

For Immediate Release

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Outlook for Travel Trends in 2007

- Overseas Travelers Increase for 4th Straight Year, Up 1.4% to New High of 17.9m!
- Domestic Travelers Only Slightly Up; Last-Minute Internet Bookings Increase.
- Overseas Visitors from China, Korea and Taiwan Take Total to 7.7m, Up 6.2%.

JTB Corp. has just released the results of a survey of travel trends for 2007. The survey covers all Japanese spending at least one night away from home (including business trips and visits to the family home) and overseas visitors to Japan, based on economic predictions, travel-related market research, questionnaires answered by representatives of the tourism industry, and other estimates. It is the 27th such survey since the first in 1981. The estimated scale of the travel market in 2007 is shown below.

Table 1: Projections

	Projections for 2007		Estimates for 2006		
	Numbers	% of prev. yr.	Numbers	% of prev. yr.	Initial Forecasts
Total Number of Travelers	337,900,000	100.6	335,950,000	100.3	344,400,000
Domestic Travelers	320,000,000	100.5	318,300,000	100.2	326,000,000
Overseas Travelers	17,900,000	101.4	17,650,000	101.4	18,000,000
Average Domestic Expenditure	¥34,800/\$295	100.1	¥34,760/\$295	100.4	¥34,790/\$295
Average Overseas Expenditure	¥299,000/\$2,534	100.6	¥297,200/\$2,519	103.6	¥297,200/\$2,519
Total Expenditure on Travel	¥16,490bn/\$139.7bn	101.1	¥16,310bn/\$138.2bn	102.0	¥16,910bn/\$143.3bn
Domestic Travel	¥11,140bn/\$94.4bn	100.7	¥11,060bn/\$93.7bn	100.5	¥11,340bn/\$96.1bn
Overseas Travel	¥5,350bn/\$45.3bn	101.9	¥5,250bn/\$44.5bn	105.2	¥5,350bn/\$45.3bn
Average Number of Trips	2.64 trips	+0.01	2.63 trips	+0.01	2.68 trips
Number of Overseas Visitors	7.70mn	106.2	7.25mn	107.7	7.10mn

Notes 1: Domestic expenditures include everything spent while away from home. Overseas expenditures include everything spent at the destination, including meals and purchases of souvenirs, etc. Both exclude pre- and post-travel expenses such as clothing and photography, etc.

Notes 2: No estimates of expenditures were made for overseas visitors to Japan, only their numbers.

Notes 3: Dollar amounts calculated, for information only, at a nominal rate of ¥118/US\$.

The Outlook for 2007

Unlike 2006, which was rich in major overseas sporting events and topics of interest such as the opening of new international airports, 2007 has few events likely to exert a major influence on demand for travel either within Japan or overseas.

While there are those who see something of a shadow over personal consumption despite favorable corporate profits, desire to travel seems as strong as ever. The sequences of holidays in 2007 show Golden Week as providing only a four-day holiday sequence compared with the five-day sequence in 2006. On the other hand, whereas 2006 had only five long weekends, 2007 will have as many as nine, and this is expected to encourage demand for domestic travel and overseas travel centering on closer destinations.

The year 2007 will see the first large-scale retirement of members of the baby-boom generation, and demand is expected for journeys to express gratitude for a lifetime's work or to mark retirement, so that while baby-boom retirees will not all start traveling in 2007, it is expected to mark a watershed in what will become a major future trend.

Domestic Travel

The number of domestic travelers is expected to increase very slightly to 320 million (up 0.5% on the previous year). This will be helped by the increase in the number of long, three-day, weekends. Also, the spread of online bookings for accommodation means that searches for vacancies and bookings can be done at 24 hour's notice, and last-minute bookings—mostly at nearby hot springs—are increasing steadily year by year. The continuation of this trend in 2007 will mean healthy demand for local hot-springs accommodation, and promises to support an increase in the number of travelers. The healthy trends in travel to Hokkaido and to Okinawa—popular for its resorts—also promise to continue for the time being.

While there are no plans to open new airports, to start new flights, nor to open new routes in 2007, recent years have seen increases in the use of public transport (i.e., in the numbers of those using rail or air travel) and in the volume of traffic on the expressways, and the economic outlook suggests these will continue in 2007.

Average expenditures on domestic travel, as deflation loses its grip on the Japanese economy, will increase marginally for the second year in succession to ¥34,800 (approx. \$295), 0.1% up year-on-year. The result will be to take total expenditures on domestic travel for the year to ¥11,140 billion (\$95.5 billion), up +0.7% year-on-year.

Overseas Travel

In 2007, the number of overseas travelers, supported by healthy demand for business travel to Asia in general and to China in particular, is expected to reach 17.9 million (up 1.4% year-on-year), exceeding the previous peak of 17.82 million reached in 2000.

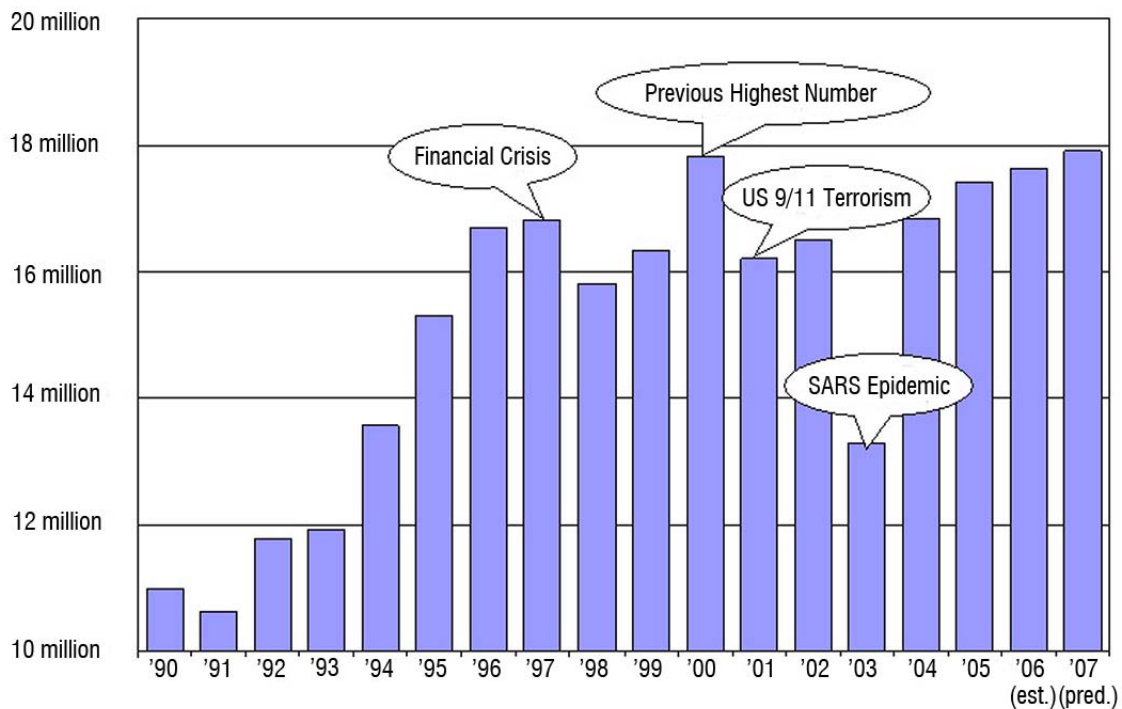
Lower exchange rates for the yen and the surcharges for airline fuel costs, along with the trend to cutback flights serving leisure routes, form an unfavorable environment for

destinations such as Hawaii, Micronesia and Oceania upon which tourism is largely dependent, and little if any growth is expected. In contrast, healthy corporate profits promise to greatly expand demand for business travel, particularly to China and the rest of Asia, and this will contribute to overall growth. More positive influences include the opening of a second runway at Kansai International Airport and the increasing use of charter flights to compensate for fewer scheduled flights on leisure routes.

The opening of a series of casino hotels in Macao will help to maintain its popularity, and that of neighboring Hong Kong, in 2007. Interest will also focus on Europe and China, destinations expected to attract the first retirees of the baby boomers. In Europe, the persistent popularity enjoyed by Italy and France looks as if it will be extended to central and eastern Europe. In China, the enhanced airline network supported by business demand will also stimulate tourist demand. More travel products are being offered that use regional Japanese airports, including—for the very first time—two-day trips to Beijing or Shanghai with one overnight stay, and these may well attract many more travelers.

Persistently lower exchange rates for the yen mean that travel costs are edging upwards, but it looks as if fuel surcharges will be less in 2007 than they were in 2006. It seems that the overall effect will be to take average expenditures on overseas travel to ¥299,000 (\$2,534), up 0.6% year-on-year. This would result in total expenditures of ¥5,350 billion (\$45.3 billion) on overseas travel, up 1.9% year-on-year.

Trends in the Numbers of Japanese Overseas Travelers



Overseas Visitors to Japan

In 2007, the numbers of overseas visitors to Japan, supported by healthy growth in those coming from neighboring Asian nations, are expected to show continuing strong increases reaching a total of 7.7 million (up 6.2% year-on-year).

While growth may not be quite as strong as it was in 2006, which was marked by the relaxation of visa requirements, major increases are again expected in the numbers coming from Korea. This will be complemented by demand from Taiwan which, like Korea, has benefited from relaxed visa requirements, and by ongoing healthy demand from Chinese business travelers. Together, these will drive continued increases in Asian visitors to Japan. On the other hand, 2006 saw a fallback in the number of visitors from Europe and America after the Aichi International Expo, but 2007 is expected to see a recovery from this effect and indeed a slight overall increase in their numbers.

In 2003, China, Hong Kong, Korea, Taiwan and the United States were designated as priority targets for the Visit Japan Campaign (VJC), and in 2004 these were joined by the UK, France and Germany. Then 2005 saw the addition of Canada and Australia, and 2006 that of Singapore and Thailand, expanding the total to 12 nations, and this has proved effective in increasing the numbers of overseas visitors to Japan. In 2007, India will be added to this list of priority target nations, and this is expected to increase the number of Indian visitors.

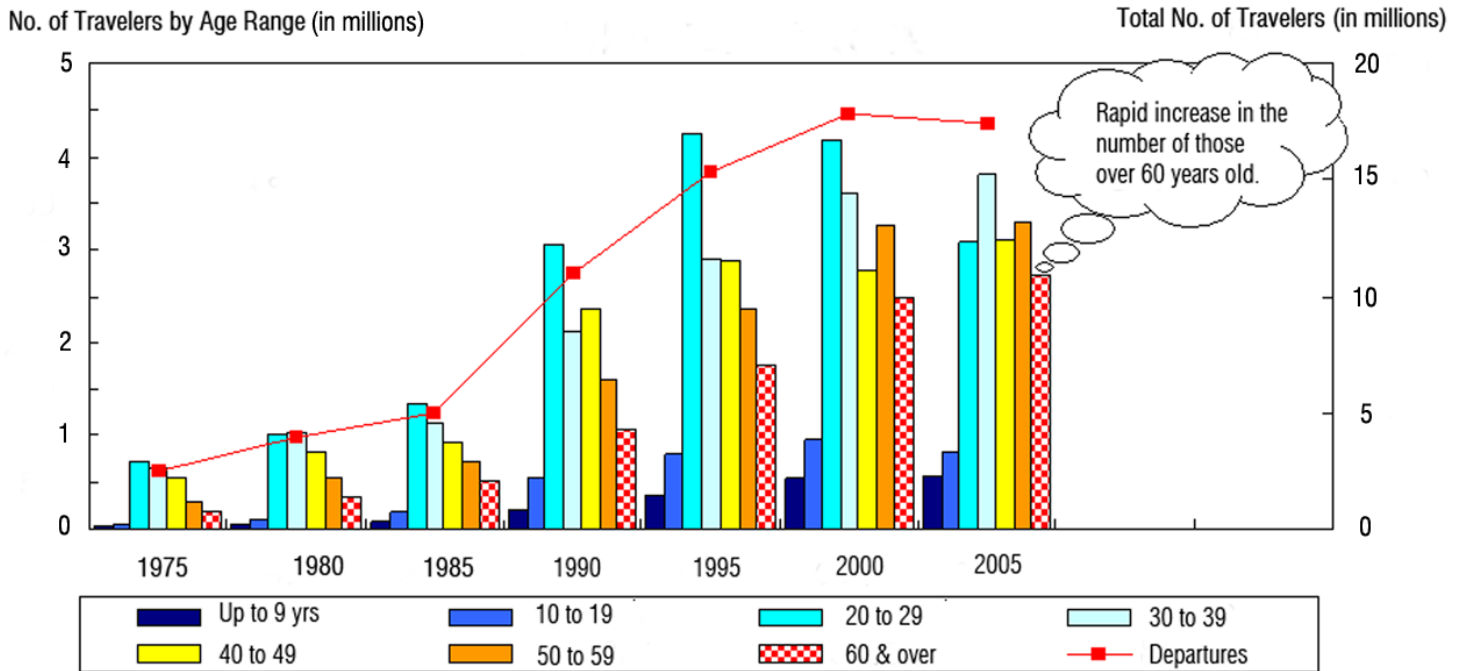
Increases in the numbers of repeat visitors and FIT travelers from neighboring Asian nations are expected to expand the range of tourist locations that they visit within Japan to include many that were previously only visited by Japanese travelers.

Three Major Tourist Topics in 2007

The Baby Boomers Start to Retire

This is the year that the first members of the “baby boom” generation, born in the years 1947 to 1949, start to retire. Because this generation is a very large 6.8-million segment of the population, the trends in their consumption are of great concern to various sectors of industry. In comparison with earlier generations of senior citizens, they are much more widely traveled, and in the increased leisure time that will follow their retirement they are expected to form a very large market for overseas travel. Expectations for 2007, the year when their retirements start, center on increased demand for leisurely tours of Europe or China by couples celebrating retirement. Today, when growth in overseas travel among the younger generations is slowing down, the demand for overseas travel by senior citizens appears to hold the key to future trends in the numbers of those departing Japan.

Trends in Numbers Departing for Overseas by Age Segment



Iwamiginzan Registered as a World Heritage Site

Iwamiginzan in Shimane Prefecture is expected to be registered as a World Heritage Site in July 2007. Such registration is sure to lead to an increase in travel demand for the region, as it did for *Kumanokodo* and *Shiretoko*. Preparations are already under way to enhance the accommodation facilities in the neighborhood from *Yunotsu* hot springs to Matsue City and *Tamatsukuri* hot springs. As popularity is tending to polarize between nearby hot springs and more distant Okinawa and Hokkaido, demand is beginning to arise for fresh tourist attractions, and the newly registered site promises to attract attention as one such new destination.

No End in Site for Hong Kong and Macao Boom

Following the opening of the 600-room Wynn Las Vegas hotel in 2006, Macao will see the opening of a mammoth casino resort hotel, the 3000-room Venetian, on the Cotai Strip in 2007. The construction of a series of large hotels is expected to take hotel accommodation past the 20,000-room mark in 2007. The ongoing popularity of Macao, which began with its registration as a World Heritage Site in 2005, promises to continue for the foreseeable future. There are plans to start regular direct flights from Kansai International Airport in 2007, and if these are implemented further increases in visitors can be expected. Nearby Hong Kong, too, is gaining in importance as the gateway to Southern China, and with the additional new attractions of Macao and Disneyland it seems sure to recover its popularity as a destination and attract more Japanese visitors in 2007.

Summarizing Estimates for 2006

Domestic (Japanese) Travel

- **Numbers of Travelers:** Estimated at 318.3 million (+0.2% year-on-year)

In 2006, domestic travel showed healthy trends against a favorable economic backdrop. The possibility of a rebound from the special demand arising from the Aichi International Exposition in 2005 was a cause for concern, but in fact demand registered an increase that, although small, represented the first such rise in the number of travelers for three years. It was also a year in which demand for travel to Okinawa and Hokkaido figured prominently, and consistently throughout all four seasons.

- **Average Expenditure**

This is estimated at ¥34,760 (\$295), an increase of 0.4% year-on-year.

Overseas Travel

- **Numbers of Travelers:** Estimated at 17.65 million (+1.4% year-on-year)

In 2006, demand recovered from the effects of the anti-Japanese demonstrations in China and Korea the previous year and trended well above the previous year's levels through August. While demand slackened from September, the total number of travelers increased for the third straight year. Demand for travel to destinations with a strong tourism appeal such as the U.S. Mainland, Oceania, Hawaii and Micronesia dropped, but the number of travelers departing for Asia—primarily China and Hong Kong/Macau—and for Europe both increased.

- **Average Expenditure**

This is put at ¥297,200 (\$2,519), an increase of +3.6% year-on-year.

Overall Totals

Number of Travelers: 335.95 million, an increase of +0.3% year-on-year.

Total Expenditure: ¥16,310 billion or \$138.2 billion, up +2.0% year-on-year.

Number of Overseas Visitors to Japan: Estimated at 7.25 million, up +7.7% year-on-year.

Overseas visitors to Japan in 2006, despite the fact that this was the year after the Aichi International Exposition, registered a significant year-on-year increase. Korean visitors, in particular, were influenced by the relaxation of visa requirements, and recorded a major increase. Chinese business demand was also healthy, and helped to ensure an overall increase in visitors from Asia. On the other hand, the increase in European and American visitors drawn by the International Exposition the previous year dropped back to normal, causing a slight decrease year-on-year.

Issued by:

Corporate Communication Division
JTB Corp., 2-3-11 Higashi Shinagawa,
Shinagawa-ku, Tokyo 140-8602 JAPAN
Phone: 03-5796-5833, Fax: 03-5796-5848

For mail address change/addition/deletion,
please contact Mr. S. Sakaguchi
mail: s_sakaguchi@jtb-hrs.co.jp

Statistics for 1990~2005, Provisional Figures for 2006, and Estimates for 2007.

	Travelers (millions) (and % of prev. year)			Average Expenditure (per person, Yen)		Total Expenditure (billions of Yen)			Average No. of Journeys	Overseas visitors (millions)
	Total	Domestic	Overseas	Domestic	Overseas	Both	Domestic	Overseas		
1990	322.54	311.54	11.00	37,666	559,965	17,890	11,730	6,160	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	18,120	12,520	5,600	2.65	3.53
	101.8%	102.0%	96.6%	104.6%	94.1%	101.3%	106.7%	90.9%	+0.04	109.0%
1992	331.23	319.44	11.79	40,303	502,742	18,800	12,870	5,930	2.66	3.58
	100.9%	100.5%	110.9%	102.3%	95.4%	103.8%	102.8%	105.9%	+0.01	101.4%
1993	328.09	316.16	11.93	39,194	441,075	17,650	12,390	5,260	2.63	3.41
	99.1%	99.0%	101.2%	97.2%	87.7%	93.9%	96.3%	88.7%	-0.03	95.3%
1994	333.87	320.29	13.58	38,566	404,798	17,850	12,350	5,500	2.67	3.47
	101.8%	101.3%	113.8%	98.4%	91.8%	101.1%	99.7%	104.6%	+0.04	101.8%
1995	332.38	317.08	15.30	37,911	386,851	17,940	12,020	5,920	2.65	3.35
	99.6%	99.0%	112.7%	98.3%	95.6%	100.5%	97.3%	107.6%	-0.02	96.5%
1996	339.42	322.73	16.69	38,080	404,100	19,030	12,290	6,740	2.70	3.84
	102.1%	101.8%	109.1%	100.4%	104.5%	106.1%	102.2%	113.9%	+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%	100.8%	101.9%	98.8%	+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	16,690	11,510	5,180	2.67	5.24
	100.6%	100.5%	101.8%	97.4%	98.9%	98.8%	97.9%	100.8%	+0.01	109.9%
2003	337.81	324.51	13.30	35,590	296,300	15,490	11,550	3,940	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%	123.9%	+0.00	117.9%
2005	335.03	317.63	17.40	34,620	287,000	15,990	11,000	4,990	2.62	6.73
	99.3%	99.1%	103.4%	99.8%	98.9%	99.9%	98.9%	102.3%	-0.02	109.6%
2006	335.95	318.30	17.65	34,760	297,200	16,310	11,060	5,250	2.63	7.25
	100.3%	100.2%	101.4%	100.4%	103.6%	102.0%	100.5%	105.2%	+0.01	107.7%
2007	337.90	320.00	17.90	34,800	299,000	16,490	11,140	5,350	2.64	7.70
	100.6%	100.5%	101.4%	100.1%	100.6%	101.1%	100.7%	101.9%	+0.01	106.2%