

Travel Prospects for 2006

--More Overseas Travelers for Third Straight Year: +3.4% Growth to New Record 18m--
 --Domestic Travel Also Slightly Up (+0.3%) Thanks to Healthier Economy--
 --VJC* and Visa Abolition for Korea and Taiwan Boost Overseas Visitors +6.3% to 7.1m--

JTB Corp. has just published the results of a survey of projected travel trends in 2006. The survey covers all journeys by Japanese travelers (including business travel and traditional vacations to the family home) where more than one night is spent away from home, plus overseas visitors to Japan, and is based on projected trends in various economic indicators, surveys of the actual travel situation, and questionnaires answered by travel-industry representatives. It is the 26th such survey since the first, in 1981, and shows the following results.

	Predictions for 2006		Estimates for 2005		
		% prev. yr.	Provisional	% prev. yr.	Initial
Cumulative total no. of travelers	344,000,000	100.5	342,350,000	101.5	344,400,000
No. of domestic travelers	326,000,000	100.3	324,950,000	101.4	327,000,000
No. of overseas travelers	18,000,000	103.4	17,400,000	103.4	17,400,000
Average expenditure (per person, per journey)					
On domestic travel	¥34,790 (\$303)	100.4	¥34,650 (\$301)	99.9	¥35,400 (\$308)
On overseas travel	¥297,200 (\$2,584)	101.8	¥291,900 (\$2,538)	100.6	¥306,200 (\$2,663)
Total travel expenditure	¥16.690 trillion (\$145.13 billion)	102.1	¥16.340 trillion (\$142.09 billion)	102.1	¥16.910 trillion (\$147.04 billion)
On domestic travel	¥11.340 trillion (\$98.61 billion)	100.7	¥11.260 trillion (\$97.91 billion)	101.3	¥11.580 trillion (\$100.70 billion)
On overseas travel	¥5.350 trillion (\$46.52 billion)	105.3	¥5.080 trillion (\$44.17 billion)	104.1	¥5.330 trillion (\$46.35 billion)
Average no. of journeys	2.69	+0.01	2.68	+0.04	2.70
No. of overseas visitors to Japan	7.1 million	106.3	6.68 million	108.8	7.1 million

Notes : Amounts in US dollars are calculated, for information purposes only, at a nominal rate of ¥115/US\$.
 Domestic expenditures include all costs from leaving home to return.
 Overseas expenditures include the cost of the overseas travel itself.
 Both domestic and overseas expenditures include locally purchased items and meals but exclude other expenses before or after the journey (clothing, hand luggage, photography, etc).
 Numbers of overseas visitors to Japan have been estimated but not the amounts to be spent.
 *VJC (in the title) refers to the Visit Japan Campaign.

Prospects for 2006

In 2006, trends in **travel by the wealthy and the elderly, particularly the ageing "baby boomers," and to major sporting events** will be worth watching. Although changes to Japan's tax laws are expected to increase the burden on family budgets, the fact that companies are doing well and share prices are rising will encourage a sense of economic recovery that reaches well into the general population. This will provide added impetus to the already healthy demand for travel and encourage positive developments in domestic and overseas travel.

The sequence of holidays that gave three-day breaks in February, March and September in 2005 will not occur in 2006, although **another three-day break will occur in November and there will be a five-day sequence in Golden Week**. Although the sequences are rather unfavorable, they are not expected to dampen unduly the strong demand for travel.

Domestic Travel

The number of domestic travelers is expected to rise slightly to 326 million (up 0.3% for the year). It seems that EXPO 2005 Aichi did not stimulate additional demand but worked to encourage people to travel to Aichi rather than going elsewhere. In 2006, this demand for travel with overnight stays will revert to the usual nearby hot springs, and only slight overall growth is expected. **Okinawa is expected to maintain its favorable record,** and Hokkaido will be helped not only by the boom following **designation of the Shiretoko Peninsula as a World Heritage Site** but also by the lower costs associated with Skymark Airlines' flights from Haneda Airport to the New Chitose Airport

In February and March, new airports will open in Kobe, Kita Kyushu and Tanegashima, and these are expected to generate new travel demand in western Japan.

Average expenditures on domestic travel (per person, per journey) will be very slightly higher than last year (+0.4%), at ¥34,790 (\$303), taking the total expenditure on domestic travel to ¥11.34 trillion (\$98.61 billion), up 0.7% for the year.

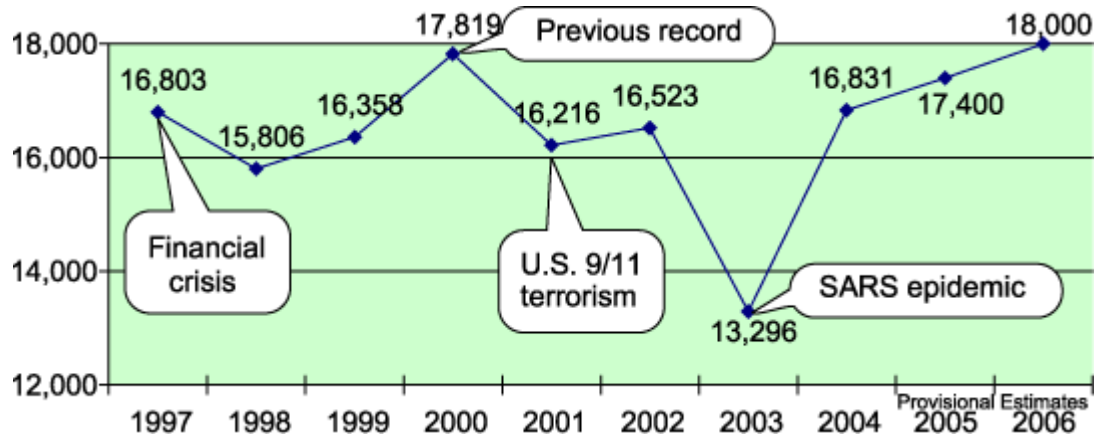
Overseas Travel

Healthy demand for business travel to Asia in general and China in particular, and to the United States, will combine with the effects of growing confidence in the economy, which are expected to encourage those who have been postponing travel. Unless a chicken 'flu epidemic breaks out, the number of Japanese going overseas is expected to **exceed 18 million (+3.4% for the year)**, higher than the 17.82 million in 2000 and setting new record.

Overseas travel in 2005 was hindered by the effects of anti-Japanese demonstrations in China and Korea, but gradual recovery is expected in 2006. Reductions in airline seat capacity on flights to Hawaii and pressure on hotel capacity there are a cause for concern, but travel to the U.S. Mainland is already recovering, and the effects of JAL's withdrawal of services to Saipan seems likely to be covered by more flights to Guam. In Asia, tourists are again making for the cities, and Macao--where the old quarter has been designated a World Cultural Heritage site and there are plans for several new hotel openings--seems sure to attract travelers. Increasing media coverage of the **Turin Winter Olympic Games and the Soccer World Cup will lead first of all to more travel to Italy and Germany** and we can look forward to a boom in travel to Europe,

However, travel costs are trending upwards under the influence of the fuel surcharge and higher exchange rates for the dollar and euro against the yen. While this is unlikely to dampen the desire to travel, it seems certain to encourage consumers to be much more discriminating in their search for higher cost/performance.

The average amount spent on overseas travel is put at ¥297,200 (\$2,584), +1.8% up for the year. The result will be to take the total expenditure for overseas travel to ¥5.35 trillion (\$46.52 billion, up +5.3%).

Graph: Trends in Japanese Overseas Travelers**Overseas Visitors to Japan**

The abolition of visa requirements for visitors from Taiwan and Korea and the cheaper yen promise continued buoyant demand. Indeed, the numbers of overseas visitors should exceed seven million for the first time in 2006, surging +6.3% to 7.1 million. A million overseas visitors were expected to visit EXPO 2005 Aichi Japan, but only limited numbers of them came just for the EXPO, and this will reduce the effect of the inevitable rebound.

While growth rates may drop back a little, **the increases in visitors from Asia are expected to continue.** American and European visitors are likely to be encouraged by higher dollar and euro exchange rates against the yen, and Australia has also become a major target of the "Visit Japan" campaign since 2005, so more Australian visitors are expected too. And although the numbers visiting Japan are still small, **major growth is expected in visitors from the BRIC nations (Brazil, Russia, India and China) compared with 2005.** If the ban on Chinese visitors to the United States were to be lifted, there would undoubtedly be a boom in travel to the U.S., raising the concern that Japan would face a major rival.

Japanese hot springs are popular with Taiwanese, and many more Australians are coming to ski at Niseko (Hokkaido). As the number of "repeaters" among visitors to Japan grows, **we are sure to see more travel with specific objectives and with itineraries that stray from the usual tourist routes.**

Three Hot Tourism Topics in 2006

Major Sporting Events Overseas

The Turin Winter Olympic Games, the World Baseball Classic and the World Cup in Germany will all be held in 2006. The Turin Winter Olympics will take place in February, then in March the first World Baseball Classic (WBC) will take place in California (Anaheim, San Diego). June will see Soccer's World Cup in Germany. Japanese athletes are expected to do well in all three, and although demand for tickets is unlikely to be swamped by Japanese would-be spectators, the growing volume of media coverage from these locations is bound to stimulate the desire to go abroad.

New Airports Open in Kobe and Kita Kyushu--New Routes Promise to Expand Demand

Just one year after the opening of the new Centrair Airport in central Japan on 17 February 2005, Kobe Airport will open on 16 February 2006, followed by the New Kita Kyushu and Tanegashima Airports on March 16. New airlines are starting up services to the new airports, Skymark at Kobe and Star Flier at the New Kita Kyushu Airport, and jets will now be able to serve Tanegashima, all promising to generate new demand.

Senior Citizens More Active in Overseas Travel--Set to Take the Lead in 2007

In the 1990s, it was the younger generation who led overseas travel demand, In 1990, those in their 20s accounted for 27.9% of demand, but by 2004 this had dropped to 18.4%, while those in their 50s rose from 14.7% to 18.6% and those over 60 from 9.8% to 15.4%, a major increase in the share of the middle-aged and elderly. Now, as many of the baby-boom generation are retiring, this trend will surely accelerate in and beyond 2006. Senior citizens' time is their own, and their freedom to choose off-season travel when rates are lower promises support at the low end of the market.

A Summary of Trends in 2005

Domestic Travel

Numbers: An Increase of 1.4% to 324.95 million: Against a background of encouraging economic trends, domestic travel demand tended to recover in 2005. The previous year, 2004, suffered very hot weather, numerous typhoons, and the Niigata-Chuetsu earthquake, all of which depressed demand, and the rebound has lifted the nominal growth rate.

EXPO 2005 Aichi Japan recorded 22m visitors, and was undoubtedly a beneficial influence, although it seems that less than half of that number actually used overnight accommodation.

Average Expenditure: This is put at ¥34,650 (\$301), 0.1% less than the previous year.

Overseas Travel

Numbers: An Estimated 17.4 million (3.4% up) 2005 got off to a good start when January recorded the largest number of departures ever. Surging demand for travel to Korea and China powered the market until April, but anti-Japanese demonstrations greatly depressed demand from May onwards, and from July the numbers dropped below the previous year. Nevertheless, for the entire year numbers seem set to reach 17.4 million, second only to the all-time record set in 2000. This was also the year in which Japanese visitors to Taiwan exceeded one million for the first time, a tribute to the popularity of Taiwan with the Japanese.

Average Expenditure: This is put at ¥291,900 (\$2,538), a 0.6% increase over the previous year.

Overall

Numbers: 342.35 million (an increase of 1.5% over the previous year)

Total Expenditure: ¥16.340 trillion (\$142.09 billion), an increase of 2.1%.

Overseas Visitors to Japan

Numbers: The total is put at 6.68 million (8.8% up on the previous year). The number of overseas visitors to Japan showed healthy trends throughout the 2005 year. With the "Visit Japan" campaign in full swing, the opening of the 2005 EXPO Aichi and the abolition of visa requirements for visitors from Korea and Taiwan, there were significant increases in the numbers of visitors from East Asia. Numbers seem headed for a new record of well over 6.6 million.

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Statistics for 1990~2004, Provisional Figures for 2005, and Estimates for 2006.

	Travelers (millions) (and % of prev. year)			Average Expenditure (per person, Yen)		Total Expenditure (billions of Yen)			Average No. of Journeys	Overseas visitors (million)
	Total	Domestic	Overseas	Domestic	Overseas	Both	Domestic	Overseas		
1990	322.53	311.54	11.00	37,666	559,965	17,892	11,734	6,158	2.61	3.24
	102.5%	102.2%	113.8%	104.4%	103.6%	110.3%	106.7%	117.9%	+0.07	114.1%
1991	328.33	317.70	10.63	39,406	526,968	18,123	12,519	5,602	2.65	3.53
	101.8%	102.0%	96.6%	104.6%	94.1%	101.3%	106.7%	91.0%	+0.04	109.0%
1992	331.23	319.44	11.79	40,303	502,742	18,802	12,874	5,927	2.66	3.58
	100.9%	100.5%	110.9%	102.3%	95.4%	103.7%	102.8%	105.8%	+0.01	101.4%
1993	328.09	316.16	11.93	39,194	441,075	17,654	12,392	5,262	2.63	3.41
	99.1%	99.0%	101.2%	97.2%	87.7%	93.9%	96.2%	88.8%	-0.03	95.3%
1994	333.87	320.29	13.58	38,566	404,798	17,850	12,352	5,497	2.67	3.47
	101.8%	101.3%	113.8%	98.4%	91.8%	101.1%	99.7%	104.5%	+0.04	101.8%
1995	332.38	317.08	15.30	37,911	386,851	17,940	12,021	5,919	2.65	3.35
	99.6%	99.0%	112.7%	98.3%	95.6%	100.5%	97.3%	107.7%	-0.02	96.5%
1996	339.42	322.73	16.69	38,080	404,100	19,040	12,290	6,750	2.70	3.84
	102.1%	101.8%	109.1%	100.4%	104.5%	106.1%	102.2%	114.0%	+0.05	114.6%
1997	341.70	324.90	16.80	38,540	396,500	19,180	12,520	6,660	2.71	4.22
	100.7%	100.7%	100.7%	101.2%	98.1%	100.7%	101.9%	98.7%	+0.01	109.9%
1998	334.54	318.73	15.81	38,080	384,100	18,210	12,140	6,070	2.64	4.11
	97.9%	98.1%	94.1%	98.8%	96.9%	94.9%	97.0%	91.1%	-0.07	97.4%
1999	336.04	319.68	16.36	37,390	370,000	18,000	11,950	6,050	2.65	4.44
	100.4%	100.3%	103.5%	98.2%	96.3%	98.8%	98.4%	99.7%	+0.01	108.0%
2000	343.26	325.44	17.82	36,940	337,900	18,040	12,020	6,020	2.70	4.76
	102.1%	101.8%	108.9%	98.8%	91.3%	100.2%	100.6%	99.5%	+0.05	107.2%
2001	338.40	322.18	16.22	36,500	317,100	16,900	11,760	5,140	2.66	4.77
	98.6%	99.0%	91.0%	98.8%	93.8%	93.7%	97.8%	85.4%	-0.04	100.2%
2002	340.42	323.90	16.52	35,550	313,500	16,700	11,520	5,180	2.67	5.24
	100.6%	100.5%	101.8%	97.4%	98.9%	98.8%	98.0%	100.8%	+0.01	109.9%
2003	337.81	324.51	13.30	35,590	296,300	15,491	11,550	3,941	2.64	5.21
	99.2%	100.2%	80.5%	100.1%	94.5%	92.8%	100.3%	84.1%	-0.03	99.4%
2004	337.42	320.59	16.83	34,680	290,200	16,000	11,120	4,880	2.64	6.14
	99.9%	98.8%	126.5%	97.4%	97.9%	103.3%	96.3%	123.8%	+0.00	117.9%
2005	342.35	324.95	17.40	34,650	291,900	16,340	11,260	5,080	2.68	6.68
	101.5%	101.4%	103.4%	99.9%	100.6%	102.1%	101.3%	104.1%	+0.04	108.8%
2006	344.00	326.00	18.00	34,790	297,200	16,690	11,340	5,350	2.69	7.10
	100.5%	100.3%	103.4%	100.4%	101.8%	102.1%	100.7%	105.3%	+0.01	106.3%