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Prospective Travel Trends in 2010

Numbers of Overseas Travelers to Jump 8.9% and Reach 16.8 Million!

--The clear trend to closer, shorter and cheaper travel, plus expanded services at both Tokyo airports, will boost numbers despite the deflationary recession.--

Number of Domestic Travelers to Rise Slightly (+0.3%) to 290 Million.

--Celebrating the relocation of Japan's capital to Nara 1,300 years ago and local heroes of Japan's 19th century Meiji Reformation will direct interest to Western Japan.--

The Number of Overseas Visitors to Japan Will Recover to 7.9 Million (17.2% up)

--Double-digit growth is expected in visitors from China and other Asian Nations.--

JTB Corp. has just published the results of a survey of projected trends in 2010 for travel by Japanese involving at least one overnight stay (including business travel and visits to the family home). The results are based on predictions of various economic trends, a survey of consumer motivation for travel expenditures, and tourism-related trends, etc. This survey is the 30th since the first in 1981. The projected trends in the travel market in 2010 are as follows.

Table 1: Quantitative Projections and Comparisons

	Prospects for 2010		Estimates for 2009		Results for 2008
	Projected Numbers	% of prev. yr.	Provisional Numbers	% of prev. yr.	Actual Numbers
Total no. of travelers	306.80 million	100.7	304.53 million	97.4	312.50 million
Domestic	290.00 million	100.3	289.10 million	97.5	296.51 million
Overseas	16.80 million	108.9	15.43 million	96.5	15.99 million
Average expenditure on domestic travel	31,500 JPY (339 USD)	98.6	31,940 JPY (343 USD)	94.6	33,760 JPY (363 JPY)
Average expenditure on overseas travel	255,000 JPY (2,742 USD)	98.4	259,200 JPY (2,787 USD)	81.8	316,900 JPY (3,408 USD)
Total expenditure	13,420 billion JPY 144.30 billion USD	101.4	13,230 billion JPY 142.46 billion USD	87.7	15,080 billion JPY 162.15 billion USD
Domestic	9,140 billion JPY 98.28 billion USD	99.0	9,230 billion JPY 99.25 billion USD	92.2	10,010 billion JPY 107.63 billion USD
Overseas	4,280 billion JPY 46.02 billion USD	107.0	4,000 billion JPY 43.01 billion USD	78.9	5,070 billion JPY 54.52 billion USD
Average no. of trips	2.10	▲0.15	2.25	▲0.26	2.51
Overseas visitors	7.90 million	117.2	6.74 million	80.7	8.35 million

- Notes:**
- * In the table on the previous page, domestic travel expenditures are the average amounts for bookings with JTB and include all door-to-door costs, purchases and meals at the destination but exclude related before-and-after trip expenditures for clothing, luggage and DPE etc.
 - * Overseas travel expenditures include booking costs and fuel surcharges where applicable plus the costs of purchases and meals at the destination. They also exclude other related expenditures.
 - * Estimates of overseas visitors are for their numbers only, and do not cover expenditures.
 - * USD amounts are given, for information purposes only, based on a rate of 93 JPY/USD.

The Market Environment in 2010

1. An Economic Outlook Clouded with Uncertainties.

Starting with the Lehmann “shock” in September 2008 and continuing throughout the whole of 2009, the Japanese economy steadily worsened. In this situation, the tendency is to cut back consumption. Domestic consumption has therefore continued to stagnate, and the economy has slipped into deflation.

With exports to Asia now gradually recovering, business results are beginning to improve, particularly among export-oriented industries, but it is hard to discern any promise of rapid economic recovery in 2010, so people seem sure to want to go on economizing.

2. A Strong Yen and More Flights from both Haneda and Narita Airports Make it Easier to Travel Overseas. This Year’s Golden Week Also Offers an 11-Day Sequence.

(1) More International Flights from Haneda and Narita

March will see a long-awaited increase in flights arriving and departing Narita, and then in October a new runway will be opened at Haneda. These expansions in international services, using early morning and late night slots, will expand the range of options open to consumers and should provide added convenience. Also, while 2010 will not see a five-day holiday sequence in the autumn, the “Golden Week” spring holiday makes an 11-day sequence possible, encouraging the planning of travel to more remote destinations and/or longer, more relaxed stays.

The new strain of influenza seriously affected travel in general in 2009, but the measures taken in various locations suggest that there will be no reoccurrence this year of the confusion that it caused last year.

Gasoline prices, which so closely affect those who prefer to travel by car, have more-or-less stabilized. And as of December 2009, while fuel surcharges have not been eliminated, they have dropped to about a fifth of the peak levels they reached in October through December 2008. A comparison of JAL’s each-way surcharges for flights between Japan and Hawaii reveals a drop from 22,000 to 4,000 JPY, no longer enough to seriously inhibit overseas travel.

(2) Continuing High Exchange Rates for the Yen

A comparison of year-end exchange rates for the yen over the last several years reveals that as of Dec. 24, 2009, the rates against the US dollar, the Euro, and the Hong Kong dollar were at about the same levels as a year earlier. Economic research institutes predict that the yen will continue strong in 2010, an environment that will encourage overseas travel.

Table 2: Tokyo Foreign Exchange Market/TTS Yen Year-End Rates
(according to the Bank of Mitsubishi-Tokyo UFJ)

Currencies/Year end	2004	2005	2006	2007	2008	2009 (Dec. 24)
One US Dollar	105.21	119.07	120.11	115.15	92.03	92.71
One GB Pound	203.81	207.74	237.66	231.90	135.83	150.40
One Euro	143.11	141.33	158.00	168.16	129.46	132.98
100 Korean Won	10.22	11.96	13.02	12.36	7.47	8.01
One Hong Kong Dollar	13.82	15.66	15.75	15.05	12.18	12.26

(3) A Golden Week Holiday Sequence as Long as 11 Days

The holiday sequence in spring this year facilitates the longest continuous break since 2004. By judicious use of paid holiday entitlements, the break can be extended for 11 days.

Although 2010 will not see a five-day holiday sequence in the autumn, as in 2009, the sequence does make it easy to take three- or four-day breaks.

Table 3: Spring and Autumn Holiday Calendars

Spring Golden Week (April - May)

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						4/24
25	26	27	28	29	30	5/1
2	3	4	5	6	7	8
9						

The Fall Sequence (September)

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						9/11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26						

Prospects for 2010

Domestic Travel

In comparison with 2009, when the numbers of travelers were greatly reduced by the threat of the new strain of influenza, domestic travelers who spend at least one night away from home in 2010 are expected to number 290 million, up 0.3% despite the influence of a flagging economy. However, the desire to make economies will, it is thought, reduce average expenditures by 1.4% to 31,500 JPY (339 USD).

Western Japan has Plenty of Attention-Getting Topics, and in December the *Shinkansen* Bullet Train will Reach as Far North as Aomori.

Japan is experiencing something of a boom in images of Buddha, and 2010 marks the 1,300th anniversary of the establishment of Japan's capital at Nara, a center of Buddhism, with a series of commemorative events being held throughout the year. A year-long weekly TV serial on the short life of Sakamoto Ryoma, a major player in the Meiji Reformation that launched Japan's modernization, will also direct attention to Kochi (on the island of Shikoku), Nagasaki and Kyoto, where he was active. The city of Matsuyama (in Ehime Prefecture, also in Western Japan) is the setting for a major TV production depicting post-reformation heroes who helped to build modern Japan. These influences may combine to encourage a boom in travel to Western Japan among those who have been postponing their travel plans.

In the second half of the year, tours that make use of the latest northward extension of Japan's *Shinkansen* lines to Aomori are sure to attract interest.

Personalized Travel Styles Take Firm Root.

Travel is coming to be seen as a means of breaking away from the frustrations of daily life and work, with their emphasis on efficiency; people want to enjoy a richer experience of life and spend their time at a more human pace. Examples of this would include going around towns by bicycle or on foot, viewing their tourist sites and visiting their tradesmen's workshops, staying in private homes, and participating in experiential tours. It also looks as if we will be seeing more travel where, for instance, a camera is taken around a familiar town to take photos with the emphasis on a particular hobby or other personal theme. The most popular forms of travel will be those that match the traveler's own sense of values and lifestyle.

Overseas Travel

The drop in the number of overseas travelers in 2009 was largely due to the threat of the new strain of influenza, which depressed the number of departures in May and June. In 2010, the recovery of Asian economies, particularly that of China, will be accompanied by an increase in business trips. Then there will be the influence of the Shanghai International Exposition, which will last for six months, and also an expansion in the number of flights served by the two Tokyo airports. Together, these factors are expected to take the annual total to 16.80 million travelers (up 8.9%). On the other hand, average expenditures are expected to reflect the preference for closer, shorter, cheaper travel, dropping 1.6% to 255,000 JPY (2,742 USD). The Soccer World Cup will also draw many to the Republic of South Africa. And there are several anniversaries that may stimulate travel, for 2010 is the 20th year since the unification of Germany, the 40th since the breakup of the Beatles, the 200th since the nation of Argentina was founded, the 200th since Chopin's birth, the 110th since Saint Exupery's birth, and the 45th since Somerset Maugham's death.

Overseas Visitors to Japan

While 2010 will see continued high exchange rates for the yen, the numbers of overseas visitors will recover strongly under the influence of the high economic growth rates predicted for China and the bottoming out of the depression affecting Korea. The expanded services provided by the two Tokyo airports, especially the late-night and early-morning flights to and from Haneda Airport and the addition of new routes (to Europe, Singapore, etc., as planned) should provide further impetus for visitors to Japan from Korean, China, Hong Kong, and Taiwan, among others.

Over the year, double-digit growth is expected (+17.2%), and this would take the total to 7.90 million. If visa formalities for Chinese visitors were simplified, the rise would be even higher.

Provisional Figures for 2009

Domestic Travel

- **The Number of Domestic Travelers Appears to have Declined 2.5% to 289.10 Million**

The year started with a deteriorating economy so that many companies, particularly those in export industries, were implementing cost-cutting measures. Then in May, the new strain of influenza started to spread in Japan, so that more and more companies called off business trips and many individual travel plans and school trips were cancelled. On the other hand, discounts on ETC payments for highway tolls started in March. And although there was a favorable five-day break in September, this seems only to have delayed the travel plans of those who would otherwise have traveled in the summer and brought forward travel from later in the autumn. Lower summer bonuses were a strong disincentive to travel after the summer, so that apart from September, with its five-day break, totals were lower every month than they were in 2008.

The celebrations of the 150th anniversary of the founding of the Port of Yokohama, which ran from April through September and had attracted attention as a new kind of urban event, unfortunately coincided with the new influenza epidemic, and drew fewer visitors than expected.

- **Average Expenditures per Person are Put at 31,940 JPY (343 USD, down 5.4%)**

Overseas Travel

- **Numbers Appear to be Down 3.6% from the Previous Year to 15.43 Million**

There were hopes for a recovery in demand following the major reductions in fuel surcharges made between April and June, and even their partial elimination from July through September, with the yen continuing strong. However, the voluntary restrictions of travel arising from the influenza epidemic that began in April unfortunately coincided with the summer peak demand for travel, so that the number of departures for the year actually dropped.

September's five-day break gave a temporary fillip to overseas travel, but companies whose profits had been suffering from the start of the year under the influence of the financial crisis in 2008 took the opportunity of the influenza epidemic to voluntarily restrict business trips. Overseas business travel declined sharply, and

this caused a major drop in the numbers of men in their 30s and 40s departing Japan. By destination, only Korea was able to sustain its boom level of Japanese visitors: all other nations saw figures drop below 2008.

- **Average Expenditures per Person are Put at 259,200 JPY (2,787 USD, down 18.2%)**

Overseas Visitors to Japan

- **Numbers Drop to 6.74 Million (19.3% below the previous year)**

Stagnating demand for business and tourist travel arising from the financial crisis, combined with the influence of high exchange rates for the yen, meant that numbers were lower than the previous month in every month through October. The increase recorded in November was actually the first in 16 months.

Visitors from Korea have continued to decrease under the influence of high-yen/low-won exchange rates, but Chinese visitors are steadily increasing.

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Table 4: Figures for 1998-2009 and Projections for 2010

Year	Travelers (thousands) (and % of previous year)			Average Expenditures (per person, Yen)		Total Expenditures (billions of Yen)			No. of Trips	Overseas Visitors (Millions)
	Total	Domestic	Overseas	Domestic	Overseas	Grand Total	Domestic	Overseas	(+/-)	
										% change
1998	334,540	318,730	15,810	38,080	355,200	17,760	12,140	5,620	2.64	4.11
	97.9%	98.1%	94.1%	98.8%	96.9%	95.1%	97.0%	91.2%	▲0.06	97.4%
1999	336,040	319,680	16,360	37,390	342,100	17,550	11,950	5,600	2.65	4.44
	100.4%	100.3%	103.5%	98.2%	96.3%	98.8%	98.4%	99.6%	0.01	108.0%
2000	343,260	325,440	17,820	36,940	312,300	17,590	12,020	5,570	2.71	4.76
	102.1%	101.8%	108.9%	98.8%	91.3%	100.2%	100.6%	99.5%	0.06	107.2%
2001	338,400	322,180	16,220	36,500	293,000	16,510	11,760	4,750	2.66	4.77
	98.6%	99.0%	91.0%	98.8%	93.8%	93.9%	97.8%	85.3%	▲0.05	100.2%
2002	340,420	323,900	16,520	35,550	293,800	16,360	11,510	4,850	2.67	5.24
	100.6%	100.5%	101.8%	97.4%	100.3%	99.1%	97.9%	102.1%	0.01	109.9%
2003	337,810	324,510	13,300	35,590	300,800	15,550	11,550	4,000	2.65	5.21
	99.2%	100.2%	80.5%	100.1%	102.4%	95.0%	100.3%	84.1%	▲0.02	99.4%
2004	330,360	313,530	16,830	35,660	292,600	16,100	11,180	4,920	2.64	6.14
	97.8%	96.6%	126.5%	100.2%	97.3%	103.5%	96.8%	123.0%	▲0.00	117.9%
2005	322,560	305,160	17,400	35,600	294,500	15,990	10,860	5,130	2.62	6.73
	97.6%	97.3%	103.4%	99.8%	100.6%	99.3%	97.1%	104.3%	▲0.02	109.6%
2006	317,940	300,410	17,530	34,310	297,200	15,520	10,310	5,210	2.60	7.33
	98.6%	98.4%	100.7%	96.4%	100.9%	97.1%	94.9%	101.6%	▲0.02	108.9%
2007	317,140	299,810	17,290	34,170	305,600	15,520	10,240	5,280	2.60	8.35
	99.7%	99.8%	98.6%	99.6%	102.8%	100.0%	99.3%	101.3%	▲0.01	113.9%
2008	312,510	296,510	15,999	33,760	316,900	15,080	10,010	5,070	2.51	8.35
	98.6%	98.9%	92.5%	98.8%	103.7%	97.2%	97.8%	96.0%	▲0.09	100.0%
2009	304,530	289,100	15,430	31,940	259,200	13,230	9,230	4,000	2.25	6.74
	97.4%	97.5%	96.5%	94.6%	81.8%	87.7%	92.2%	78.9%	▲0.26	80.7%
2010	306,800	290,000	16,800	31,500	255,000	13,420	9,140	4,280	2.10	7.90
	100.7%	100.3%	108.9%	98.6%	98.4%	101.4%	99.0%	107.0%	▲0.15	117.2%