

Japan's Leading Tourism and Aviation Weekly

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San-Miyanaga Building, 5-12 Moto-Akasaka 1-chome, Minato-ku, Tokyo 107-0051, Japan
Phone: 81-3-3796-6646, Fax: 81-3-3796-6645
mailto:jwtw@jwing.com , http://jwing.com/e/ (English) , http://jwing.com/ (Japanese)
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**JAL fell into the large red due to operational problems and higher fuel cost*

JAL released the financial result for FY2005 (April 1 2005 to March 31 2006) on May 10, reporting that it posted net loss of 47.2 billion yen, largely dropping from net profit of 30 billion yen for FY2004. Although JAL increased revenue by 3.3% to 2,199 billion yen for FY2005, it fell into operating loss of 26.8 billion yen for FY2005 from operating profit of 56.1 billion yen for FY2004 mainly because it had suffered from fuel cost of additional 88.2 billion yen through the fiscal year. At the same time, it posted ordinary loss of 41.6 billion yen for FY2005, largely reducing from ordinary profit of 69.8 billion yen. As a result, JAL does not pay dividend at all.

JAL posted revenue of 690.2 billion yen for the international passenger flight business for FY2005, 18.9 billion yen more than a year earlier, due to 5.2% higher unit price on average since rise of fares and addition of fuel surcharges on its international flights. Through the fiscal year, JAL had revised its international flight networks particularly on unprofitable resort routes. JAL reduced ASK by 2.3% to 97,174,777 thousand seat kilometers and RPK by 2.2% to 67,434,613 thousand passenger kilometers. It carried a total of 14,187,626 passengers on its international flights for FY2005, 3.8% smaller than a year ago.

JAL lost revenue of 14.7 billion yen for the domestic passenger flight business, finally posting revenue of 659.9 billion yen. Through FY2005 JAL had suffered from reduction of individual passengers primarily because of a series of operational problems, carrying a total of 43,848,755 passengers on its domestic flights, 1.9% smaller than a year ago. JAL also decreased ASK by 1.9% to 51,415,813 thousand seat kilometers and RPK by 1.4% to 32,910,535 thousand passenger kilometers.

On the other hand, JAL succeeded in increasing international cargo revenue to 180.5 billion yen for FY2005 from 171.4 billion yen for FY2004.

JAL aims to achieve net profit of 3 billion yen for FY2006 ended March 31 2007 by making efforts to reduce costs and focusing on business strategies for first and business class customers particularly. Revenue target for FY2006 is 2,301 billion yen, comprised of 725 billion yen from the international passenger flight business, 703 billion yen from the domestic passenger flight business, 198 billion yen from the international cargo business and 675 billion yen from other businesses.

Also JAL estimates operating profit at 17 billion yen (43.8 billion yen more) and ordinary profit at 0.5 billion yen (42.1 billion yen more) for FY2006. However, dividend will not be paid again.

The financial outlook is based on 120 yen to the dollar and \$75 per barrel on a Singapore Kerosene basis.

**Japanese visitors to the mainland U.S. resulted in just 0.3% increase in 2005*

The latest U.S. Department of Commerce (DOC)'s report finds that the number of Japanese visitors to the mainland U.S. for 2005 was just up 0.3% to 1,406,000 compared to 2004, while those for Hawaii and Guam increased by 3.8% to 1,604,000 and by 11% to 932,000 respectively. The total number of those to the U.S. for 2005 was up 3.6% to 3,883,906 compared to 2004.

A market share of Japanese visitors in the mainland U.S. accounted for 36.2% in 2005, dropping from 37.4% in 2004. Hawaii had a share of 41.3% for Japanese visitors in 2005, 0.1 points higher than the share in 2004. Guam raised a share of Japanese visitors to 24% in 2005 from 22.4% in 2004.

In the mainland, California accepted the most Japanese visitors in 2005, increasing those by 14.6% to 722,000 over a year ago and raising a share to 18.6% in 2005 from 16.8% in 2004 in the mainland U.S. New York had 353,000 Japanese visitors with a share of 9.1%, followed by Nevada with 194,000 Japanese visitors.

The highest growth rate was recorded by Washington that increased Japanese visitors by 30% to 78,000 in 2005 compared to 2004. Also, Texas increased Japanese visitors by 3.1% to 66,000 in 2005 compared to 2004. On the other hand, Florida largely decreased those by 19.5% to 66,000 in 2005 compared to 2004.

Several west coast cities successfully increased Japanese visitors. Seattle marked the highest growth by increasing Japanese visitors by 39.3% to 78,000 in 2005, followed by San Jose with 34.7% up to 66,000, Anaheim with 32.8% up to 85,000, San Francisco with 23.5% up to 268,000 and San Diego with 15.5% up to 82,000.

On the contrary, New York City decreased Japanese visitors by 7.1% to 299,000 in 2005 compared to 2004. Also, Las Vegas and Orlando each decreased those by 12.4% to 190,000 and by 14.6% to 35,000 in 2005 compared to 2004.

In Hawaii, the number of Japanese visitors for Honolulu slightly decreased by 1.7% to 1,348,000 in 2005, but the number of those for Hawaii Island remarkably expanded by 114.3% to 120,000 in 2005, compared to 2004.

+Spending by Japanese visitors reached the highest in the last five years

The survey conducted for part of Japanese visitors finds that package tour travelers accounted for 42% of all vacation travelers, almost the same share as a year ago. The first-timers to the U.S. accounted for 28% in 2005, dropping from 30% in 2004. In the survey on transportation in the U.S., rent-a-car had a share of 23% in 2005, almost the same share as a year ago, and air transport raised its share to 21% in 2005 from 20% in 2004. The average stay days were 7.3 days in 2005, shorter than 7.7 days in 2004.

Spending by Japanese visitors through 2005 totaled \$12.9 billion, 29% more than 2004. The annual total was the highest in the last five years, exceeding \$10.2 billion in 2000, when more than 5 million Japanese visited the U.S. Also, the year-on-year growth rate was the second largest, following 32% growth in 2004.

The number of Japanese visitors for January 2006 was up 5.6% to 313,689 over the same month last year.

**Fifty major travel agents resulted in 2.0% increase of travel transactions for FY2005*

The Ministry of Land, Infrastructure and Transport recently reported that travel transactions of fifty major travel agents for FY2005 (April 2005 to March 2006) totaled 5,741.4 billion yen, 2.0% more than those for FY2004, marking the second largest transactions since 2000.

Despite several negative factors, such as the anti-Japan demonstrations in China, overseas travel transactions for FY2005 were up 2.6% to 2,447.6 billion yen compared to FY2004. Also, domestic travel transactions for FY2005 were up 1.5% to 3,264.5 billion yen compared to FY2004 primarily due to the special demand by the Aichi Expo. At the same time, fifty major travel agents increased foreigners-inbound travel transactions by 13.3% to 29.3 billion yen in total for FY2005 compared to FY2004 because of visa waiver for Korean and Taiwanese travelers and of effective Visit Japan Campaign.

The overseas travel business had preferably recovered through FY2005, as the year-on-year growth rates of overseas transactions were 7.9% increase in the first quarter, 1.3% decrease in the second quarter, 1.5% increase in the third quarter and 3.9% increase in the fourth quarter.

Transactions of overseas package tours for FY2005 were slightly up 0.8% to 755.6 billion yen with 4,640,507 customers, 3.2% smaller than FY2004. Those of domestic package tours for FY2005 were also up 5.4% to 1,014.4 billion yen with 40,221,201 customers, 5.0% more than FY2004. On the contrary, those of foreigners-inbound package tours for FY2005 were down 23.1% to 635 million yen with 40,370 customers, 12% smaller than FY2004.

The average unit prices were 162,827 yen an overseas package tour (156,419 yen in FY2004), 25,220 yen a domestic package tour (25,142 yen in FY2004) and 15,732 yen a foreigner-inbound package tour (18,008 yen in FY2004).

Out of fifty major travel agents, 28 succeeded in growing travel transactions for FY2005. Travel agents recording double-digit growths in FY2005 were HIS (up 12.9%), JAL Tours (up 10.2%), Travel Plaza International (up 23.1%), Hanshin Electric Railway (up 12%) and R&C Tours (up 12.7%).

+Overseas travel transactions soared in March this year

In March 2006, travel transactions of fifty major travel agents totaled 500 billion yen, 3.4% more than the same month 2005. Out of the monthly total, overseas travel transactions were largely up 7.8% to 214.8 billion yen over the same month 2005, marking year-on-year growth for two consecutive months. Domestic travel transactions for March this year were slightly up 0.5% to 283.2 billion yen over the same month last year. However, foreigners-inbound travel transactions were largely down 18% to 2.1 billion yen over the same month 2005.

In the package tour segment, overseas travel and domestic travel transactions increased by 7.3% to 63.5 billion yen with 440,271 customers (up 4.1%) and by 5.8% to 98.2 billion yen with 4,085,023 customers (up 5.8%) for March 2006 respectively compared to a year ago.

In March this year, 27 of fifty major travel agents achieved year-on-year growths of travel transactions, and the following nine travel agents marked double-digit growths: Hankyu Express International (up 13.3%), HIS (up 17.1%), JTB World Vacations (up 16.7%), Club Tourism (up 16.9%), JTB Business Travel Solutions (up 12%), Big Holiday (up 12.6%), Travel Plaza International (up 18.6%), R&C Tours (up 14.8%) and Hitachi Travel Bureau (up 25.4%).

**JTB slightly decreased overseas travel transactions for FY2005*

JTB recently reported that the total travel transactions for FY2005 (April 2005 to March 2006) reached 1,333 billion yen, 0.8% more than a year earlier. Out of the total, domestic travel transactions increased by 1.5% to 915.8 billion yen for FY2005, but overseas travel transactions slightly decreased by 0.8% to 411.2 billion yen for FY2005. International travel transactions were down 6.9% to 5.9 billion yen for FY2005.

The monthly travel transactions for March 2006 were up 2.6% to 113.6 billion yen over the same month last year. Out of the monthly total, overseas travel transactions largely increased by 8.6% to 36.1 billion yen compared to a year ago, including 11.9 billion yen for group travels (up 6.2%), 18.7 billion yen for package tours (up 14.9%) and 3.9 billion yen for FIT (down 1.4%).

JTB resulted in 3.8% increase of overseas travel customers in March 2006, as JTB increased customers for Taiwan by 59.9%, North America by 32.2%, Singapore by 30.6% and Europe and Russia by 13.9% compared to a year ago. However, JTB decreased customers for China by 21.9% and those for Korea by 17.1% compared to a year ago.

JTB slightly increased domestic travel transactions for March 2006 by 0.3% to 77 billion yen over the same month 2005, including 15.1 billion yen for group travels (up 1.8%), 33.7 billion yen for package tours (up 7.0%) and 26.7 billion yen for individually arranged travels (down 6.5%).

International travel transactions for March 2006 were down 27% to 468 million yen over the same month 2005.

**Haneda-Gimpo charters carried 70% more passengers for FY2005*

The latest international charter flight report, released by the Ministry of Land, Infrastructure and Transport, finds that airlines of Japan (not include airlines of Korea) provided a total of 2,432 charter flights between Haneda Airport and Gimpo Airport in Seoul for FY2005, 66.5% more than FY2004, carrying a total of 496,807 passengers, 70.1% more than FY2004. The number of the charter flights has increased from four return flights a day to eight return flights a day since August last year, according to the administrative decision.

The total number of passengers for the charters was broken down into 315,787 individual passengers and 181,020 ITC charter passengers. Even though the flights are defined as charters, those are partially permitted for individual passengers.

In addition, airlines of Japan offered 236 charter flights for Guam with 48,769 passengers, three for Honolulu with 1,102 passengers, four for Urumqi with 984 passengers, eight for Cheju of Korea with 976 passengers, two for Ulan Bator of Mongolia with 388 passengers and two for Las Vegas with 572 passengers from Haneda Airport.

Also, airlines of Japan offered a total of 164 international charter flights from Narita Airport through FY2005, including 76 charter flights for Koror of Palau with 14,546 passengers, 17 for Fairbanks of Alaska with 5,347 passengers, 11 for Anchorage of Alaska with 3,139 passengers and six for Bahrain with 1,878 passengers.

The third largest airport for international charter flight operation was Shin-Chitose Airport (Sapporo), from which 112 charters were offered, including 41 for Hong Kong with 13,019 passengers, 35 for Honolulu with 9,616, 16 for Taipei with 4,655 passengers, two for Kaohsiung of Taiwan with 502 passengers and eight for Seoul with 1,642 passengers. The charters for Taiwan mainly met inbound travel demand into Japan.

**JAL and ANA carried more passengers during this GW than a year ago*

JAL and ANA released the air traffic reports during the Golden Week period this year (April 28 to May 7 this year), reporting that both airlines carried more passengers on domestic and international flights than a year ago. Each particularly succeeded in 43.3% and 37.8% increases of passengers for China during the period.

JAL Group (JAL/JTA/JEX/RAC/JAC/HAC) carried a total of 1,282,789 passengers on its domestic flights during the GW period this year, 3.0% more than a year ago, providing a total of 1,939,842 seats, just 0.7% more than a year ago. The load factor was accordingly 66.1%.

On its international flights operated by JAL, JAL Ways and Japan Asia Airways, the number of passengers decreased by 2.8% to 181,985 compared to a year ago, however the reduction rate was smaller than 9.7% reduction of available seats during the period. The load factor was 66.8%. Passenger growths were seen on China flights with 44.3% increase, Korea flights with 9.9% increase, transpacific flights with 5.8% increase and Southeast Asia flights with 3.6% increase, while passenger reductions were seen on Honolulu flights with 19.2% decrease, Guam flights with 51.4% decrease, Europe flights with 13.6% decrease and Oceania flights with 4.9% decrease.

Supplying 1,975,577 seats on its domestic flights for the GW period this year, 0.9% more than a year ago, ANA Group carried a total of 1,285,171 passengers, 3.0% more than a year ago. The load factor was 66.1%.

ANA Group carried a total of 61,510 passengers on its international flights during the period, 23.7% more than a year ago, while it supplied 88,109 seats, 7.1% more than a year ago. The load factor was 69.8%. ANA increased passengers on all of its flight routes except Europe: on China flights with 34.8% increase, Asia flights with 20.2% increase, transpacific flights with 11.2% increase and resort flights with 11.1% increase.

**Star Flyer achieved load factor of 67.8% during the GW period*

Star Flyer, the start-up airline, achieved load factor of 67.8% on its flights between Haneda and New Kitakyushu Airport during the Golden Week period this year by carrying a total of 23,053 passengers on 33,984 seats. The highest load factor during the period was 87.3% on May 7, the last day of GW.

Skymark Airlines achieved load factor of 80.9% on its three routes of Haneda-Fukuoka, -Kobe and -Sapporo by carrying 103,538 passengers on 127,596 available seats. Hokkaido International Airlines or Air Do carried a total of 59,937 passengers on 66,159 available seats on its four routes during the period, resulting in load factor of 90.6%.

**Narita handled the most passengers during this GW in its history*

Narita International Airport Co. (NAA) reported on May 11 that the airport handled 733,900 passengers in total during the Golden Week period this year, 4.3% more than a year earlier. The total consisted of 367,600 departures, 1.6% more than a year earlier, and 366,300 arrivals, 5.1% more than a year earlier. Each result was the highest ever in the Narita's history.

NAA said that it increased passengers for short-haul destinations, such as Southeast Asia, China or Korea. The busiest day for departure was on April 29 with 49,200 passengers, and the busiest day for arrival was May 7 with 56,300 passengers.

During the period, Narita operated 5,010 flights, 0.2% more than a year earlier, including 4,384 passenger flights.

**Narita will start renewing the 2nd PTB as well*

Narita International Airport Co. (NAA) Senior Vice President Michio Kamiko revealed at a regular press conference on April 28 that NAA would start renewing check-in counters, including automatic check-in machines, this year and complete to install an inline screening system by spring 2008 in the 2nd passenger terminal building to upgrade the terminal functions to the same level as the newly opened South Wing of the 1st PTB.

At the same time, NAA is planning to extend the duty-free shops in the 2nd PTB, which will be managed directly by NAA, estimating annual sales at around 12 billion yen. As reported before, NAA expects to have annual sales of around 14 billion yen at the new duty-free shop arcade in the South Wing of the 1st PTB, which will open on June 2 this year.

The planned renewal project also includes two additional fixed gates in the 2nd PTB, totaling 30 fixed gates. NAA estimates to invest 19 billion yen approximately for the renewal project for the 2nd PTB by FY2010.

Kamiko also said that NAA would prepare two boarding bridges exclusively for A380 in the 1st PTB until the first half of next year, when Singapore Airlines flies A380 for Narita. Exclusively for A380 operation, Narita will ultimately equip four boarding bridges in the 1st PTB and one in the 2nd PTB.

NAA is still making efforts to gain full understanding of noise prevention, simultaneously including increase of annual aircraft movements to 220,000, from local communities in accordance with northward extension of the 2nd runway. Kamiko revealed that NAA would be able to apply for start of the extension project to the Ministry of Land, Infrastructure and Transport as early as this summer.