestic passengers since November last year.

In April, Narita handled a total of 15,420 aircraft movements, comprised of 14,358 for international flights and 1,062 for domestic flights. The aircraft movements for international flights were broken down into 11,870 for passenger flights, 2,276 for cargo flights and 212 for others.

Aircraft movement results by destination are as follows:

Transpacific = 2,815 (down 2%)

Asia = 1,929 (down 7%)

Europe = 1,446 (down 3%)

China = 1,880 (up 4%)

Korea = 1,137 (even)

Oceania = 533 (down 3%)

Guam = 476 (down 15%)

Hong Kong = 787 (up 2%)

Taiwan = 782 (up 17%)

Africa = 26 (even)

***Kansai marked year-on-year growth of international flight passengers**

Kansai International Airport Co. reported on May 24 that the number of international flight passengers for April this year was up 1% to 894,900 over the same month last year, which represented the year-on-year growth for the first time in the last seven months. The airport handled more than 300,000 foreigner arrivals monthly for the first time since it opened.

The number of domestic flight passengers for April 2006 was up 3% to 418,445 over the same month 2005, marking year-on-year growth for 13 consecutive months.

The airport handled a total of 9,299 aircraft movements for April this year, 1% more than a year ago, broken down into 5,951 for international flights (down 1%) and 3,348 for domestic flights (up 4%). The aircraft movements for international flights consisted of 4,722 for passenger flights (down 2%), 1,111 for cargo flights (even) and 118 for others (up 27%).

***EVA Airways officially announces beginning of Centrair-Taipei flights**

EVA Airways of Taiwan officially announced on May 24 that it will begin serving five flights weekly (Monday, Tuesday, Wednesday, Friday and Saturday) between Taipei and Central Japan International Airport (Centrair) on July 10 this year. Combined code-share with Air Nippon (ANK)'s daily flights, EVA will offer a total of 12 flights weekly on the route. The new flight service will be operated by A330-200 (24 Premium class seats and 228 economy class seats).

Centrair is the 6th airport of Japan for EVA to fly into, following Narita, Kansai International, Fukuoka, Sendai and Sapporo. The airline will also increase flight services for Kansai International to nine flights weekly on July 10 this year from seven flights weekly today. Including nine flights weekly for Sapporo, four flights weekly for Sendai, 25 flights weekly for Narita (including code-sharing flights with ANK), EVA will serve a total of 66 flights weekly for Japan after July 10 this year.

**JTA enjoyed the highest operating revenue ever*

Japan Transocean Air (JTA), one of the JAL Group dedicated to Okinawa flights, reported on May 24 that it achieved the highest operating revenue in its history in the FY2005 financial result, increasing by 4.3% to 43,088 million yen compared to FY2004. However, operating profit was down 31.9% to 1,086 million yen because higher fuel cost and maintenance cost forced JTA to increase operating expenses by 5.7% to 42,001 million yen.

For FY2005, JTA posted ordinary profit of 1,016 million yen, 26.4% less than a year ago, and net profit of 676 million yen, 25.6% less than a year ago.

Through the fiscal year, JTA carried a total of 2,662,909 revenue passengers, 3.2% more than a year ago, which also represented the most ever result because of high tourist demand for Okinawa. The load factor for FY2005 was 69.5%, improving from 67.6% for FY2004.

For full year of FY2006, JTA estimates operating revenue at 44,400 million yen (3% more than FY2005), operating profit at 700 million yen (35.5% less than FY2005), ordinary profit at 600 million yen (40.9% less than FY2005) and net profit at 400 million yen (40.8% less than FY2005). The negative financial forecast is because JTA forecasts operating expenses will further increase by 4% to 43,700 million yen for FY2006 compared to FY2005.

**ANA still increased, but JAL still decreased domestic flight passengers*

The Ministry of Land, Infrastructure and Transport recently reported that the number of domestic flight passengers for April this year totaled 7,190,091, slightly 1.7% more than the same month last year, on 11,978,021 available seats in total, 0.3% more than the same month last year. The load factor was 60.5%.

The number of passengers on trunk routes was down 3.1% to 2,835,442 on 4,544,050 seats. The load factor was 62.4%. On the contrary, the number of those on local routes was up 5% to 4,354,649 on 7,433,971 seats. The load factor was 59%.

Passenger results by airline:

JAL = 2,779,829 (down 4.6%), broken down into 1,257,554 on trunk routes (down 7.8%) and 1,522,275 on local routes (down 1.8%)

ANA = 3,474,856 (up 3.3%), broken down into 1,374,414 on trunk routes (up 3.9%) and 2,100,442 on local routes (up 3.0%)

JTA = 231,913 (up 4.4%), broken down into 20,323 on trunk routes (down 4.3%) and 211,590 on local routes (up 5.4%)

JAC = 114,793 on local routes only (up 5.2%)

JEX = 136,391 on local routes only (up 48.9%)

SKY = 163,800 (down 3.2%), broken down into 77,257 on trunk routes (down 30.3%) and 86,343 on local routes (up 48.6%)

ADO = 157,810 (up 7.1%), broken down into 105,894 on trunk routes (down 0.6%) and 51,916 on local routes (up 27.2%)

SNA = 76,325 on local routes only (up 34.6%)

SFJ = 54,574 on a local route