Japan Outbound Travel 2007

Increasing Outbound to 20 million by 2010

Masato Takamatsu
Director and Vice President, Marketing (JTM)

JATA World Tourism Congress

Tokyo, September 13th , 2007

1. Current Outbound Travel Market
2. Travel Style
3. Key Market Segments
4. Recent Topics in Japan
5. Approach To Japanese Travel Companies

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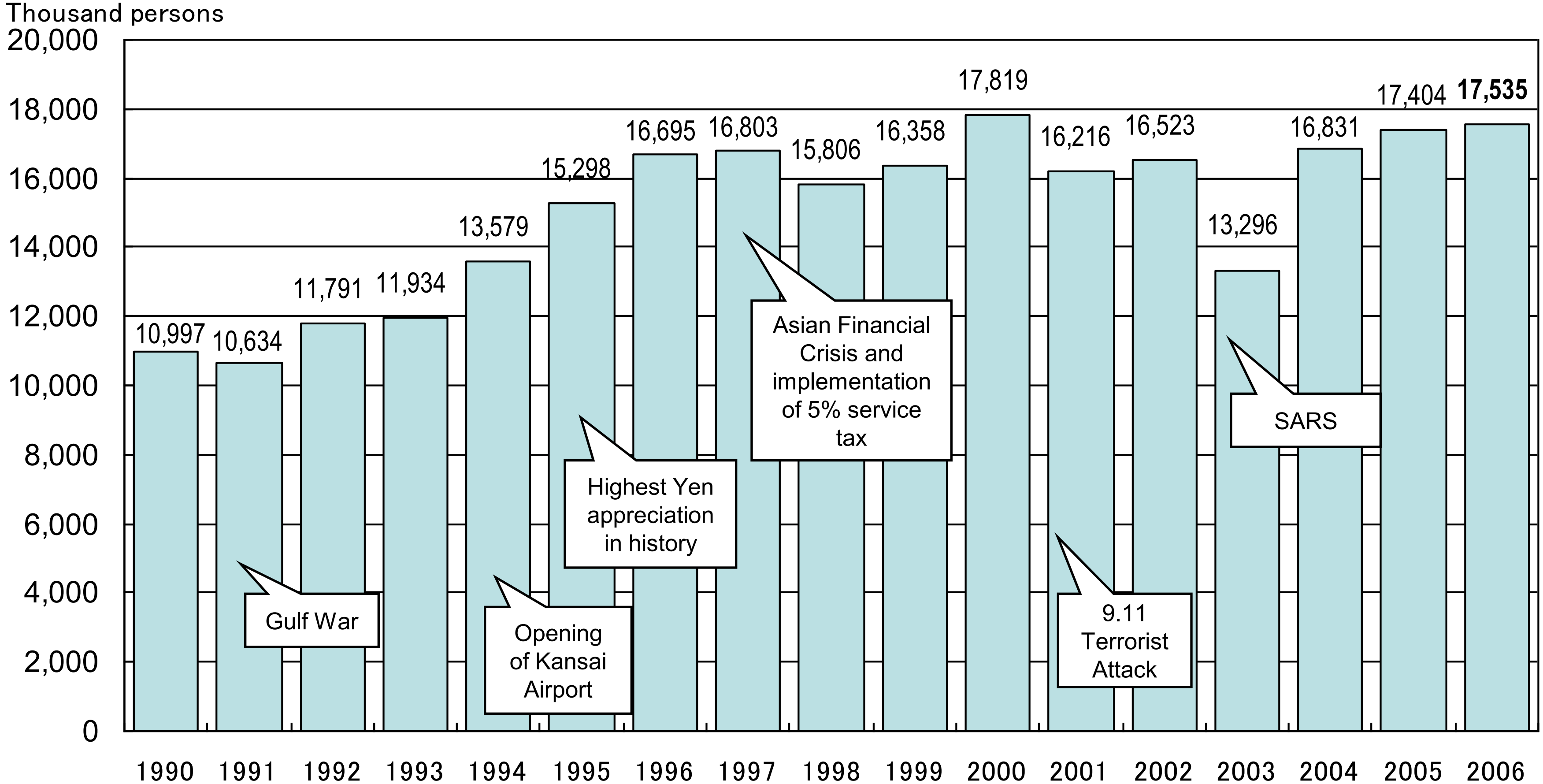
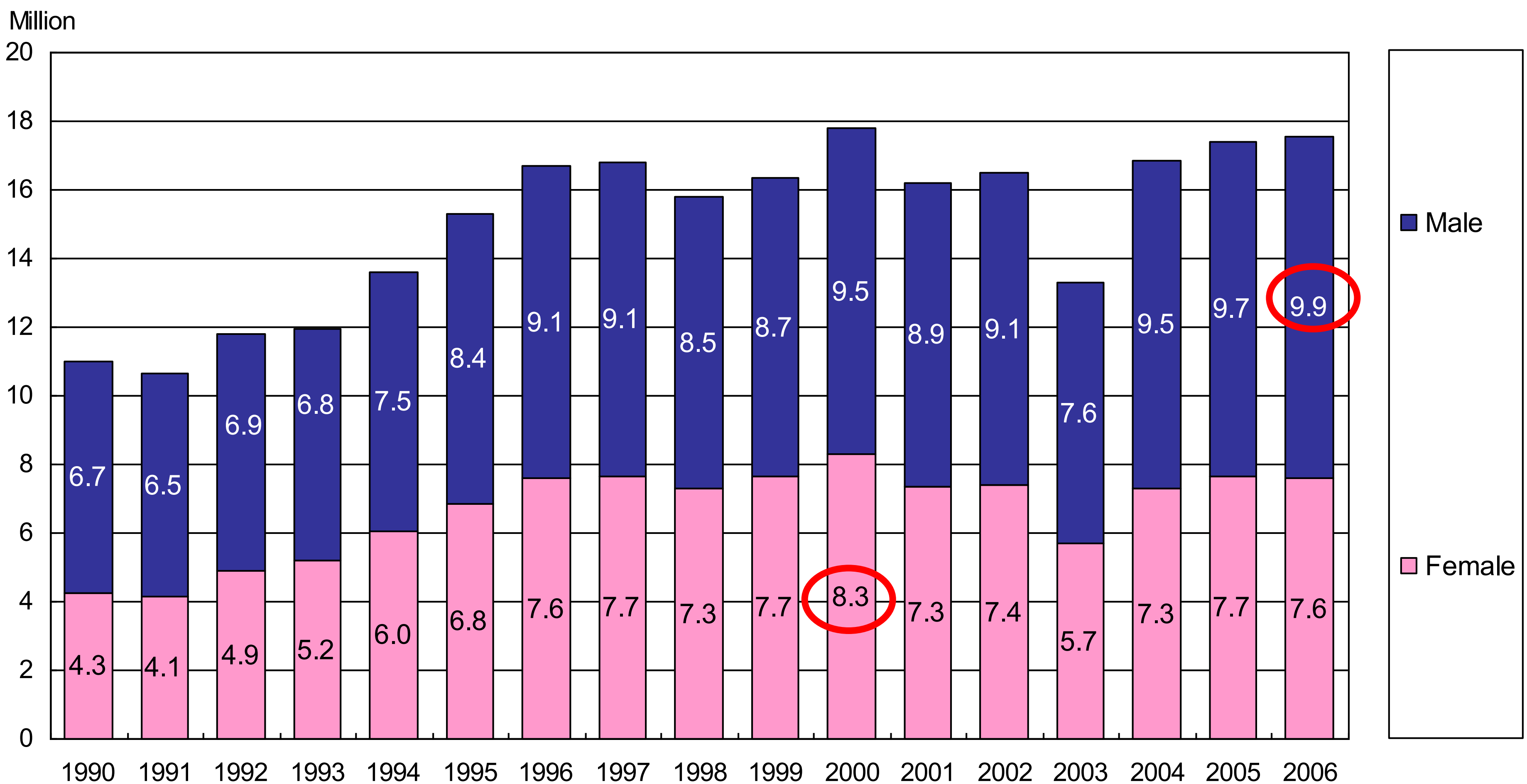
Japanese International Departure



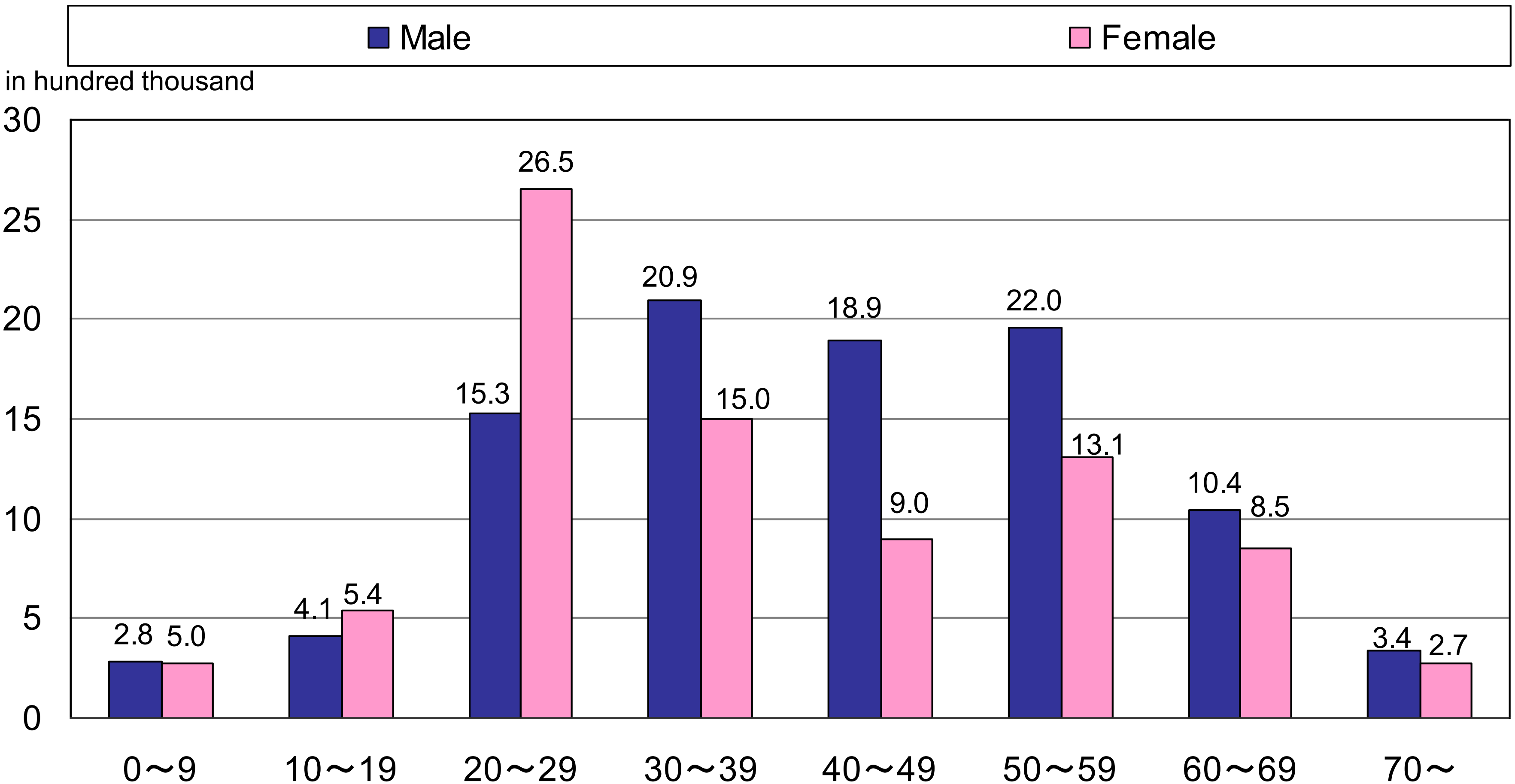
Slow Recovery of Women vs. Growth of Male Market

Overseas Departures by Gender (1990-2006)



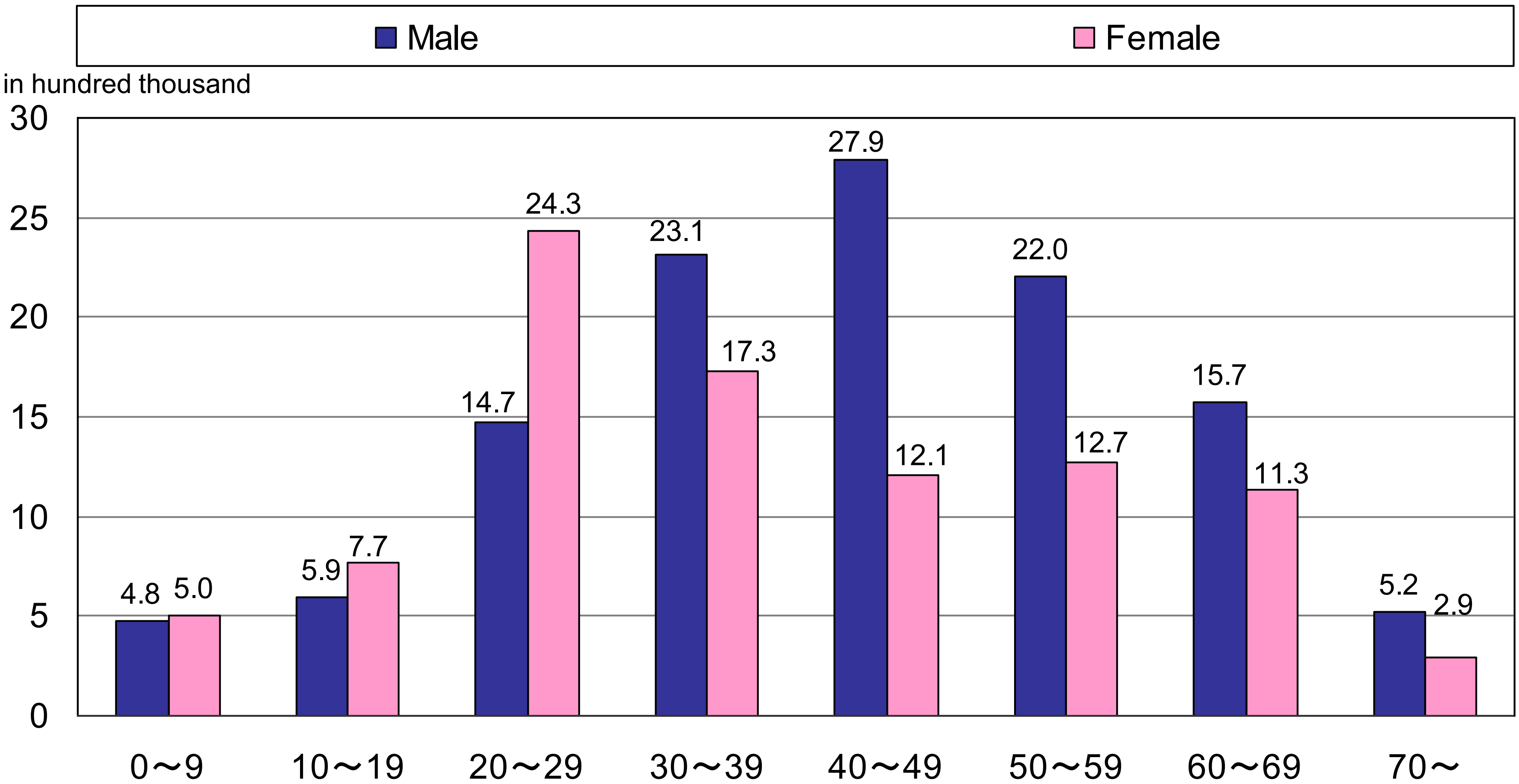
Source：Ministry of Justice

Departures by Gender and Age-Group (2000)



Source: Ministry of Justice

Departures by Gender and Age-Group (2006)

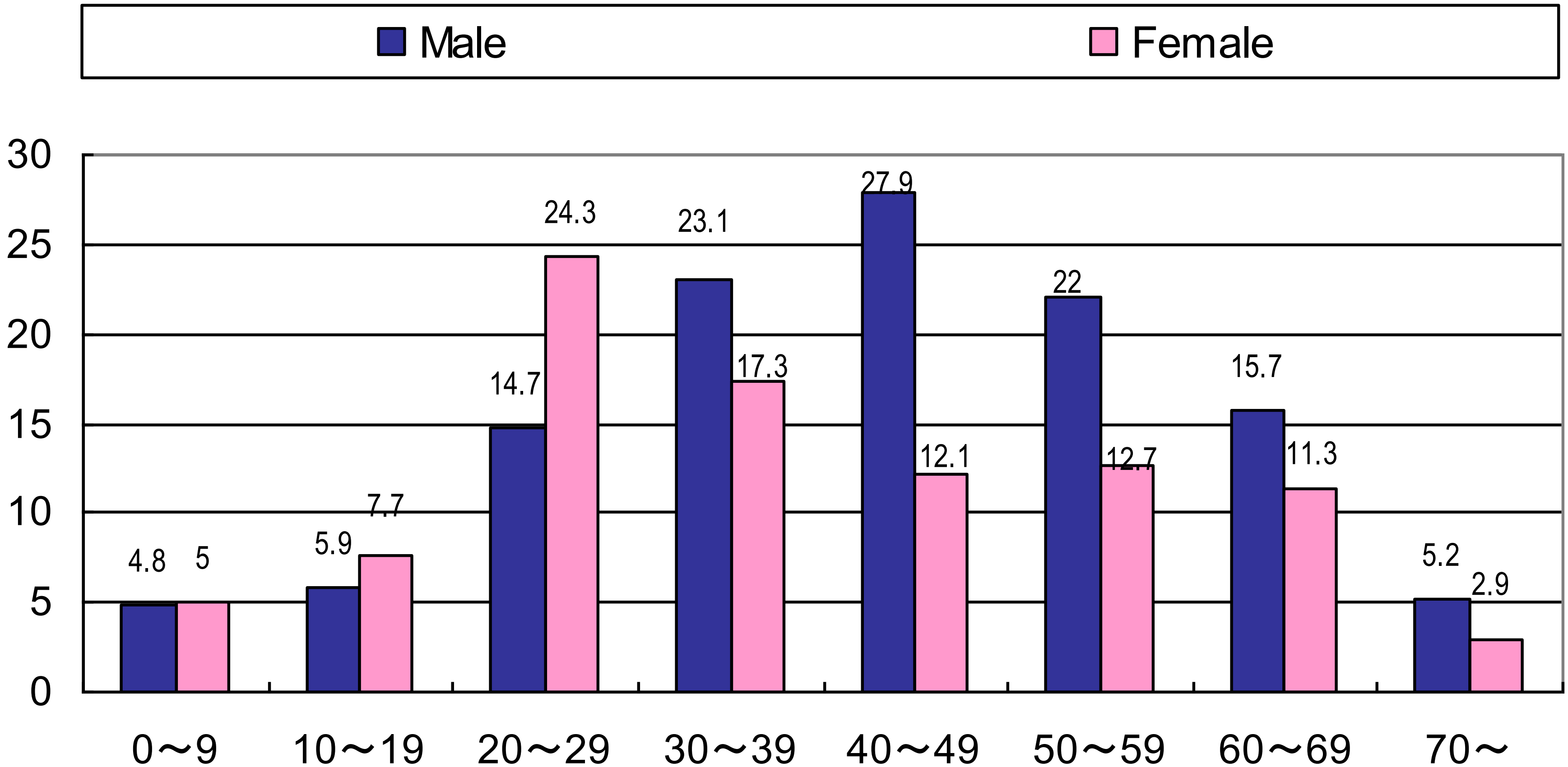


Percentage Change from 2000 to 2006

Age groups	Male	Female
0~9	2.9%	2.6%
10~19	-8.7%	-13.8%
20~29	**-24.8%**	**-31.0%**
30~39	5.8%	8.3%
40~49	16.7%	4.9%
50~59	7.2%	-5.8%
60~69	14.2%	8.2%
70+	**17.5%**	**23.3%**

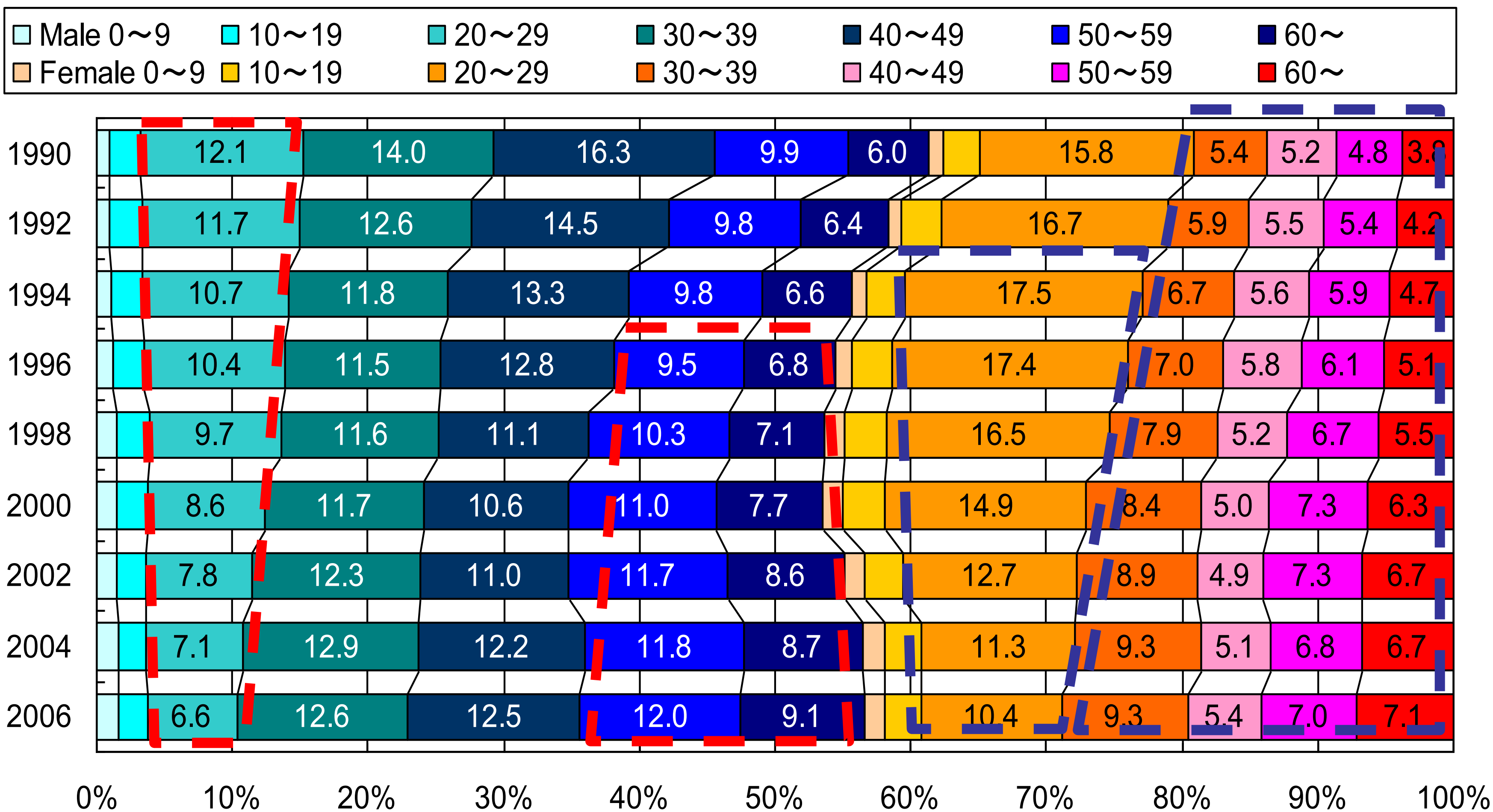
Source: Ministry of Justice “Statistics on Immigration Control”

Departure Ratio by Gender and Age-Group (2006)

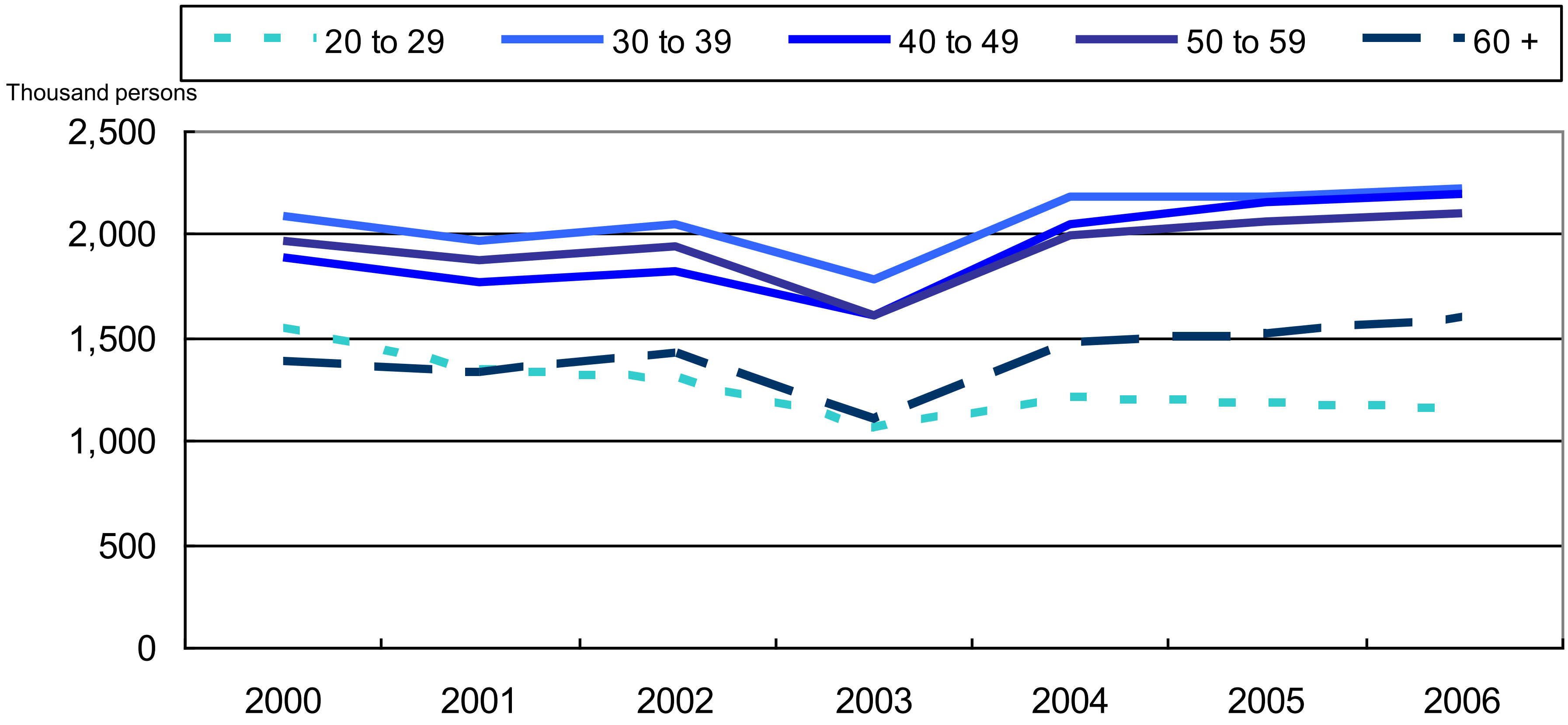


Source: Ministry of Justice

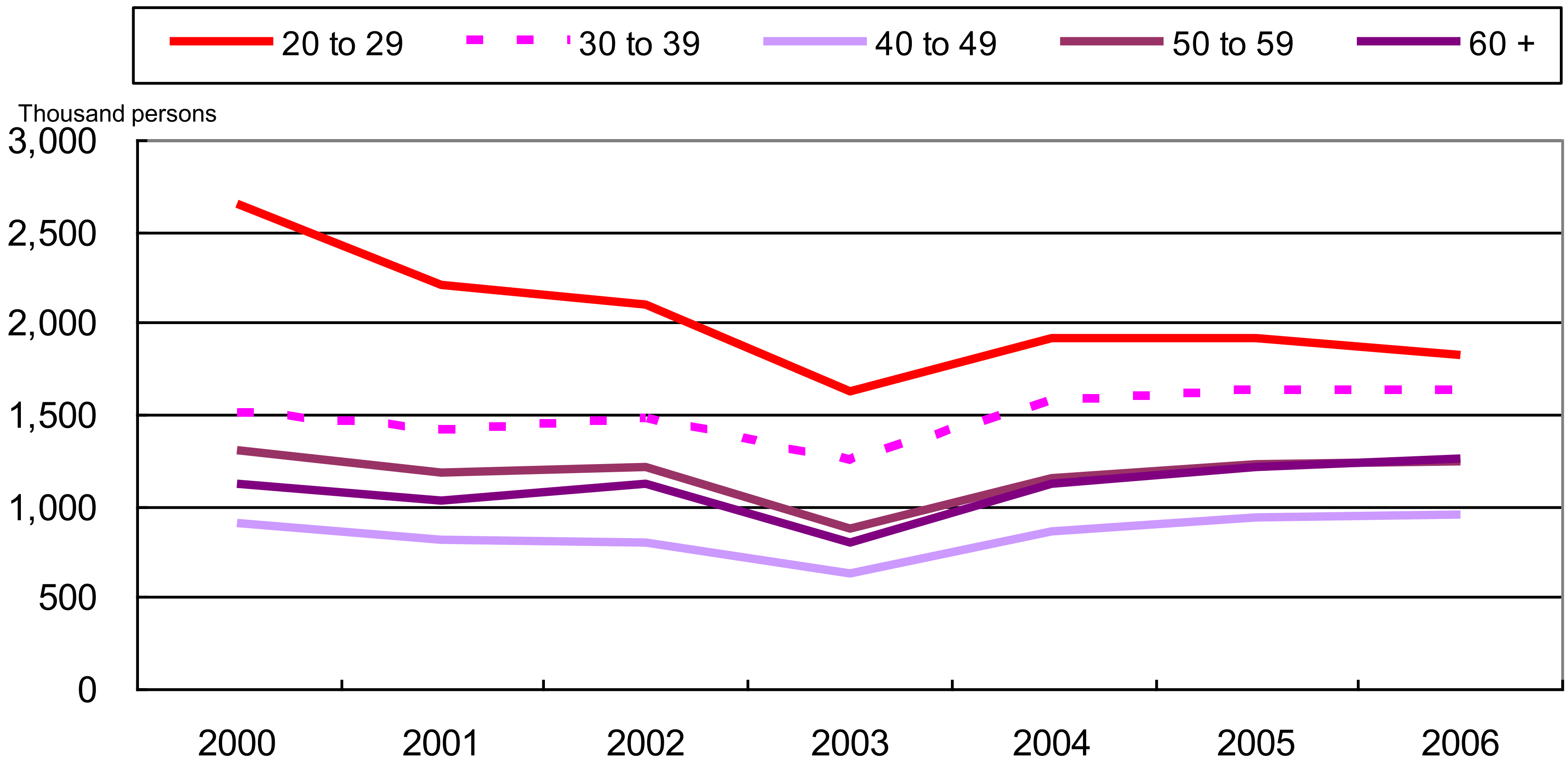
Departures by Age and Gender from 1990 to 2006



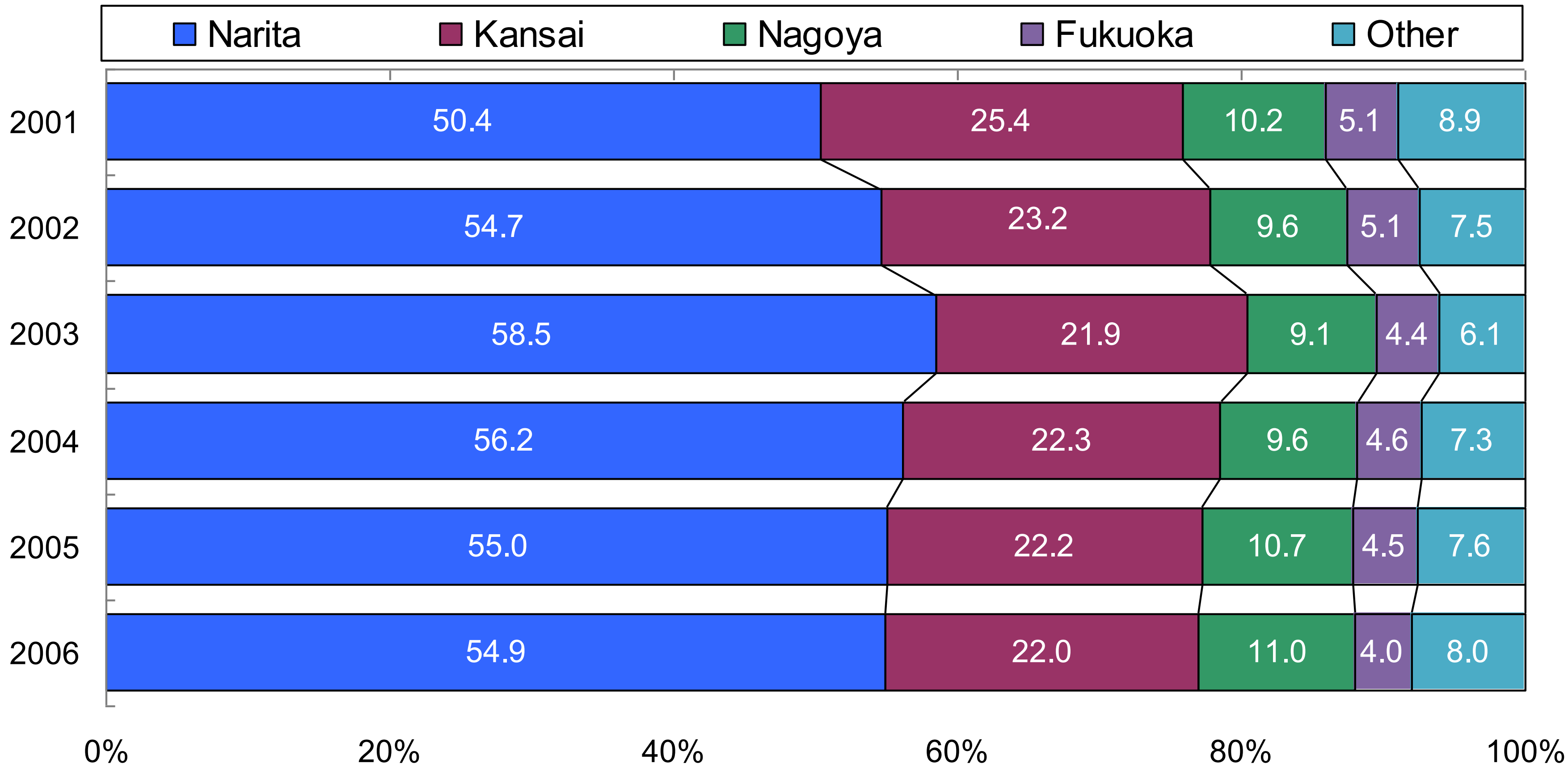
Male Age Groups Departure (2006)



Female Age Groups Departure (2006)



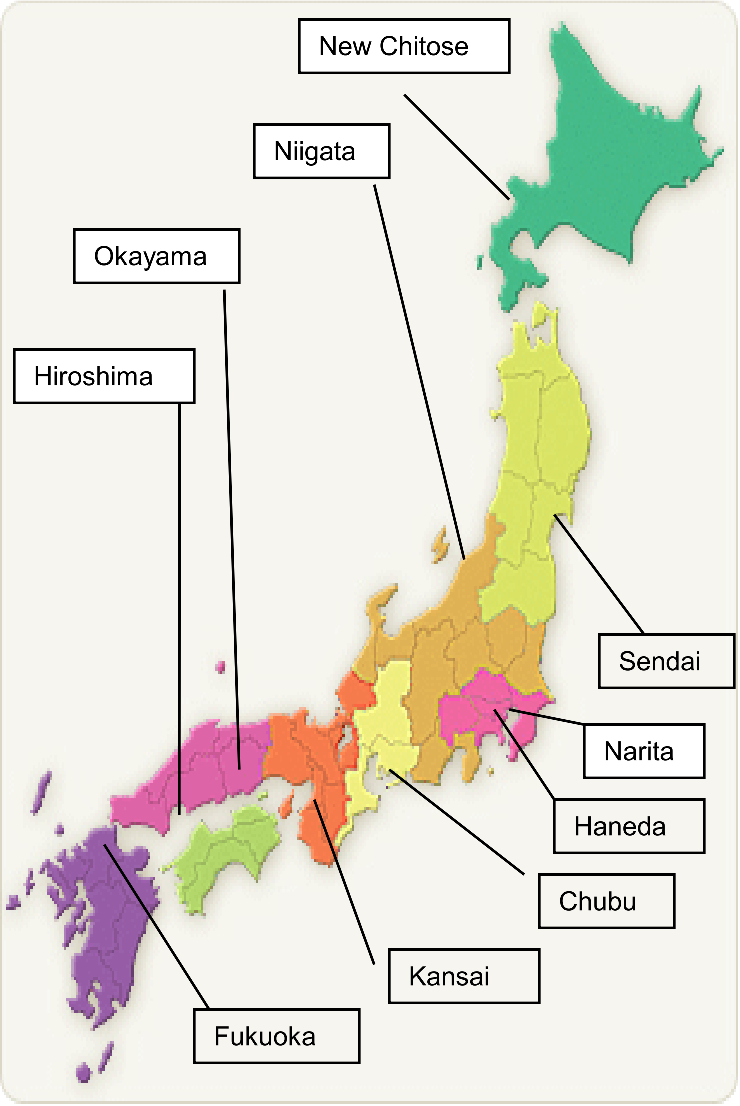
Share of Airline Seat Supply by Airports (2006)



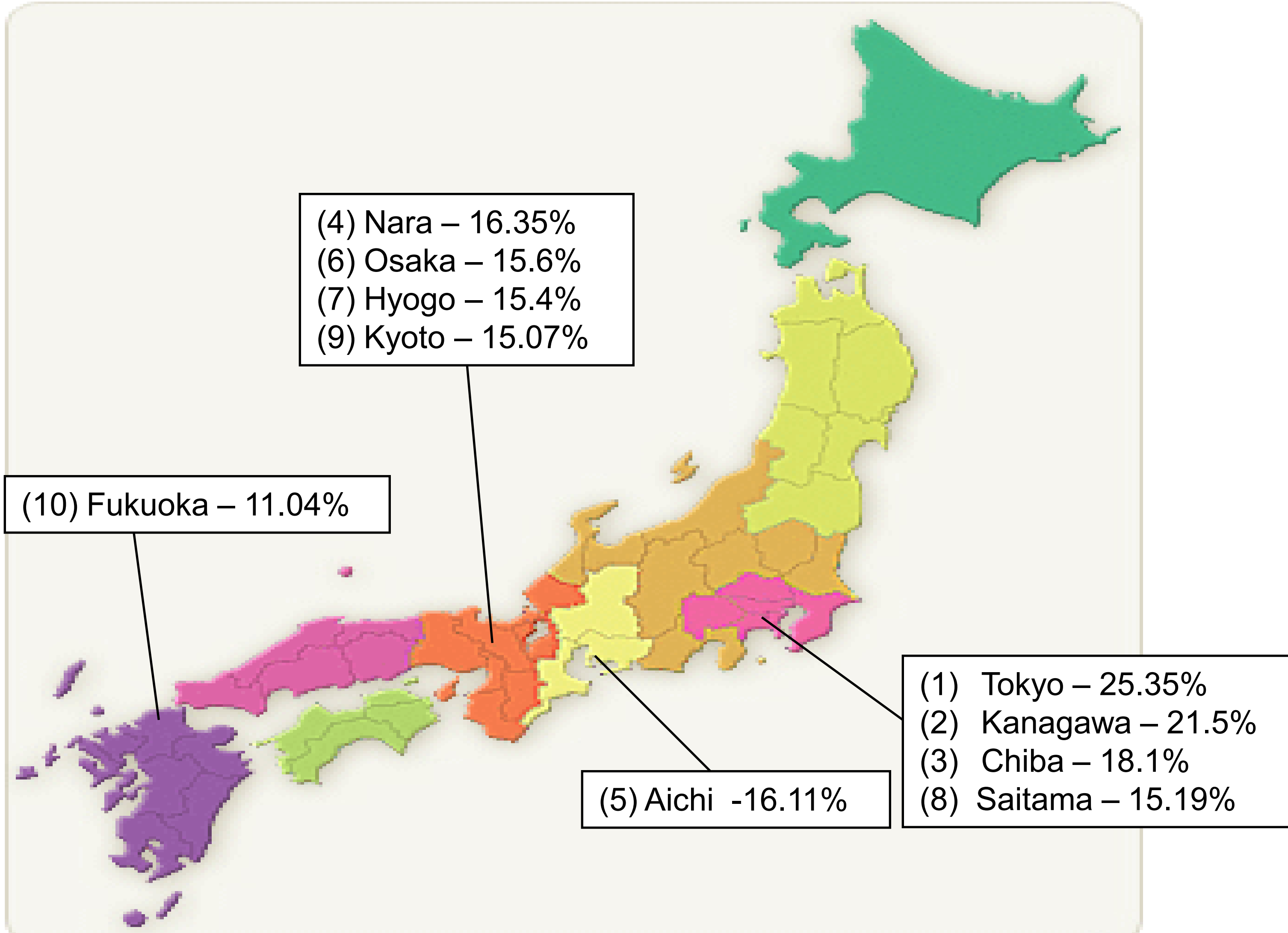
Source: Ministry of Justice “Statistics on Immigration Control”

Share for Airports / Port (2006)

Airport / Port	No. of Persons	Growth
Narita	9,636,548	0.6%
Kansai	3,861,045	0%
Nagoya	⇧ 1,925,881	3.6%
Fukuoka	⇩ 702,339	-9.6%
Haneda	⇧ 422,829	17.6%
Hakata Port	⇩ 136,833	-15.4%
Hiroshima	⇧ 135,551	15.3%
New Chitose	110,389	-2.9%
Sendai	102,270	3.0%
Niigata	72,366	3.0%
Okayama	86,662	8.0%



Top 10 Departure Ratio by Prefecture



Source: Ministry of Justice "Statistics on Immigration Control"

Top 20 Destinations (1)

Ranking (2006)	Country	Arrivals (Thousand)
1	China	3,746
2	Korea	2,339
3	Hawaii	1,374
4	U.S Mainland	1,345
5	Hong Kong	1,311
6	Thailand	1,294
7	Taiwan	1,164
8	Guam	953
9	Australia	653
10	France	647

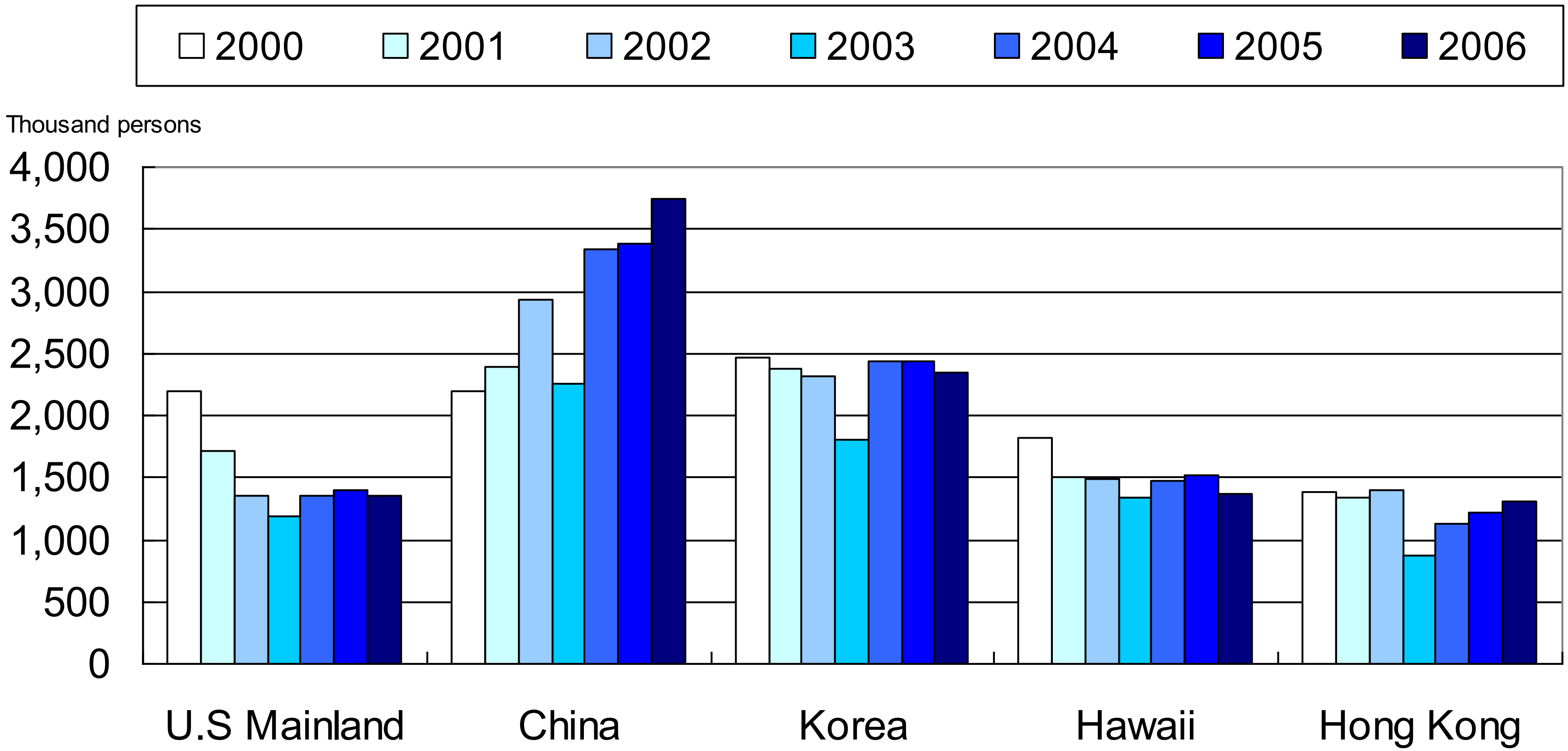
Source: National (Regional) tourist offices

Top 20 Destinations (2)

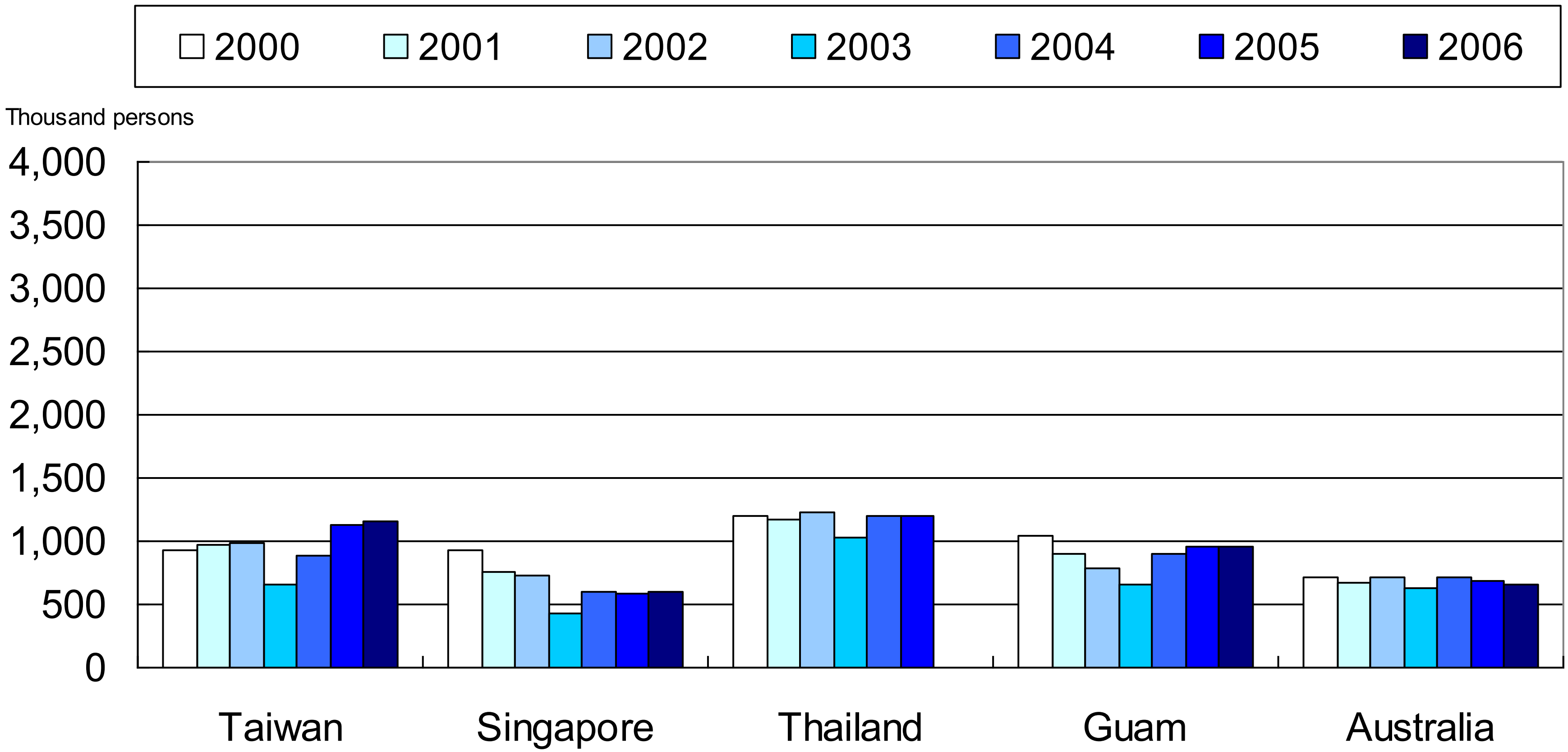
Ranking (2006)	Country	Arrival (Thousand)
11	Switzerland	596
12	Singapore	594
13	The Philippines	422
14	Canada	386
15	Vietnam	384
16	Malaysia	354
17	U.K	323
18	Saipan	270
19	Austria	268
20	Spain	261

Source: National (Regional) tourist offices

Japanese Arrival by Destination (1)



Japanese Arrival by Destination (2)



Growth Rates of Japanese Visitor Arrival (1)

Asia	2005/2004	2006/2005
Korea	-0.1	-4.1
China	1.7	10.5
Hong Kong	7.5	8.3
Macau	38.4	30.2
Taiwan	26.6	3.3
Singapore	-1.7	1.0
Malaysia	12.8	4.2
Thailand	-0.5	8.9
Vietnam	20.0	19.7
The Philippines	8.7	1.5

Americas	2005/2004	2006/2005
Canada	2.2	-8.7
U.S.A	3.6	-5.4
Hawaii	2.4	-9.4
Guam	5.4	-0.3

Source: National (Regional) tourist offices

Growth Rates of Japanese Visitor Arrival (2)

Europe	2005/2004	2006/2005
Austria	8.6	-3.9
France	3.9	-3.0
Germany	2.1	5.3
Italy	-3.4	-
Spain	15.1	44.2
Switzerland	-	1.8
U.K	-4.4	-2.7

Pacific	2005/2004	2006/2005
Saipan	-7.8	-23.3
Australia	-3.5	-5.0
New Zealand	-6.1	-12.0

Source: National (Regional) tourist offices

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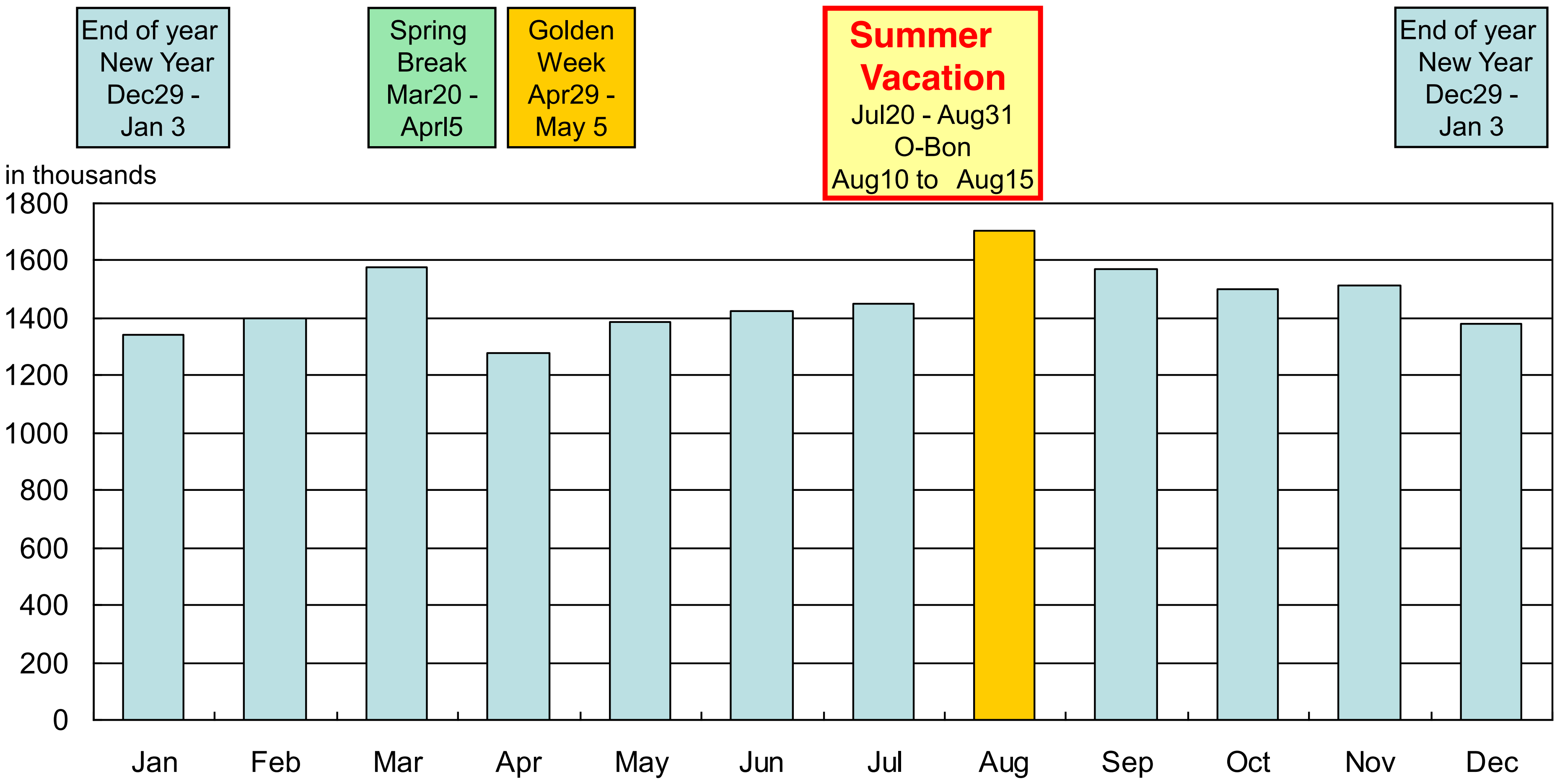
Holidays & Seasonality for Outbound Travel



Source: Ministry of Justice “Statistics on Immigration Control”

Survey Outline

1.Factual Survey of the Overseas Travel Situation

1.1 Respondents

Individual men and women who traveled overseas in 2006, live in Tokyo, Osaka, Aichi and are of at least 15 years old.

1.2 Methodology

Respondents with experienced overseas travel in 2006 selected by Internet survey. (Telephone survey until 2005) Questionnaires were mailed by post to the respondents and returned upon completion.

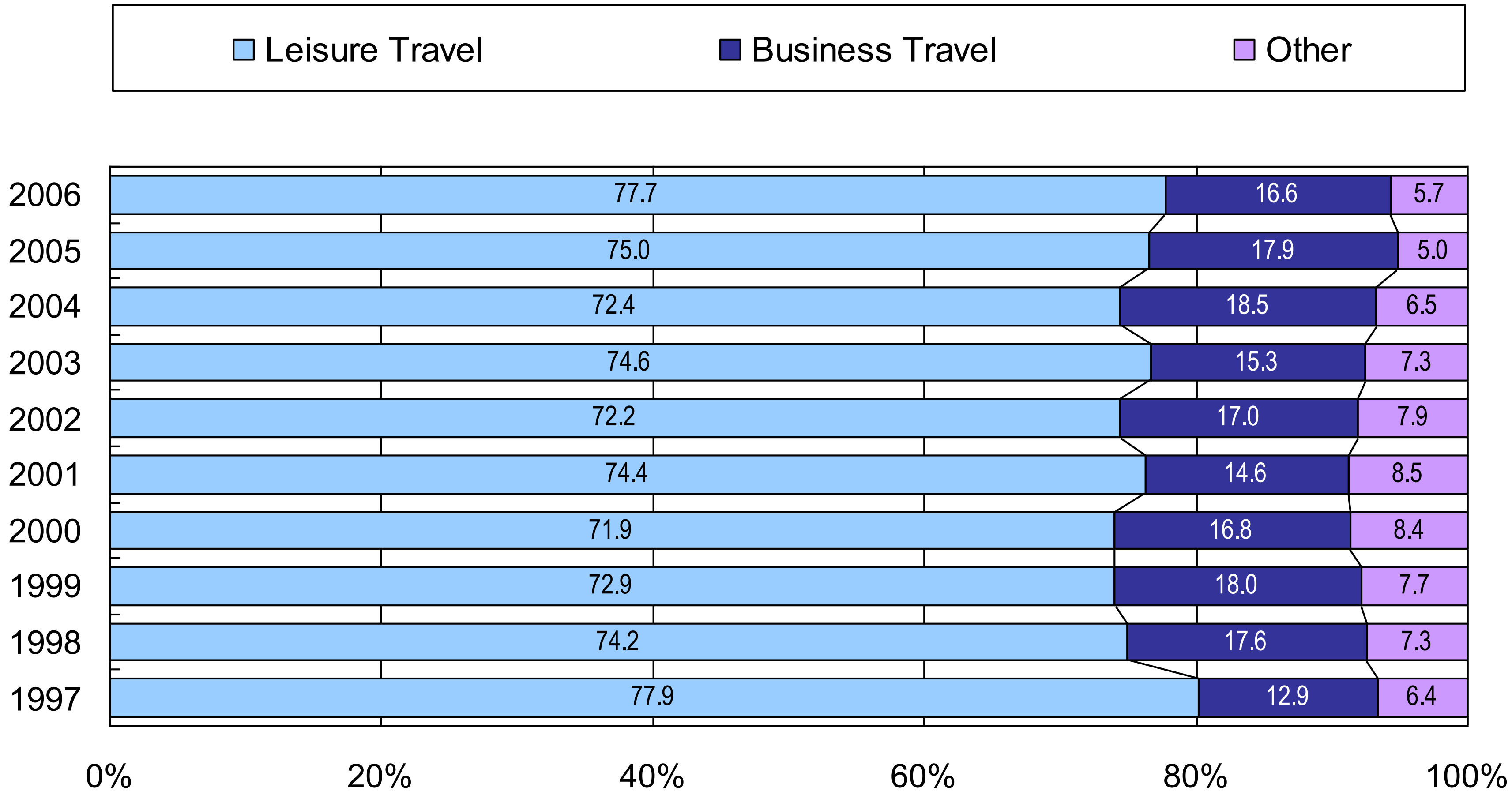
1.3 Period

April 2007

1.4 Valid Sample Size

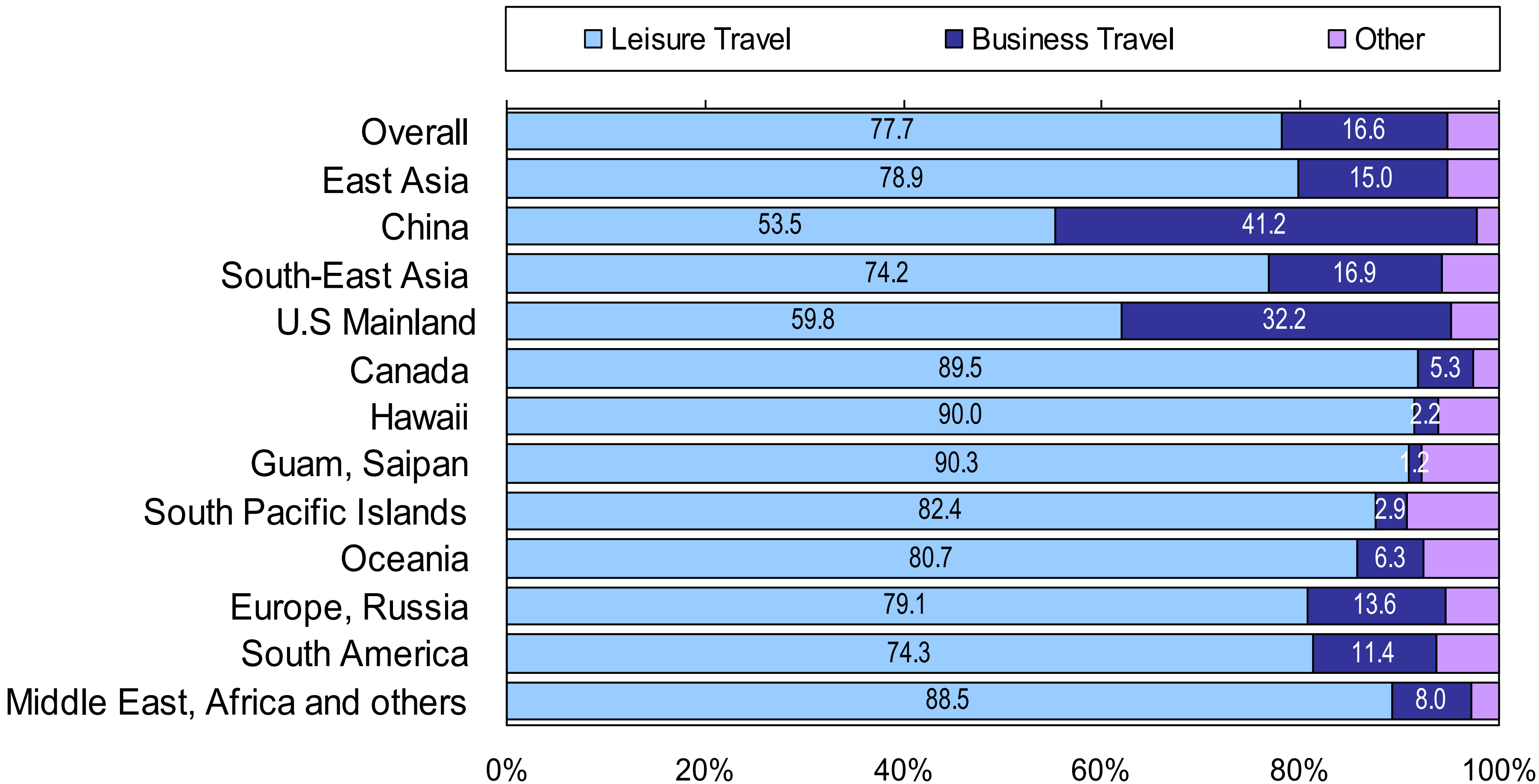
2,719 respondents (person)
4,179 respondents (trip)

Purpose of Travel Overseas (1997-2006)

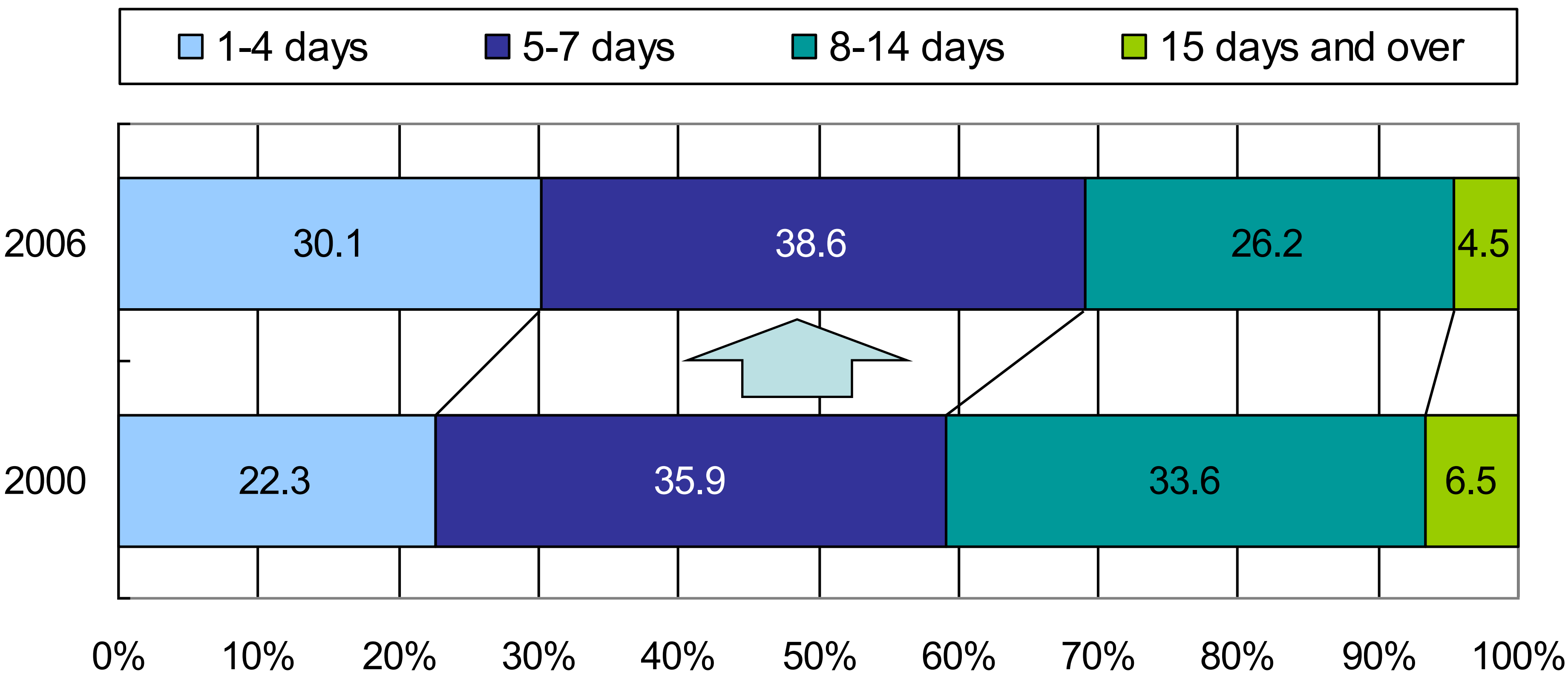


Source: Japan Tourism Marketing Co. “Factual Survey of Overseas Travel Situation”, JTB Report 2007

Purpose of Travel by Destination (2006)

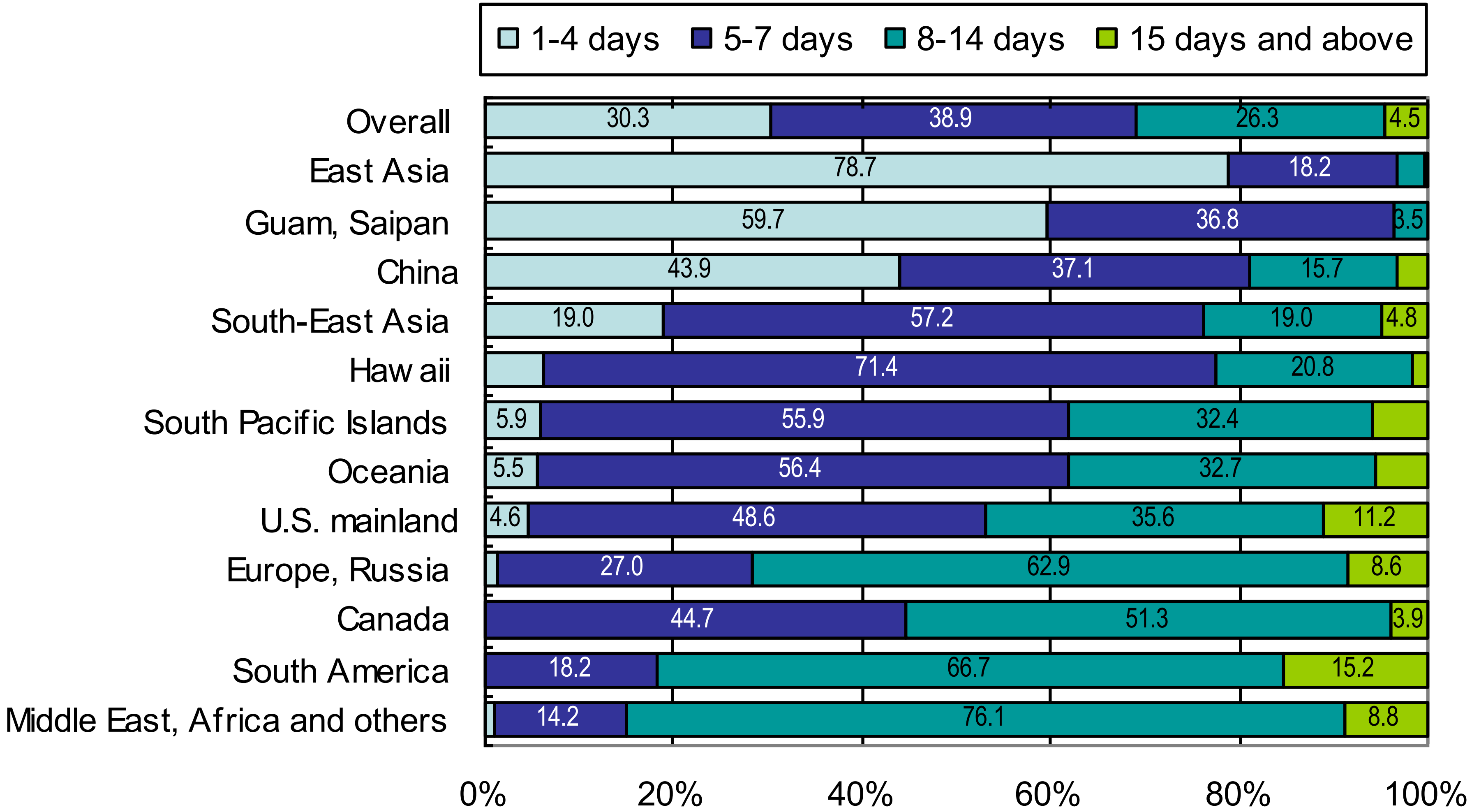


Travel Duration (2000-2006)

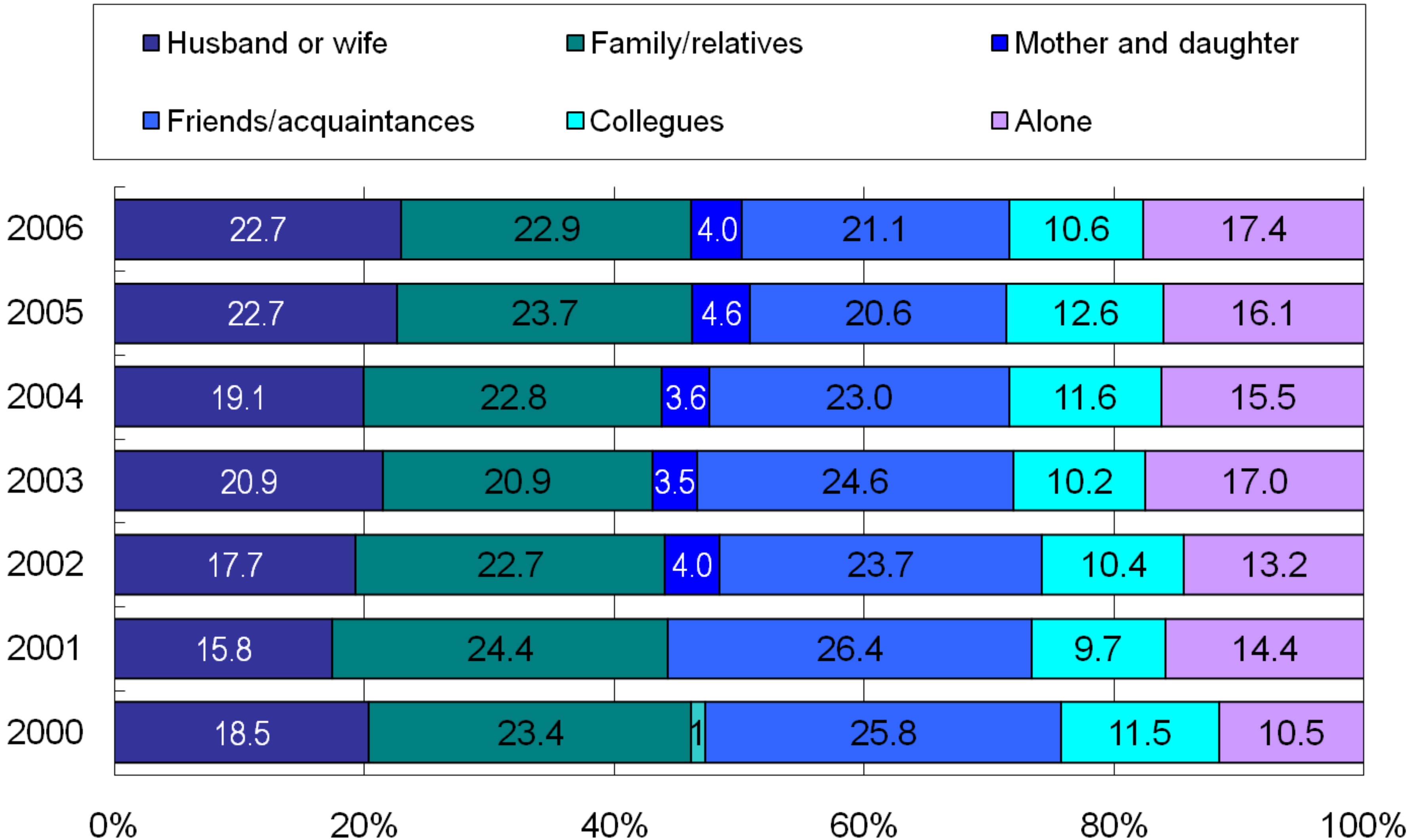


Source: Japan Tourism Marketing Co. “Factual Survey of Overseas Travel Situation”, JTB Report 2007

Travel Duration by Destination (2006)

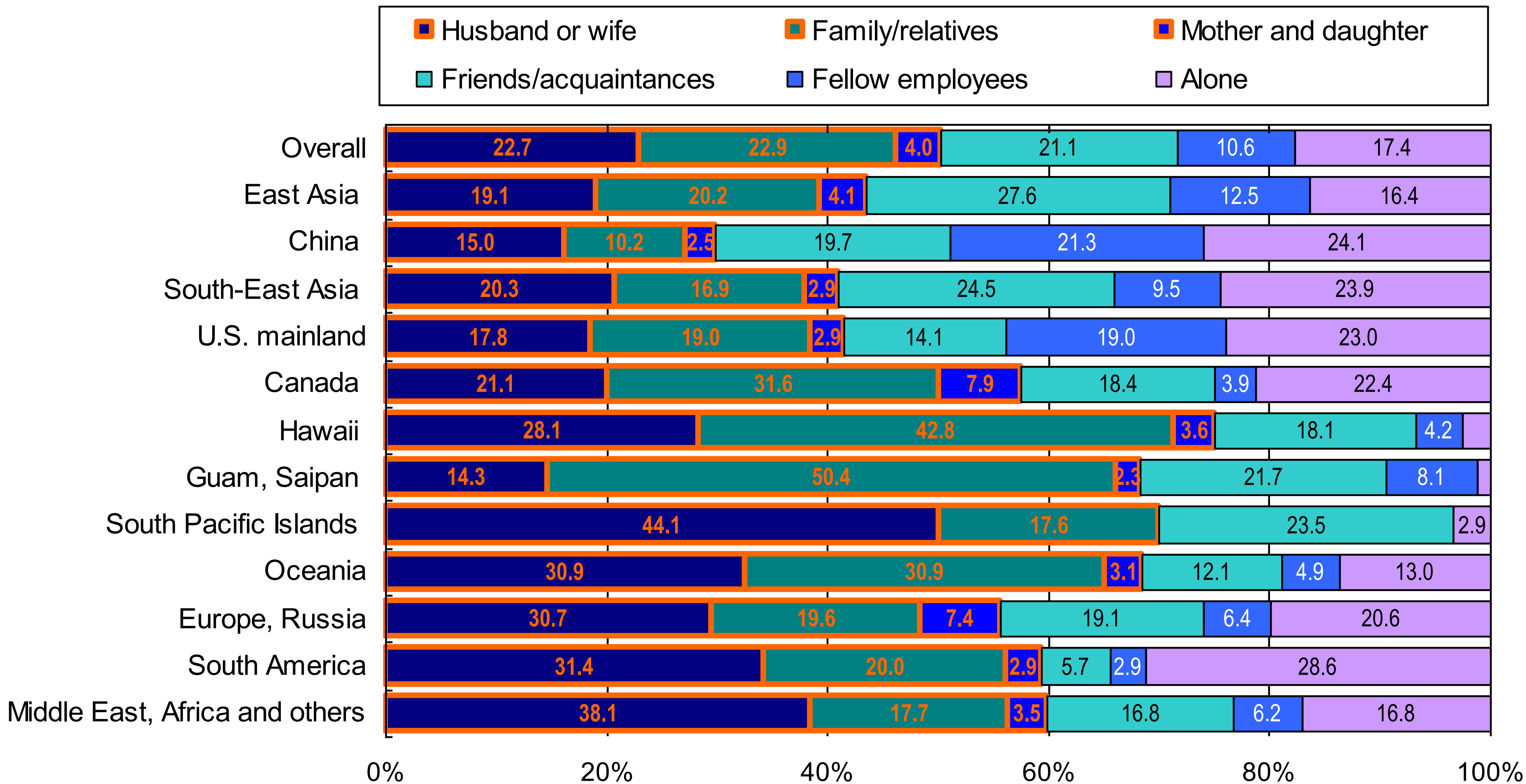


Travel Companions (2006)



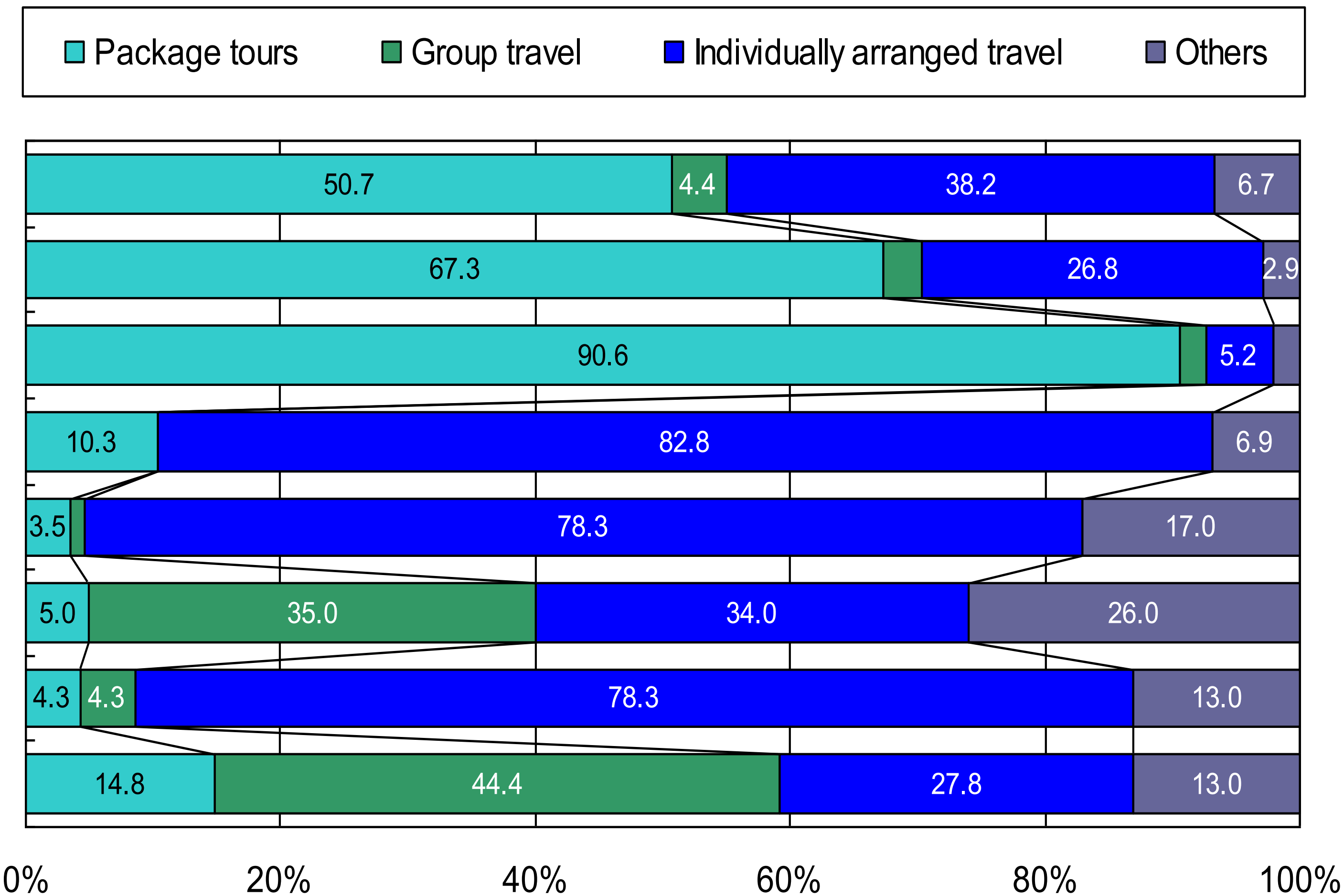
Source: Japan Tourism Marketing Co. "Factual Survey of Overseas Travel Situation", JTB Report 2007

Travel Companions by Destination

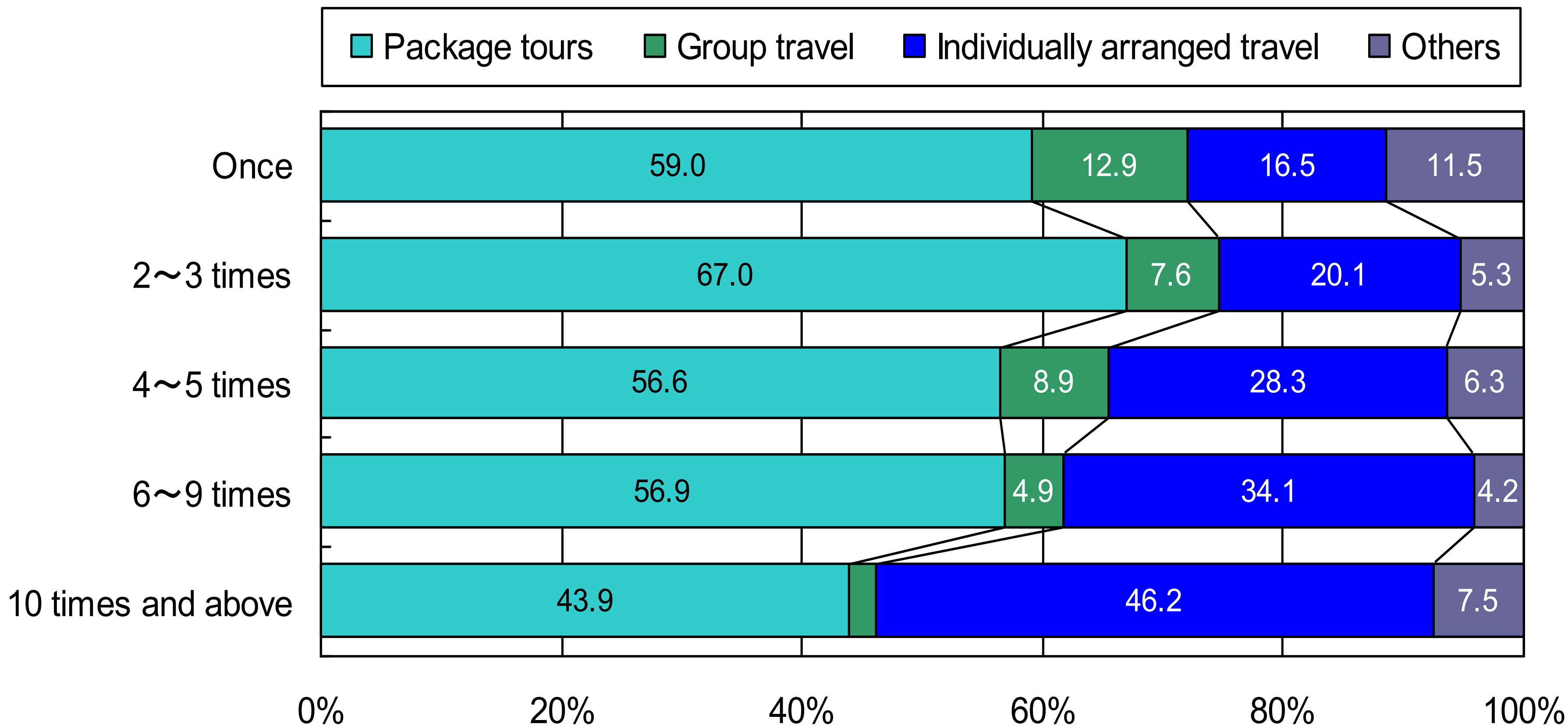


Source: Japan Tourism Marketing Co. “Factual Survey of Overseas Travel Situation”, JTB Report 2007

Travel Arrangement by Purpose (2006)

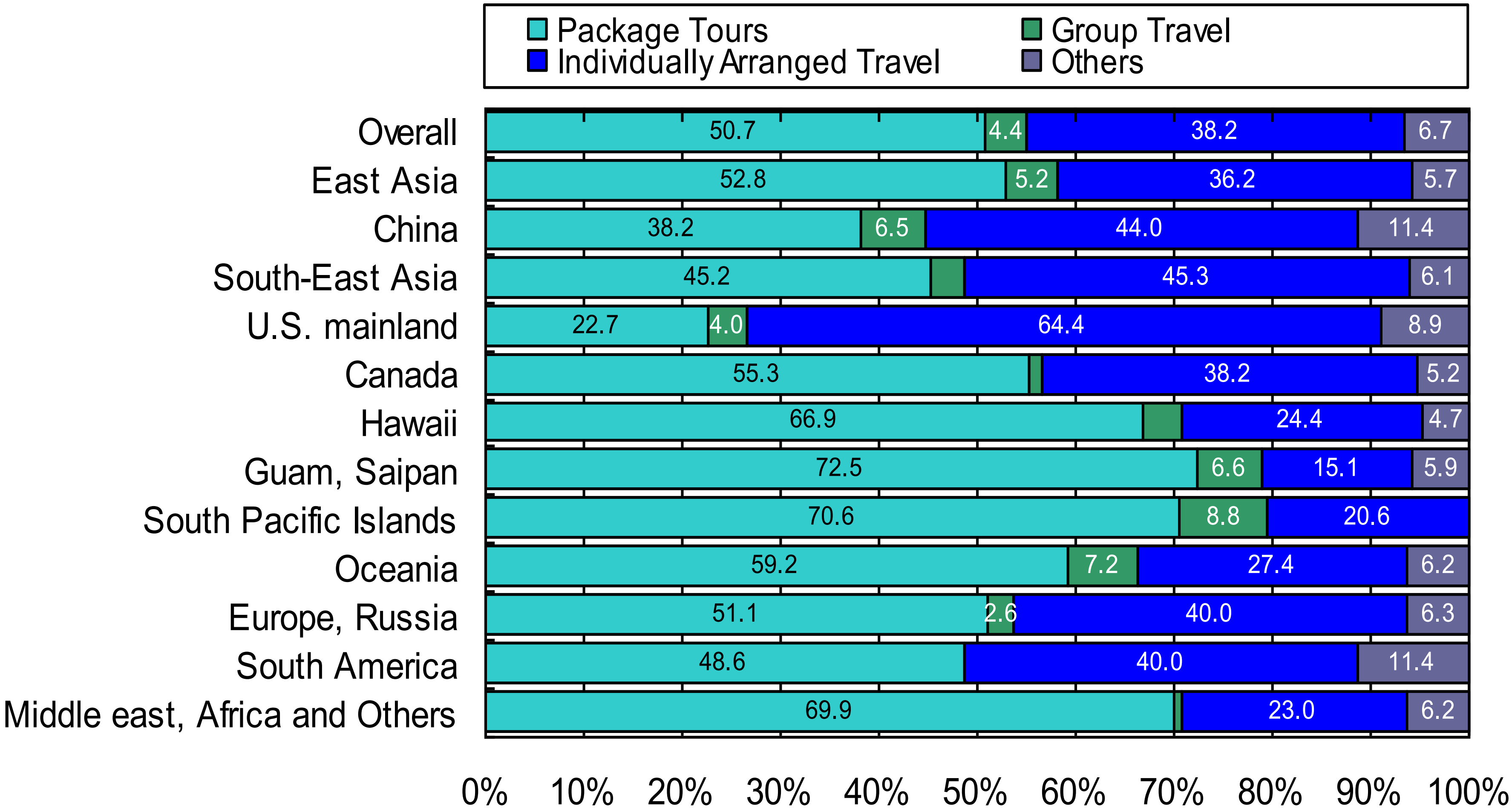


Travel Arrangement by Travel Experience (2006)



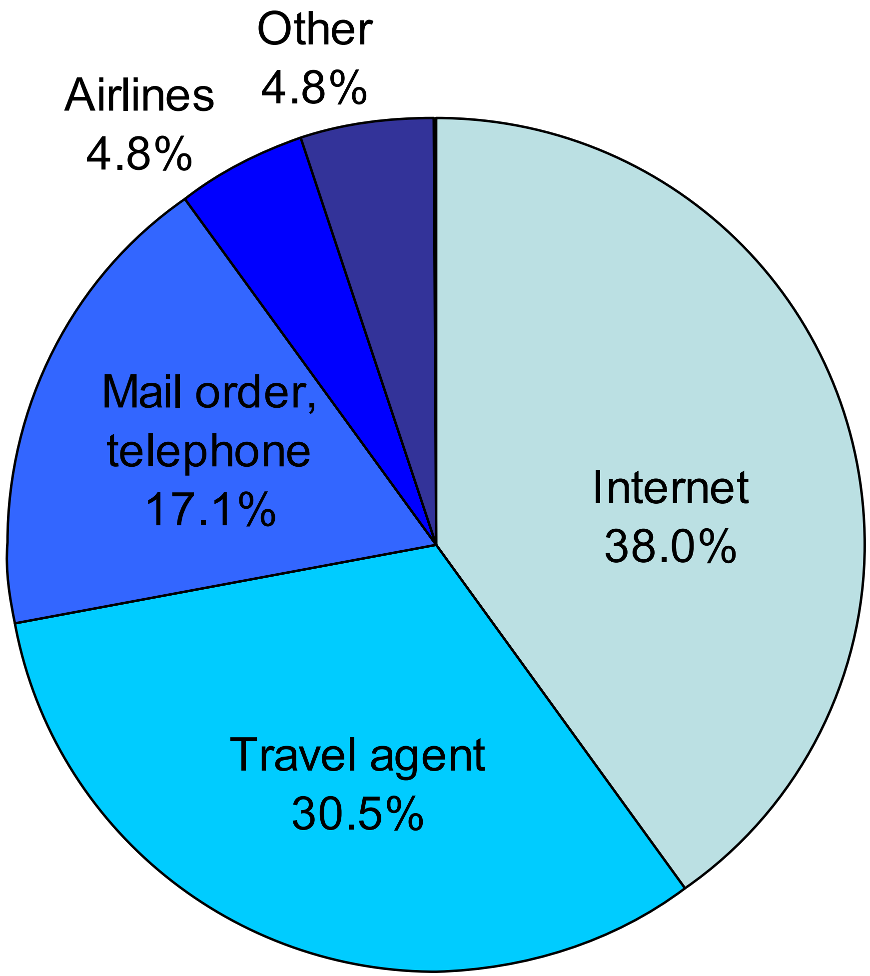
Source: Japan Tourism Marketing Co. "Factual Survey of Overseas Travel Situation", JTB Report 2007

Travel Arrangement by Destination (2006)



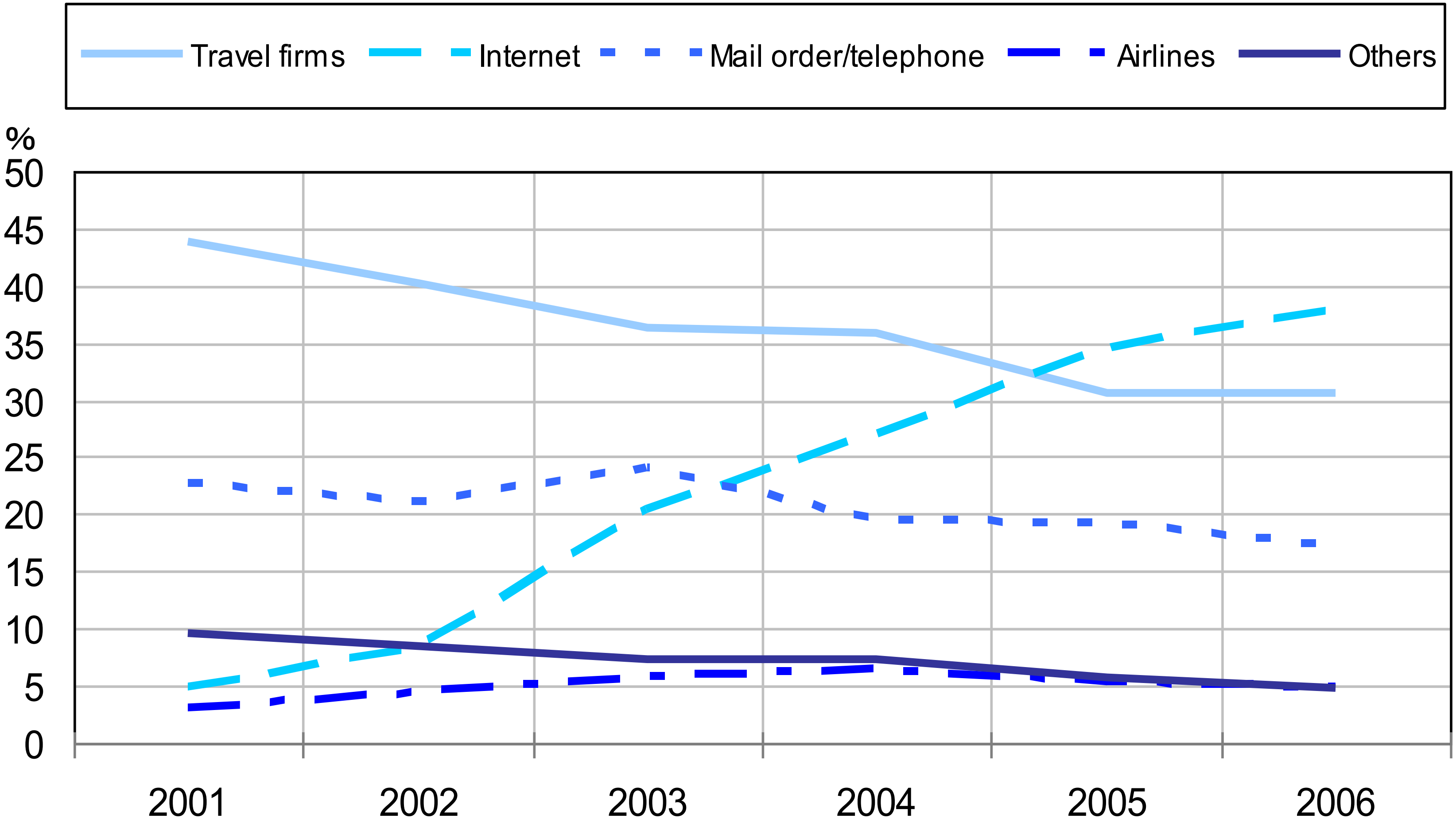
Source: Japan Tourism Marketing Co. “Factual Survey of Overseas Travel Situation”, JTB Report 2007

Travel Reservation Method (2006)



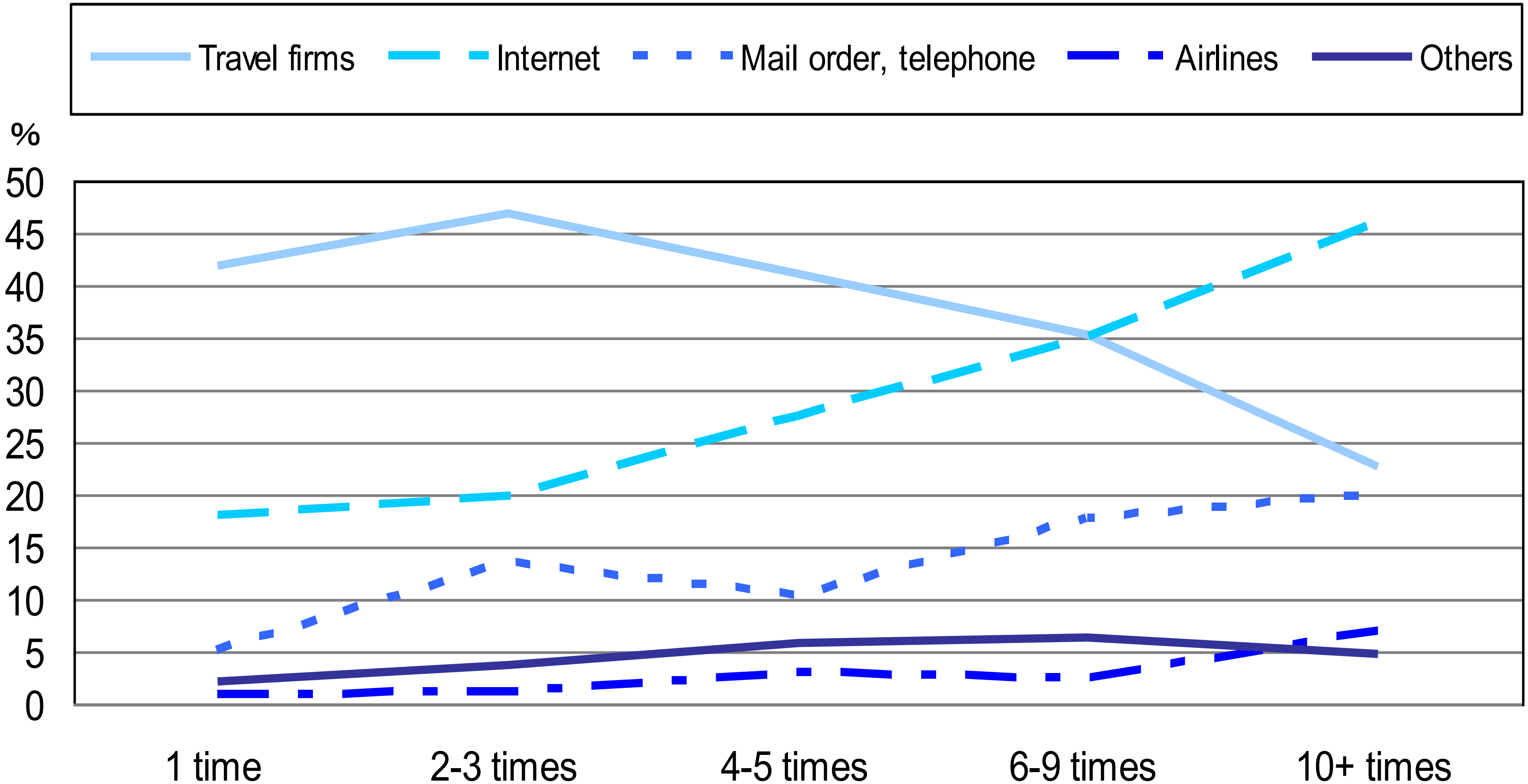
Source: Japan Tourism Marketing Co. “Factual Survey of Overseas Travel Situation”, JTB Report 2007

Travel Reservation Method (2001-2006)

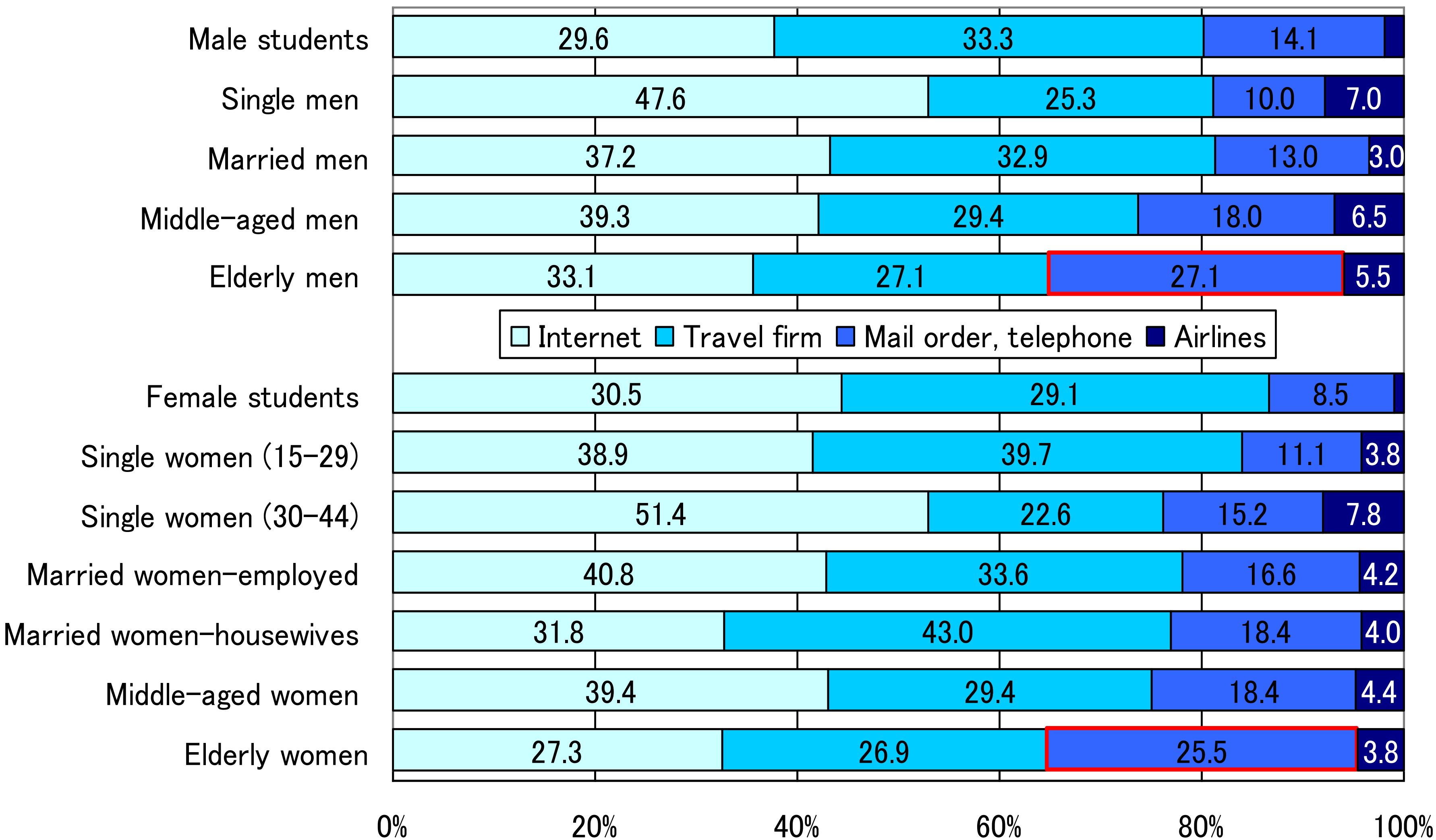


Source: Japan Tourism Marketing Co. “Factual Survey of Overseas Travel Situation”, JTB Report 2007

Travel Reservation Method by Overseas Travel Experience (2006)



Travel Reservation Method by Market Segment (2006)



Source: Japan Tourism Marketing Co. "Factual Survey of Overseas Travel Situation", JTB Report 2007

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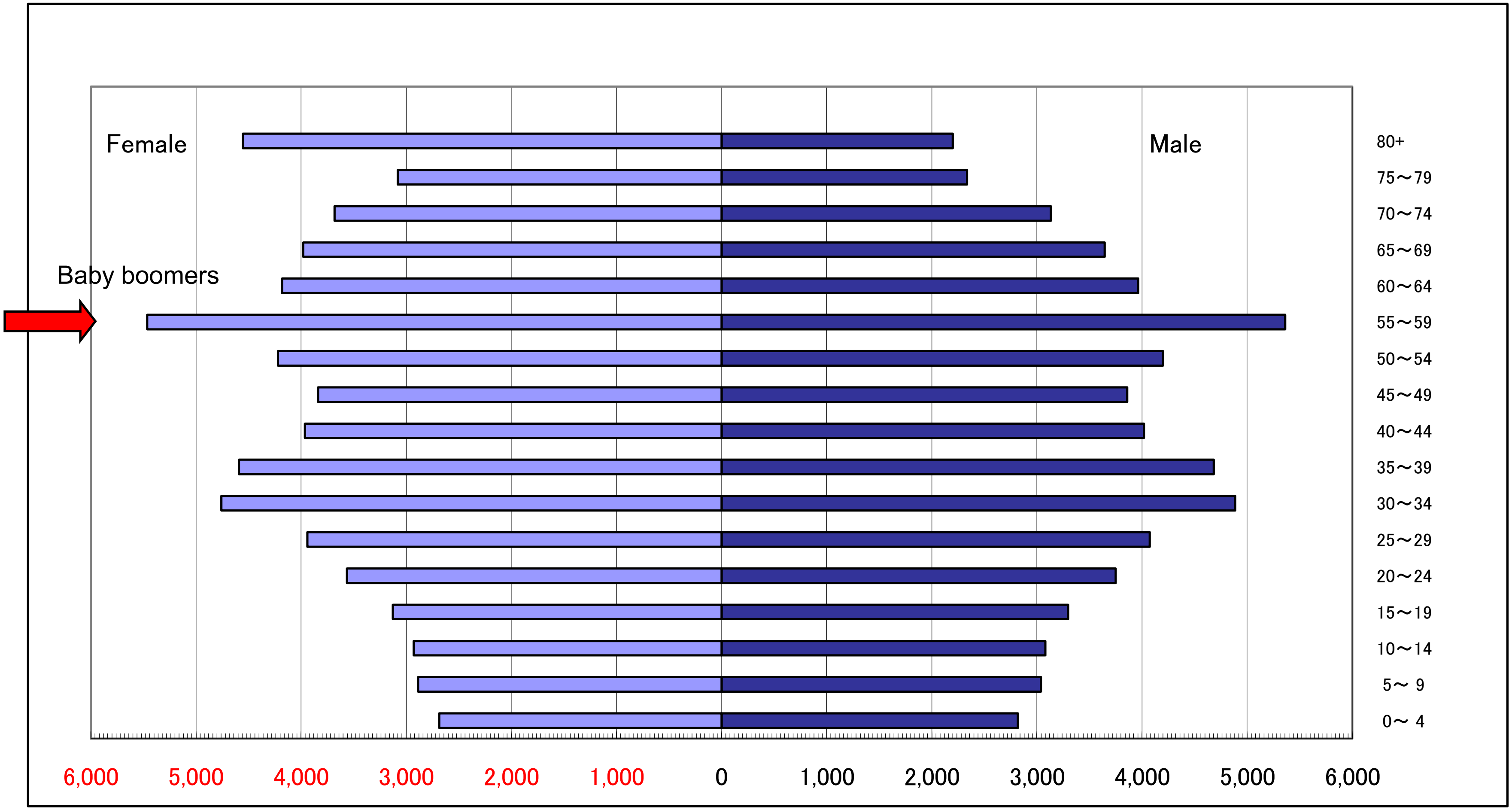
3.1 Baby Boomers

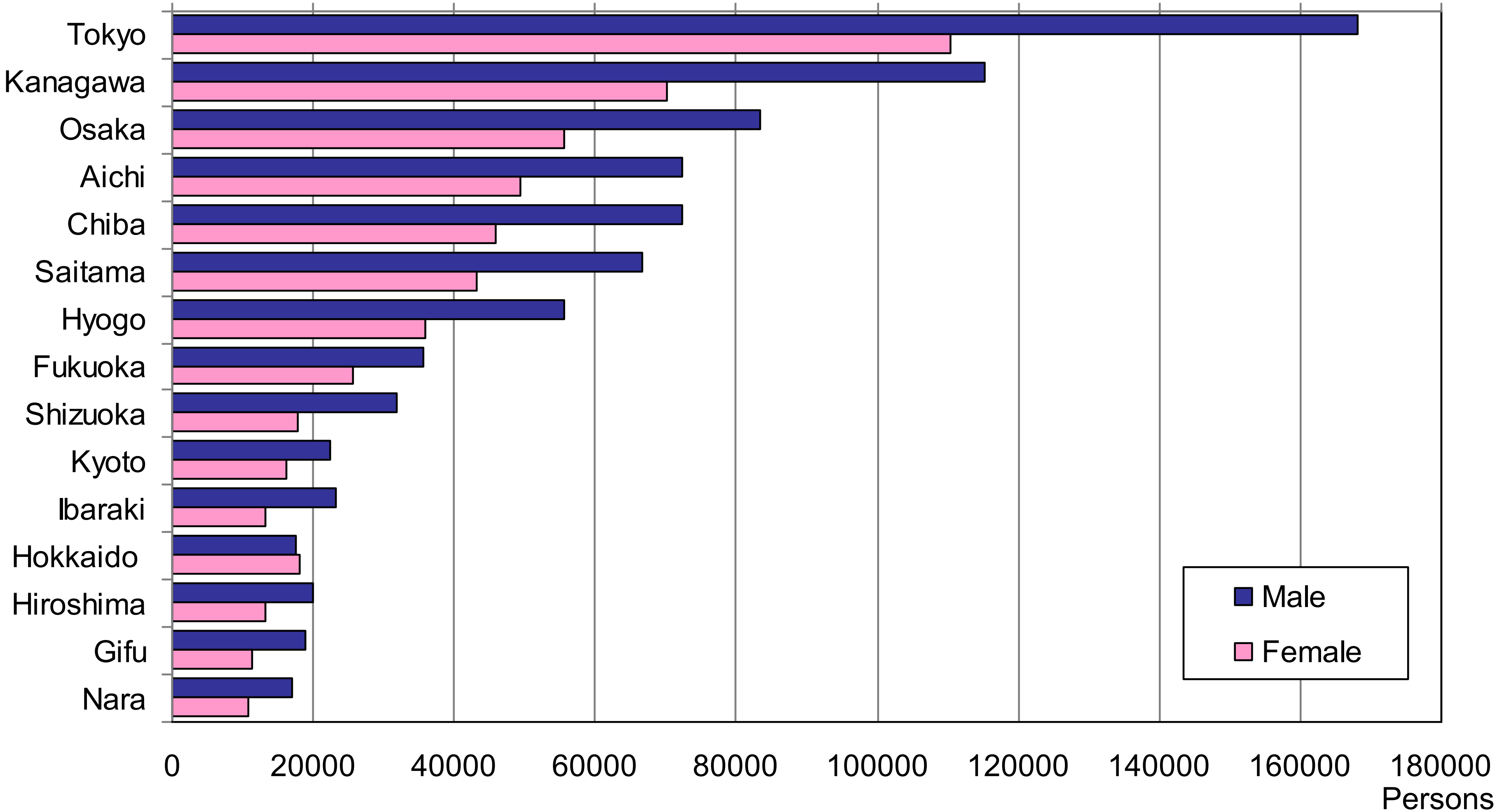
Japanese Population 2006

Baby Boomers
Born between (1946-1951) / Current market share of 8.5%



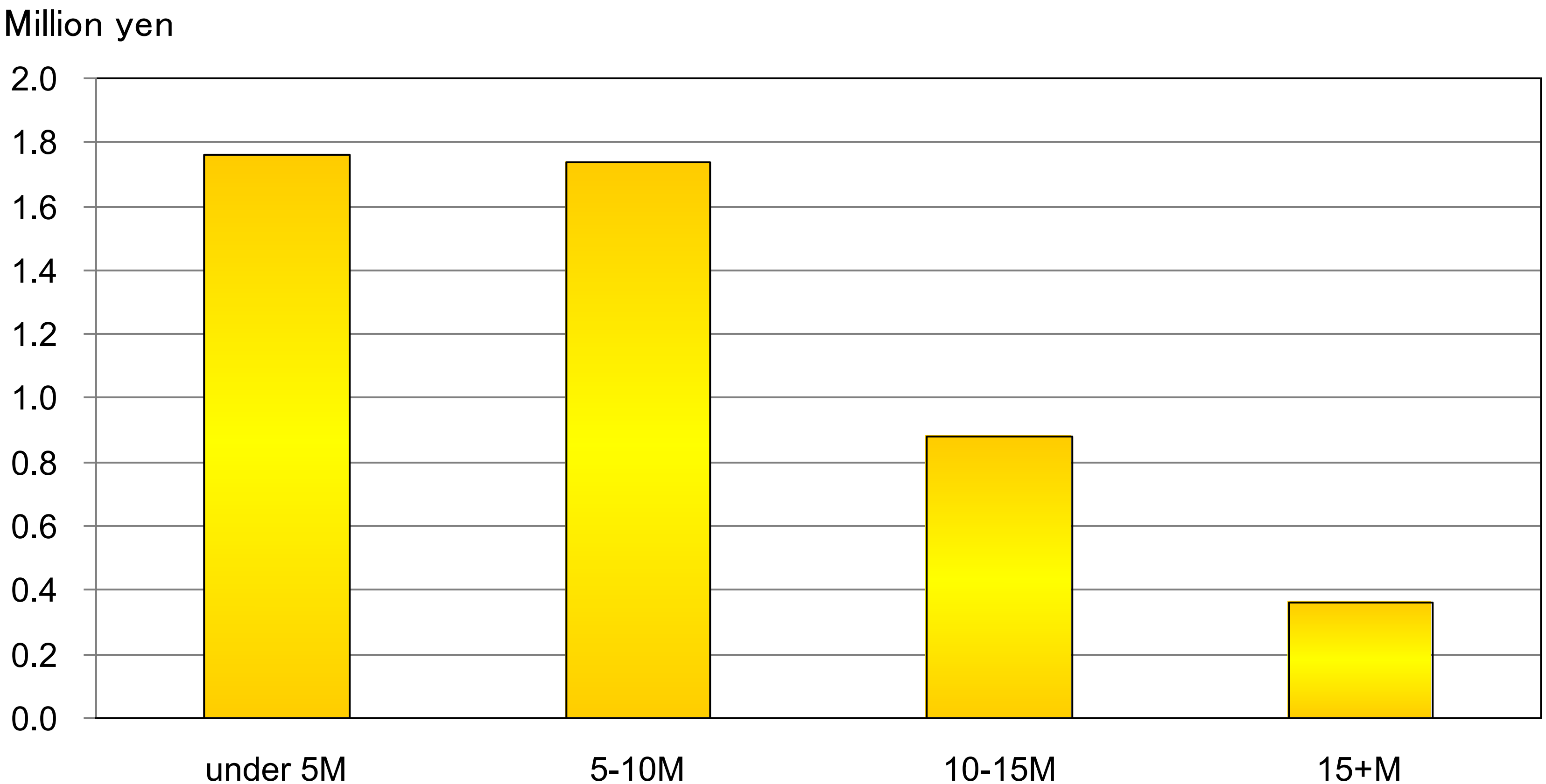
Source: Ministry of Justice "Statistics on Immigration Control"

Top 15 Prefectures of Departure for Baby Boomers

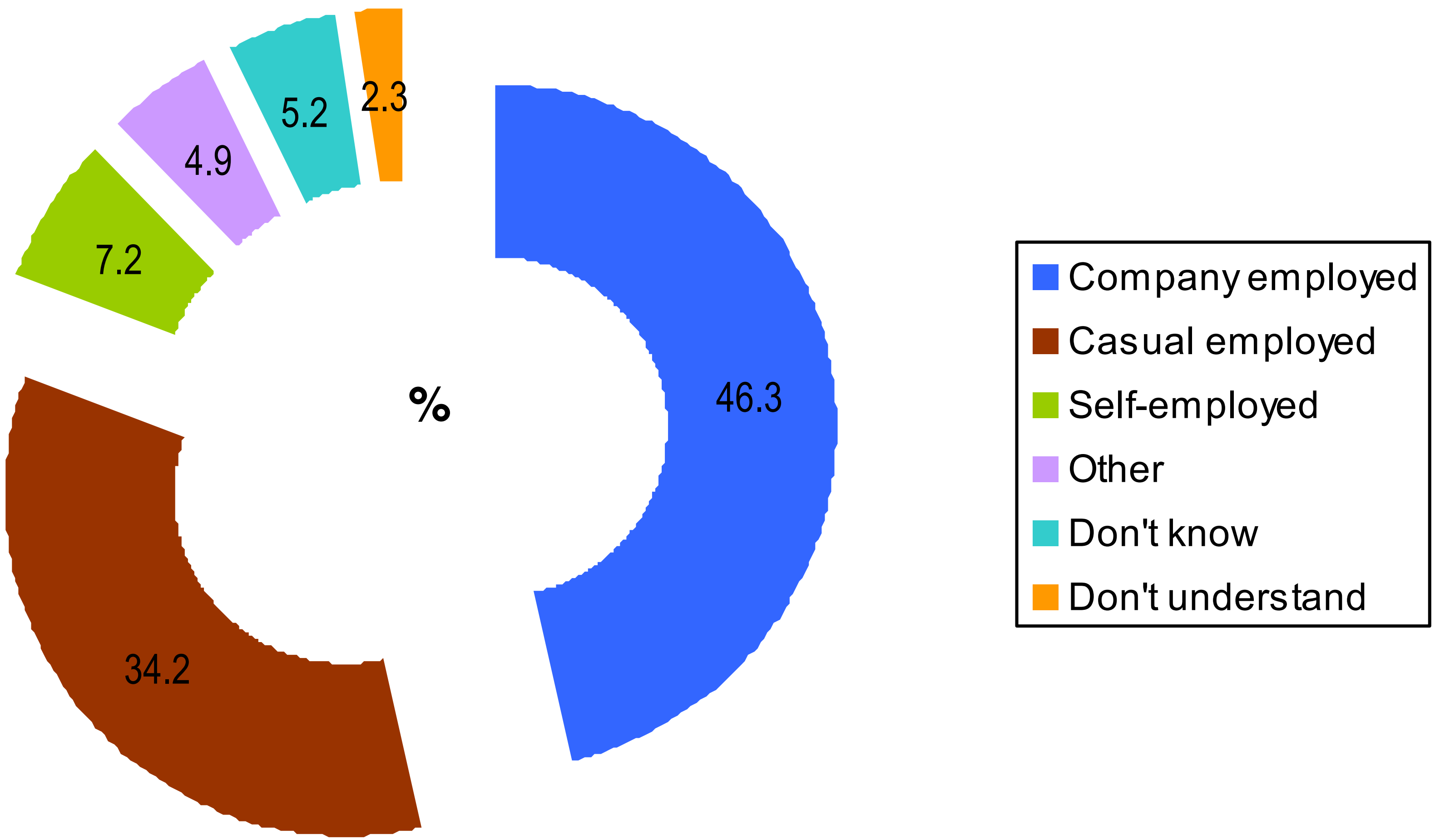


Financial Background of Baby Boomer

Yearly Disposable Income

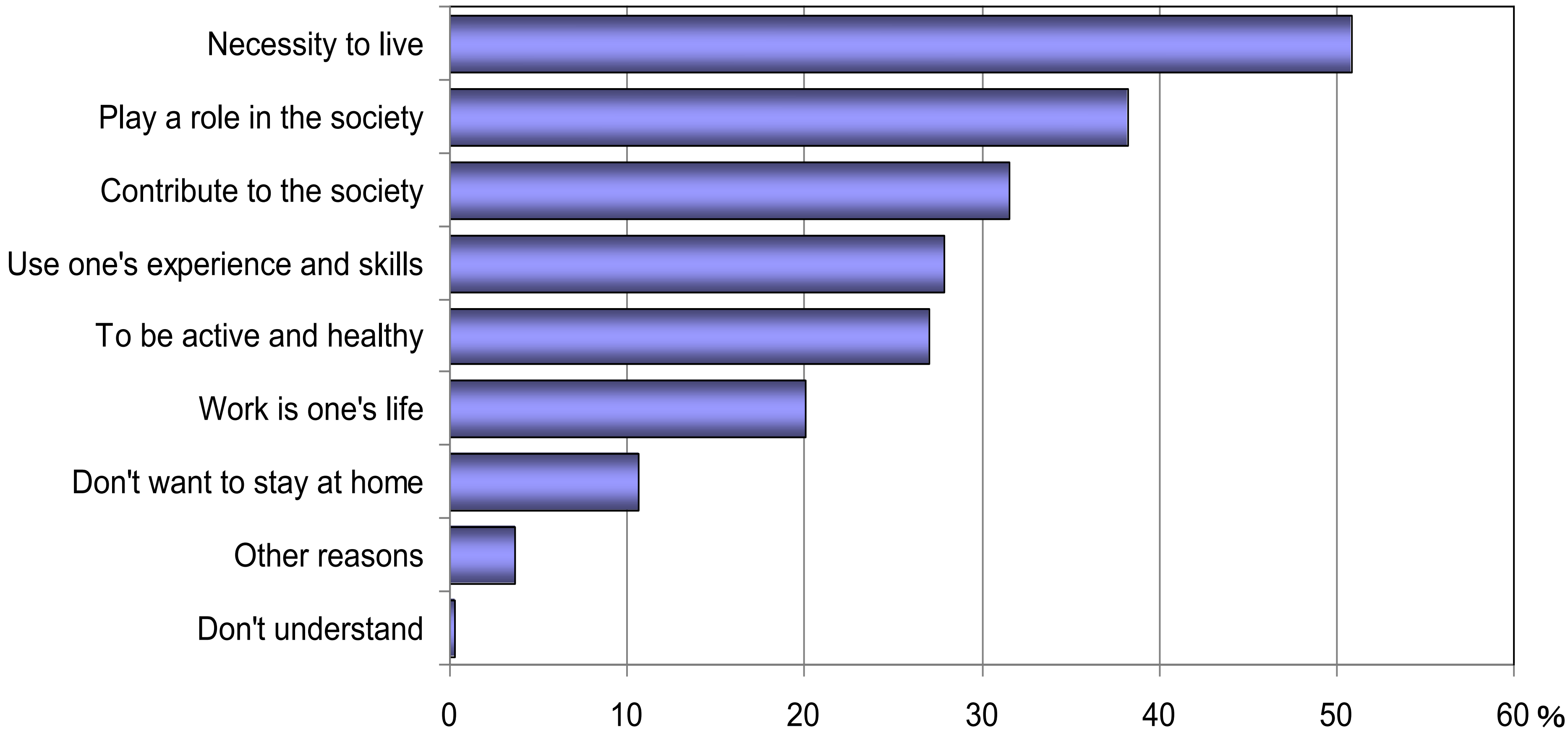


Current employment situation 55-59 age group



Source: Statistical data book on the Life Consciousness of Mature people 2006

Reasons for Desires to Continue Employment

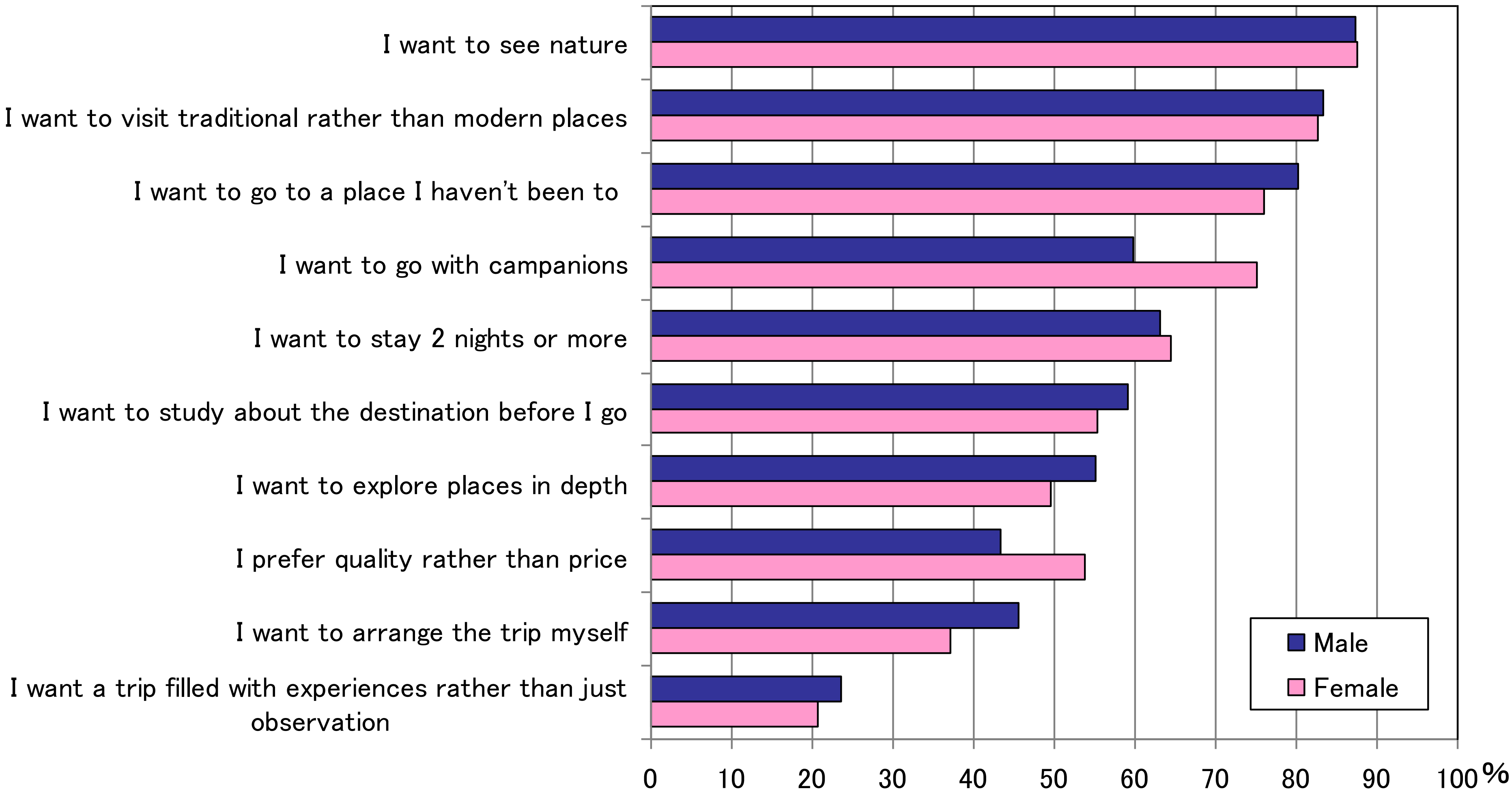


Source: Statistical data book on the Life Consciousness of Mature people 2006

Characteristics of Baby Boomer

1. Concerns for the health and the environment
   - Purchasing organic foods, vitamins and supplements. Volunteering in NPO environmental activities.
2. Desire to feel young
   - Their heart is still young and they want to look young.
3. Importance of safety and independence
   - High concerns in regards to security and do not want to become a burden on their children.
4. Enjoy living
   - Strong feelings of doing what they like.
5. Intellectual curiosity
   - Desire to study intellectual materials i.e. arts, classical concerts.
6. Contributing to the society
   - Even after retiring they still desire to contribute to the society i.e. through NPO activities.
7. Distinct preferences
   - Desire to have their own individual preferences met.

Preferences when Traveling



Baby Boomer Style of Travel

In all surveys conducted in the past, results reveal that to 'travel' is the most preferred activity after retirement.

- Travel companions will depend on the activities at the destination.
  → Famous and historical places for sightseeing, resorts and spas
  ⇒couples
  → Climbing mountains, golf, diving, sports and hobby related travels
  ⇒ individual or with friends

- Spring and Autumn are the popular seasons after the busy seasons.

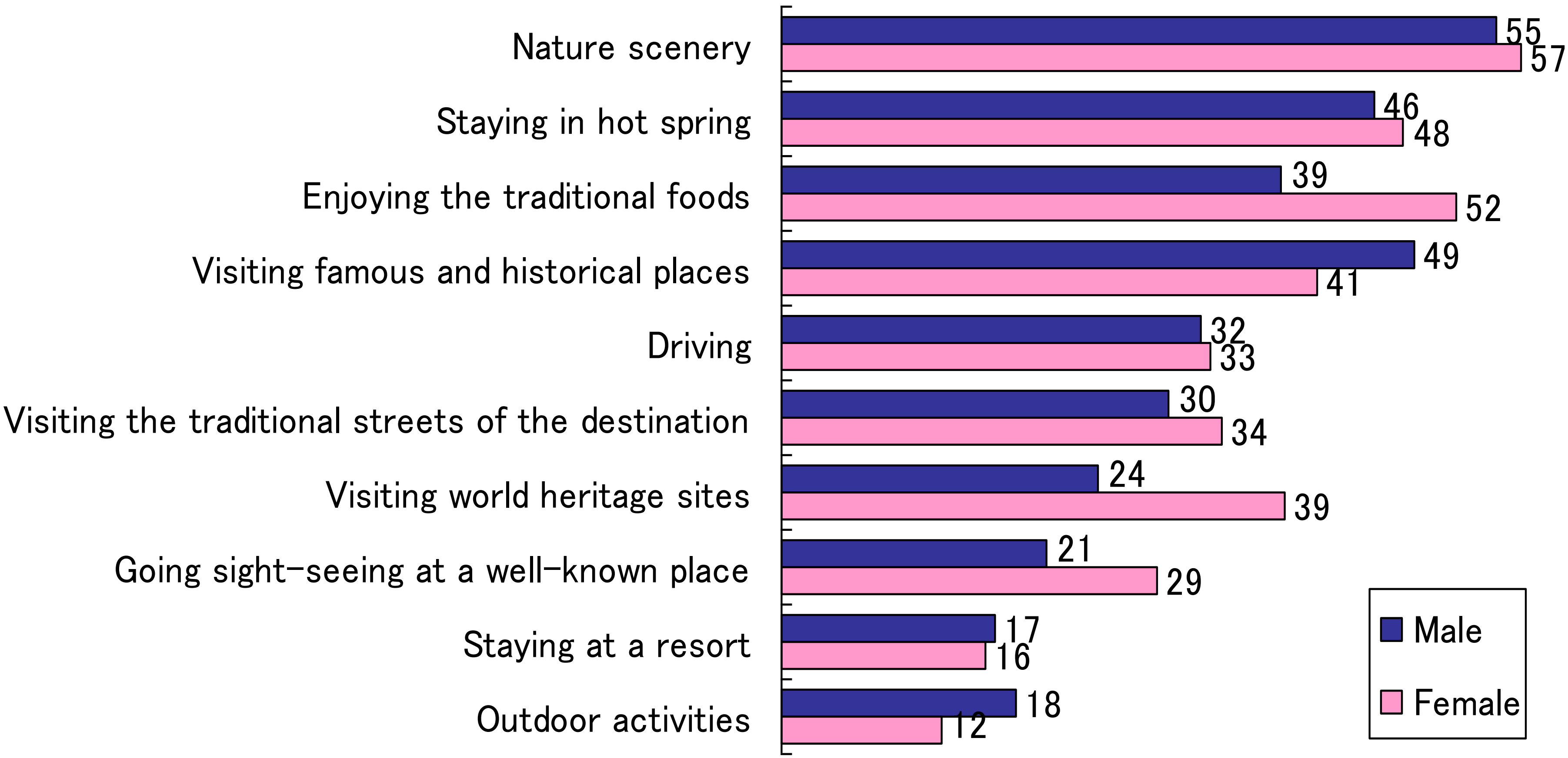
- For 60+ years over 50% stay over 7 days in their trips, 50+ years 5-7 days is most popular with around 30% preferring over 7 days.

- Prefer a trip that can provide relaxation, i.e. hot springs, natural scenery, famous and historical places.

- Motivation for trips: making past dreams become reality, continuing dreams and taking trips that reminds the 'Good Old Days'

- Traveling with the family

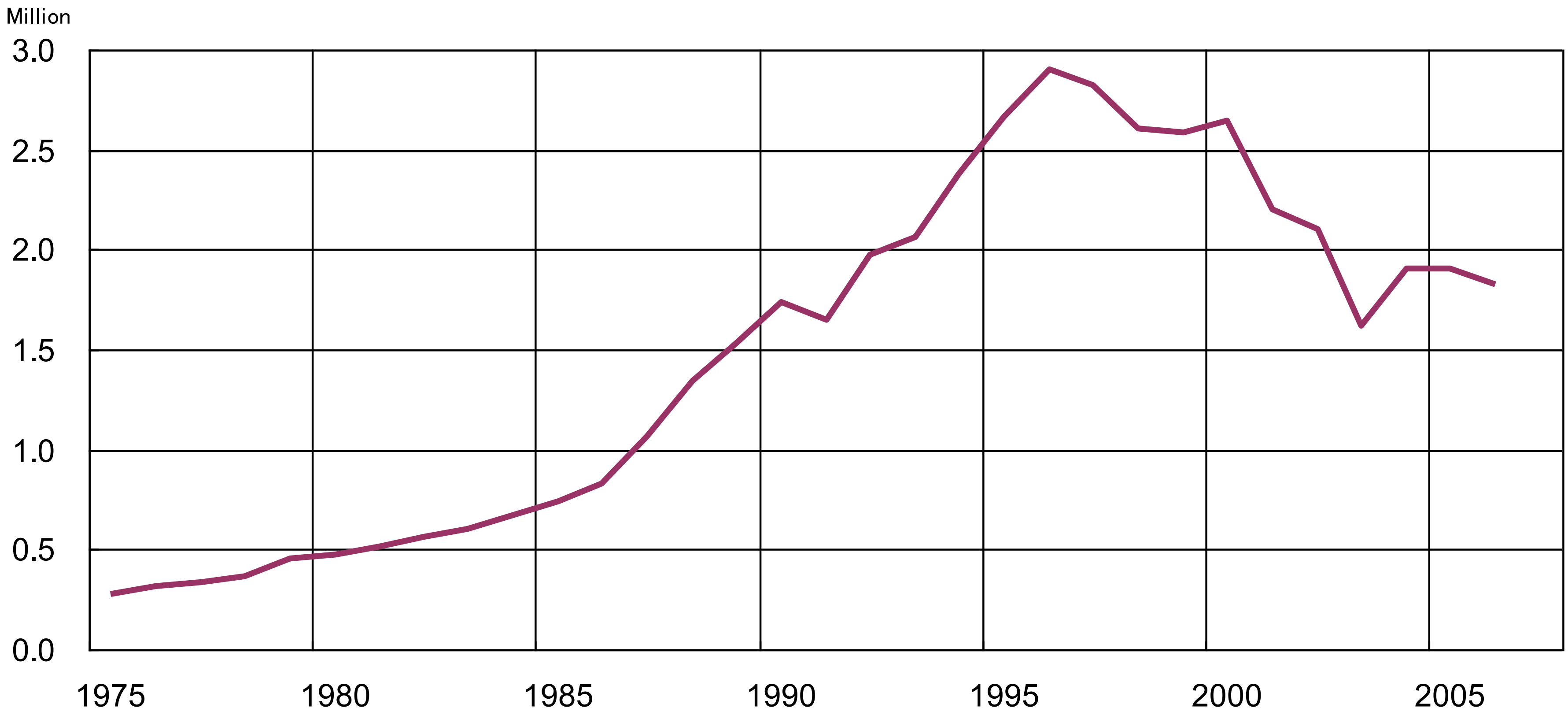
Baby Boomer
- Activities Desired on Trips in the Next 10 Years



Source: 2006 Leisure White Book – Baby boomers, 2007 issues and future trend in holidays

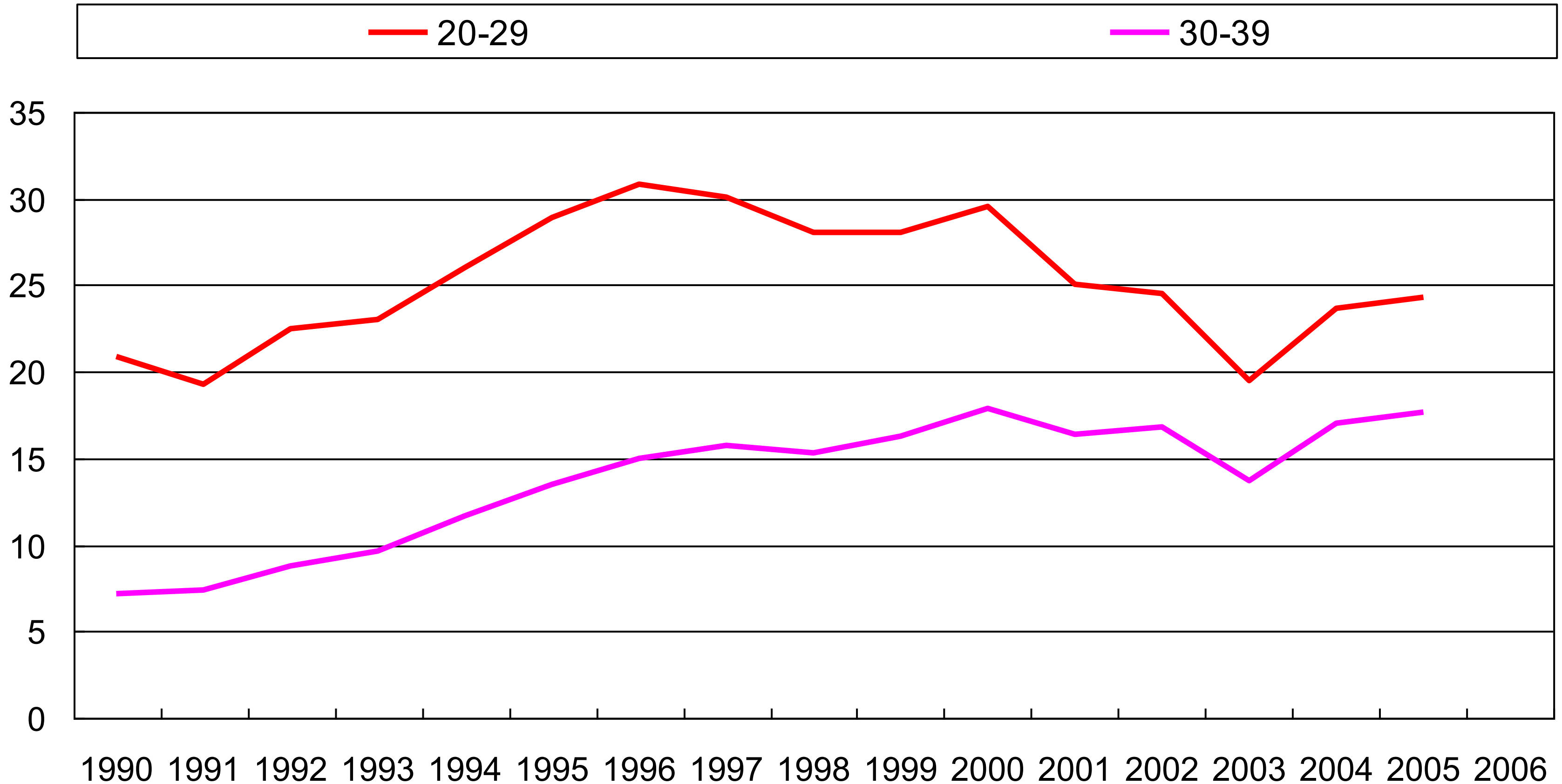
3.2 Female Travelers

Fall in Female Travelers 20s Age Group



Source: Ministry of Justice “Statistics on Immigration Control”

The Departure Ratio of Women in their 20s and 30s



Source: Ministry of Justice, arranged by JTM

Reasons for Changes

① Continuous decline in this population

② Unstable employment and lower income

③ The extra costs of living compared with previous generations, i.e. mobile phone

30s Female Today

Background for their frequent overseas travel.

- Increased share of singles.

  Presently 30+% of women between ages 30-34 and 20%+ of women between 35-39 are not married.

- Fewer children to look after.

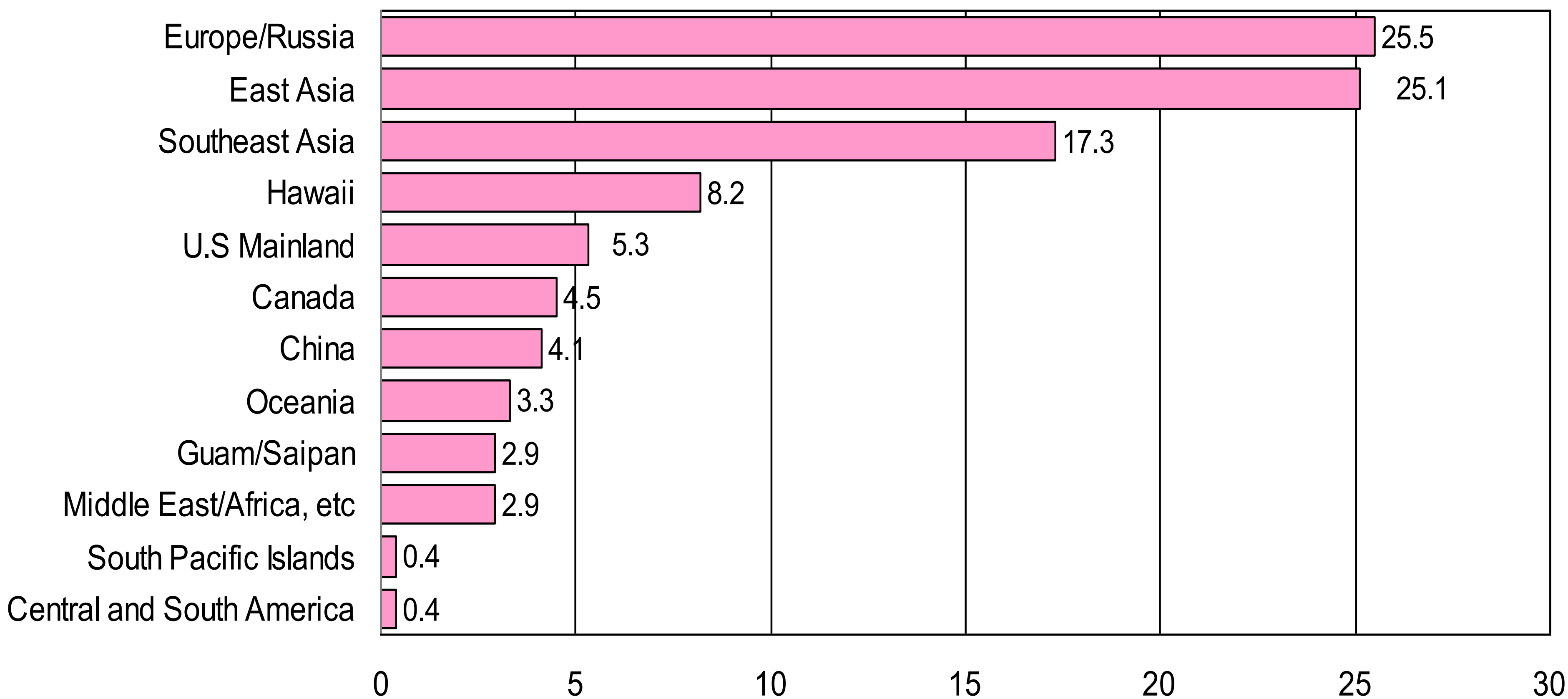
  Less than 30% of women aged 30-34 have children, and 50% of married women between 35-39 have children.

- **Rich travel experience** during 1990s when they were in their 20s

	Previous travel experience (Avg. No.)	No. of overseas trips in the previous year (Avg. No.)
Single women (30-44)	13.0	1.6
Married women (employed)	11.9	1.4
Married women (housewives)	11.3	1.2

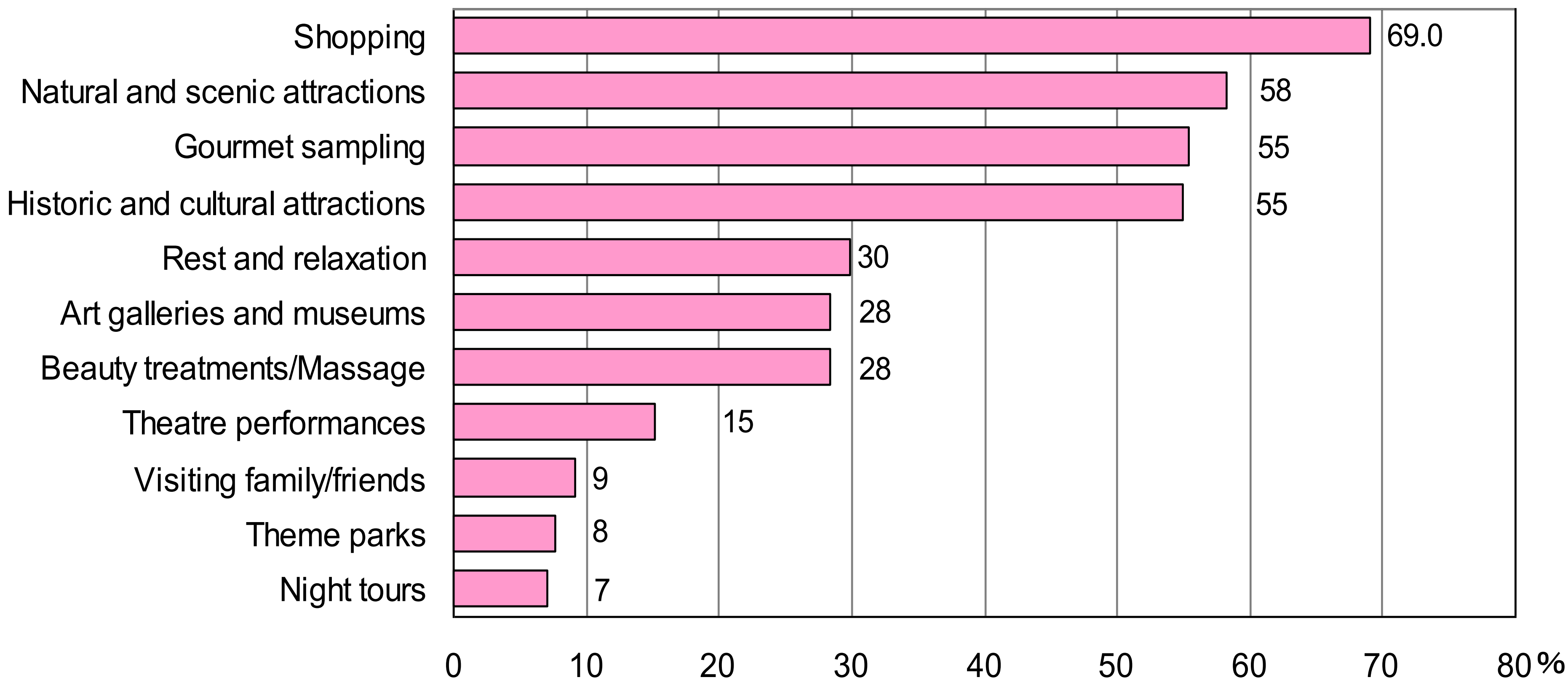
Source: Japan Tourism Marketing Co. "Factual Survey of Overseas Travel Situation", JTB Report 2007

Destinations for the Single Females

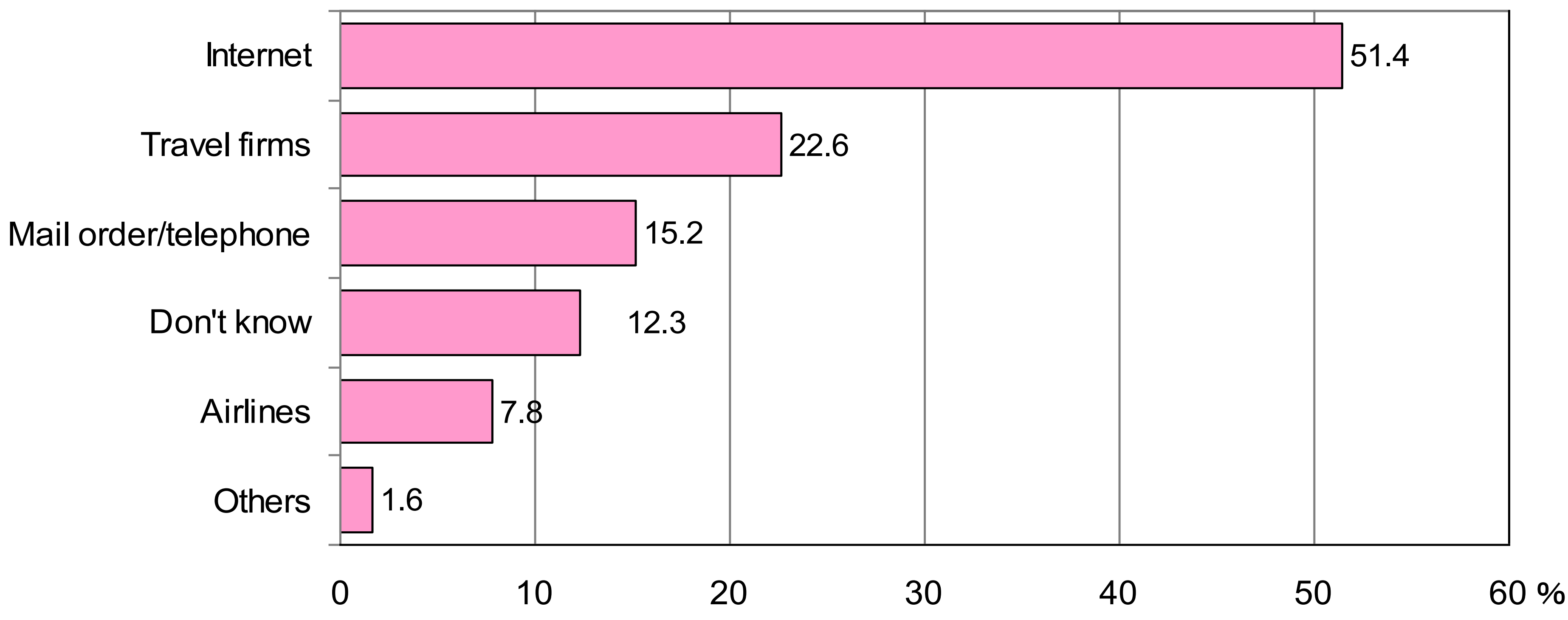


Source: Japan Tourism Marketing Co. "Factual Survey of Overseas Travel Situation", JTB Report 2007

Activities Undertaken at Destination

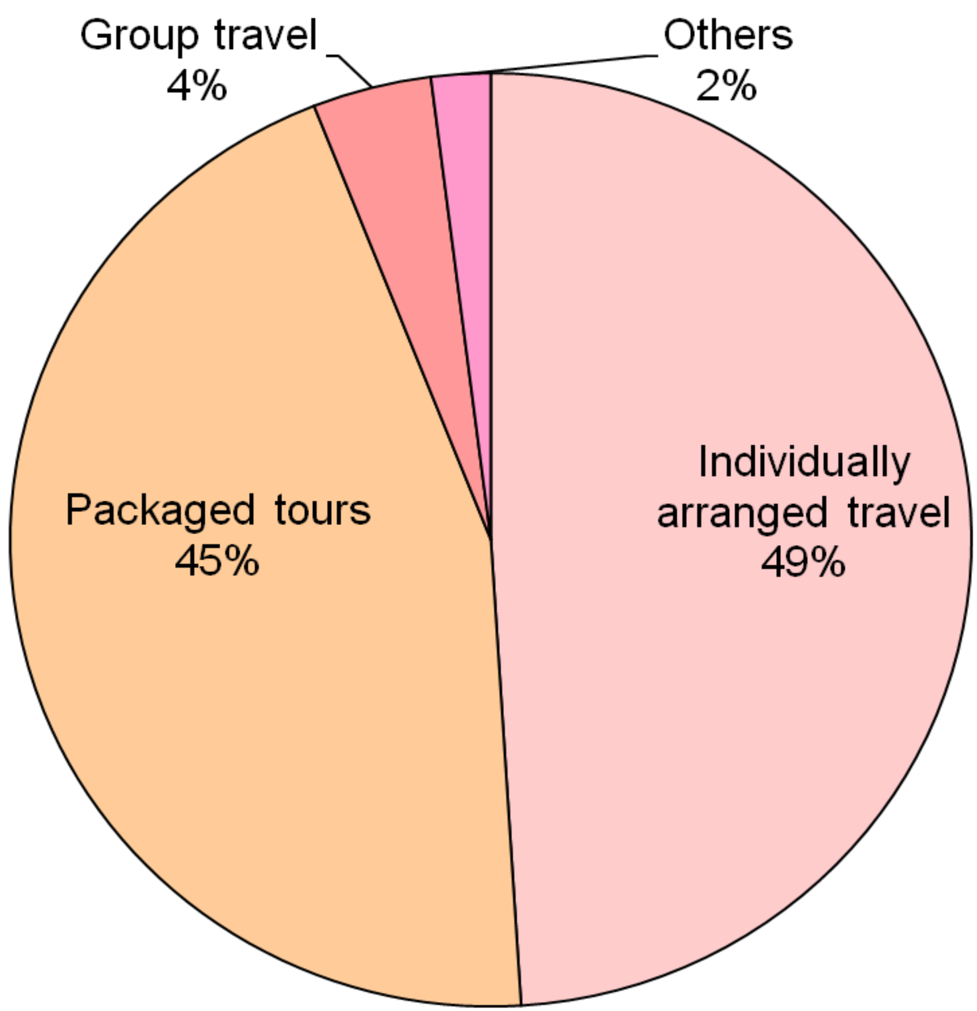


Travel Reservation Method

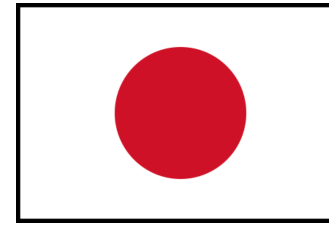


Source: Japan Tourism Marketing Co. "Factual Survey of Overseas Travel Situation", JTB Report 2007

Travel Arrangements



Asia Gateway



International Airfare Deregulation in Japan

- 22nd June 2007: Japanese Government announced its consideration of international airfare deregulation

Purposes

1. Strengthening Asia as a whole, deregulating, increasing trade knowledge and networking
2. Further communication Japan to Asia-products, people and places.
3. Increasing Japan's cooperation with major researches and projects to do with international issues.

Current Actions

- Revision of existing price restriction and approval of airfare pricing
- Foreign LCCs may enter the market

→ spur competition
→ increasing consumer convenience

Deregulation in IT Charter Flight System

Deregulation of ITC (Inclusive Tour Charter)

⇒ Announced 2007 May 31st , by the Ministry of Land, Infrastructure and Transport.

Old Regulation	New Regulation	Opportunities
One is required to stay at the carrier's country of location	No stay requirement	The use of foreign carriers in tour packages
All accommodation is required to be pre-arranged	Only 50% of accommodation needs to be pre-arranged	Some free nights can be included into tour packages
Carriers are only permitted from country of departure or arrival	Third country airline is permitted	Wider selection of choice and supply
Operation frequency is restricted	Where there is no schedule on the route, no restrictions for same day operations	Pave the way for future scheduled services

Northern lights, Swiss hiking, the red maple leaves in Canada and China are current destinations tour operators are focusing on.

Low Cost Carriers

All Nippon Airlines

Announced to launch up a LCC, targeting the Japanese-Asian market

Korean Airlines

Plans to launch LCC within the next 3 years

Jetstar (Australia)

Already operating:

Brisbane ↔ Osaka

Sydney ↔ Osaka

Economy airfares:
USD$240 – USD$300 (excluding tax)

Cairns ↔ Nagoya

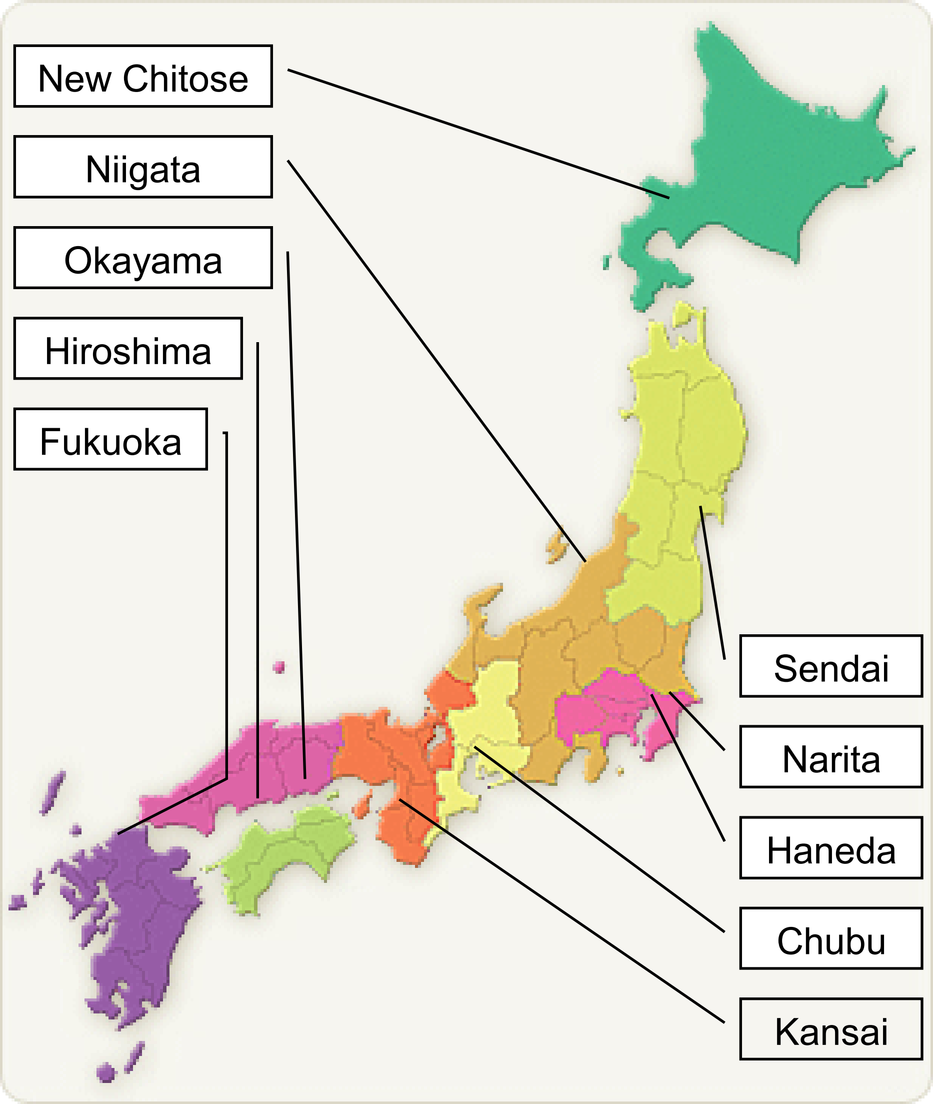
Economy fares:
USD$240 (excluding tax)

Starting from Oct, 8th 2007:

Cairns ↔ Osaka

Obstacles and the Usage of Regional Airports

- Lack of slots at main airports
  → usage of regional airports
- Restriction of slots
  (mainly Narita and Haneda)
- High cost of main airport use
  (landing / hard standing fees)



社団法人日本旅行業協会
Japan Association of Travel Agents

Questionnaire for JATA World Tourism Congress 2007

Purpose of survey:

→ consider the viewpoints of senders and receivers and seek the issues that are Japan is facing in the overseas travel market

Japan's business standards compared with global standards

⇒ Japanese business practices are considered to be different
Overall → 90% Suppliers → 50% Travel Agencies → 30%

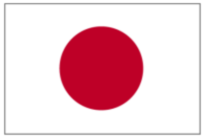
⇒ Deposits and bloc allotments to most differ, at 60% and 46% respectively

⇒ However, Japanese business practices will not be an obstacle to expand its outbound market
Suppliers → 50% Travel Agencies → 70%

Revitalizing Japan's outbound market

Strengths	Weaknesses
Japanese good manners	Depreciation of the Yen
High credibility in payment	Low profitability
High contribution to the visitor arrival	Decrease in personal income
	Stagnant economic growth

Dynamic Packaging



Supplier
→ travel agencies or tour wholesalers that loaded the inventory, it has contracted into own database

Vendor/Provider
→ only travel agents and wholesalers

Pricing/Change of Rates
→ depends on travel agent's or wholesaler's sales volume
(inclusive tour fares)

Customer
→ combines travel available components from preferred travel agency or wholesaler

Supplier
→ several, different supplier inventory management systems

Vendor/Provider
→ any company having a system to directly access multiple inventory management systems from suppliers

Pricing
→based on most updated availability by suppliers
(i.e. hotels, airlines)
(individually published fares)

Changes of Rates
→ according to supplier's revenue management policies

Customer
→ builds own tour package by choosing best product and price from several, different suppliers

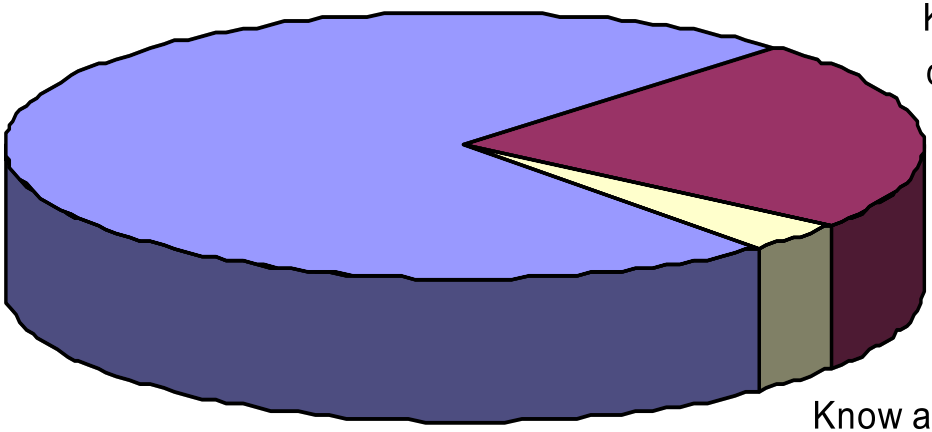
Differences:

- → distribution systems
- → international airfare
- → range of products offered to customer

Dynamic Packaging in Japan

Awareness and opinions of consumers.

- Awareness, January 2007

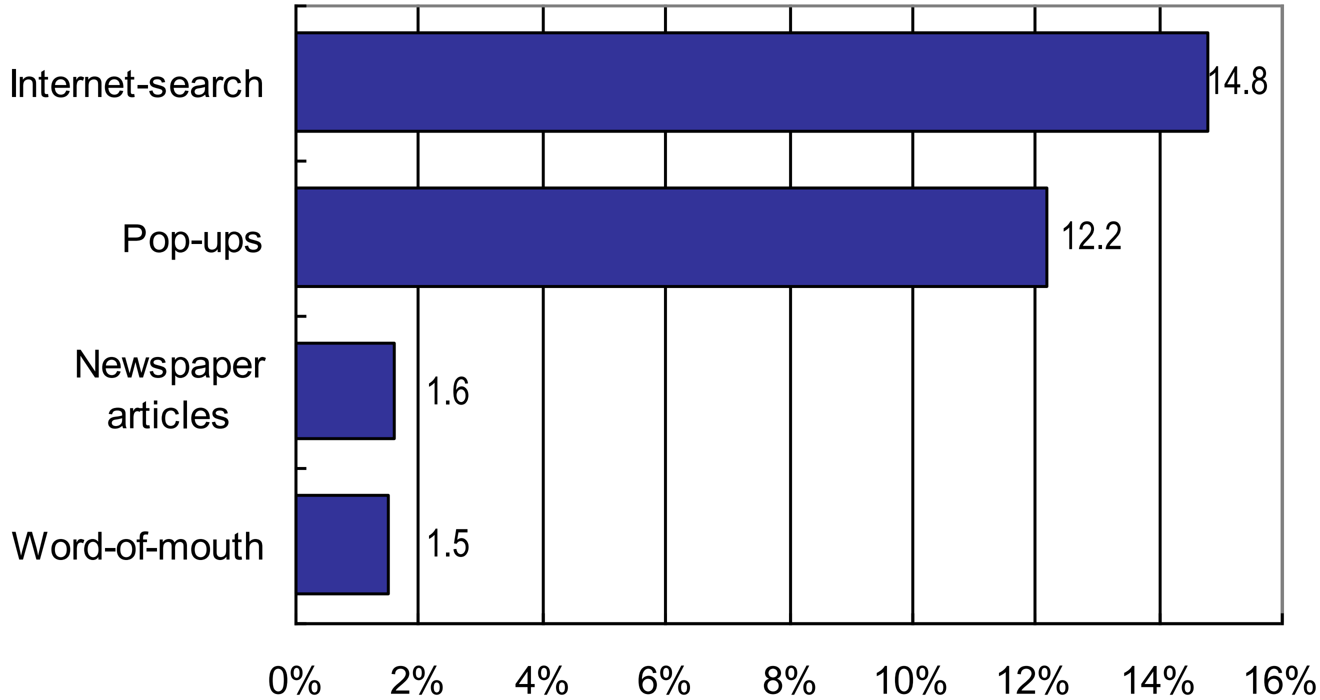


- Information source
- Reasons for use

Dynamic Packaging in Japan

Awareness and opinions of consumers.

- Awareness, January 2007
- **Information source**
- Reasons for use



Dynamic Packaging in Japan

Awareness and opinions of consumers.

- Awareness, January 2007
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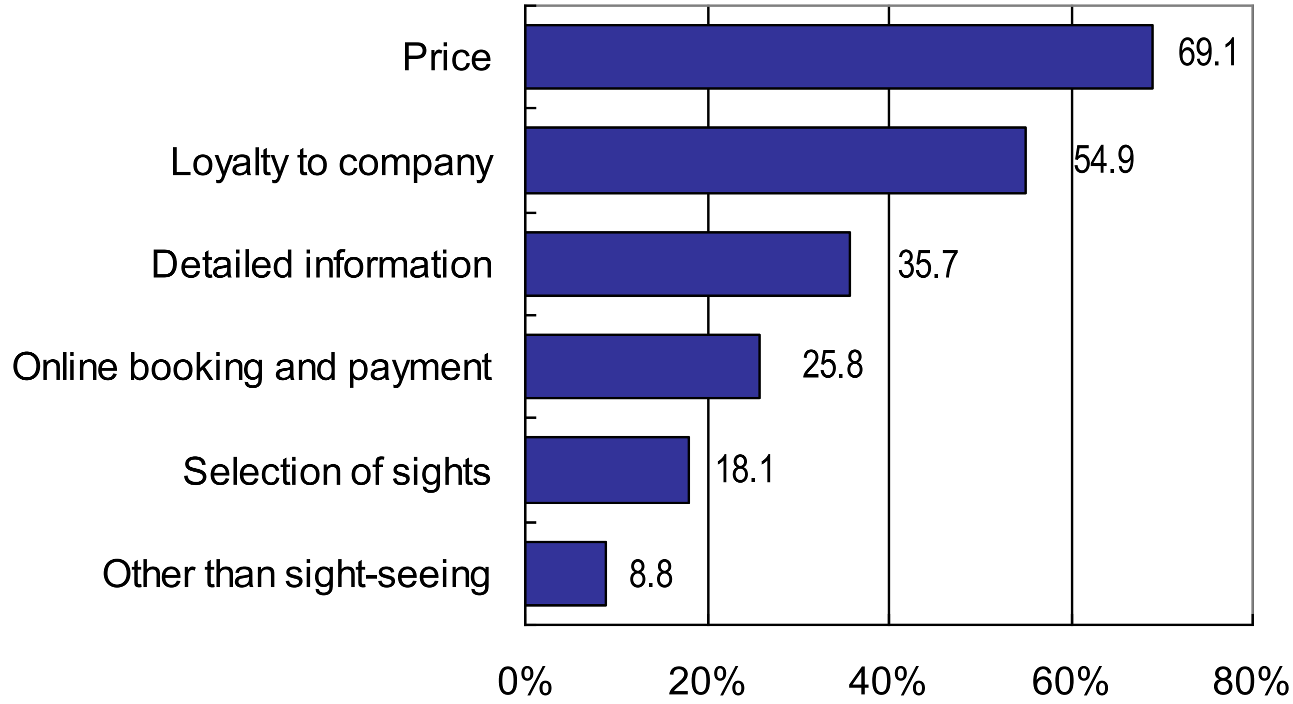


1. Current Outbound Travel Market
2. Travel Style
3. Key Market Segments
4. Recent Topics in Japan
5. Approach To Japanese Travel Companies

Travel Companies in Japan

Type	Leisure FIT (Air / Hotel)	Package Wholesale	Package Retail	Direct PKG Sales	Business Travel	Group/ Incentive
General Travel Company	○	○	○	△	△	○
Retail Company	○		○			
In-house Agency	○		○		○	○
Wholesaler		○				
Direct Marketing Company (Media Sales)				○		
Online Travel Agent	○		○			
Business Travel Management Company	△		△		○	○

○ Business Domain　　△ Business fields handled by some companies of the type

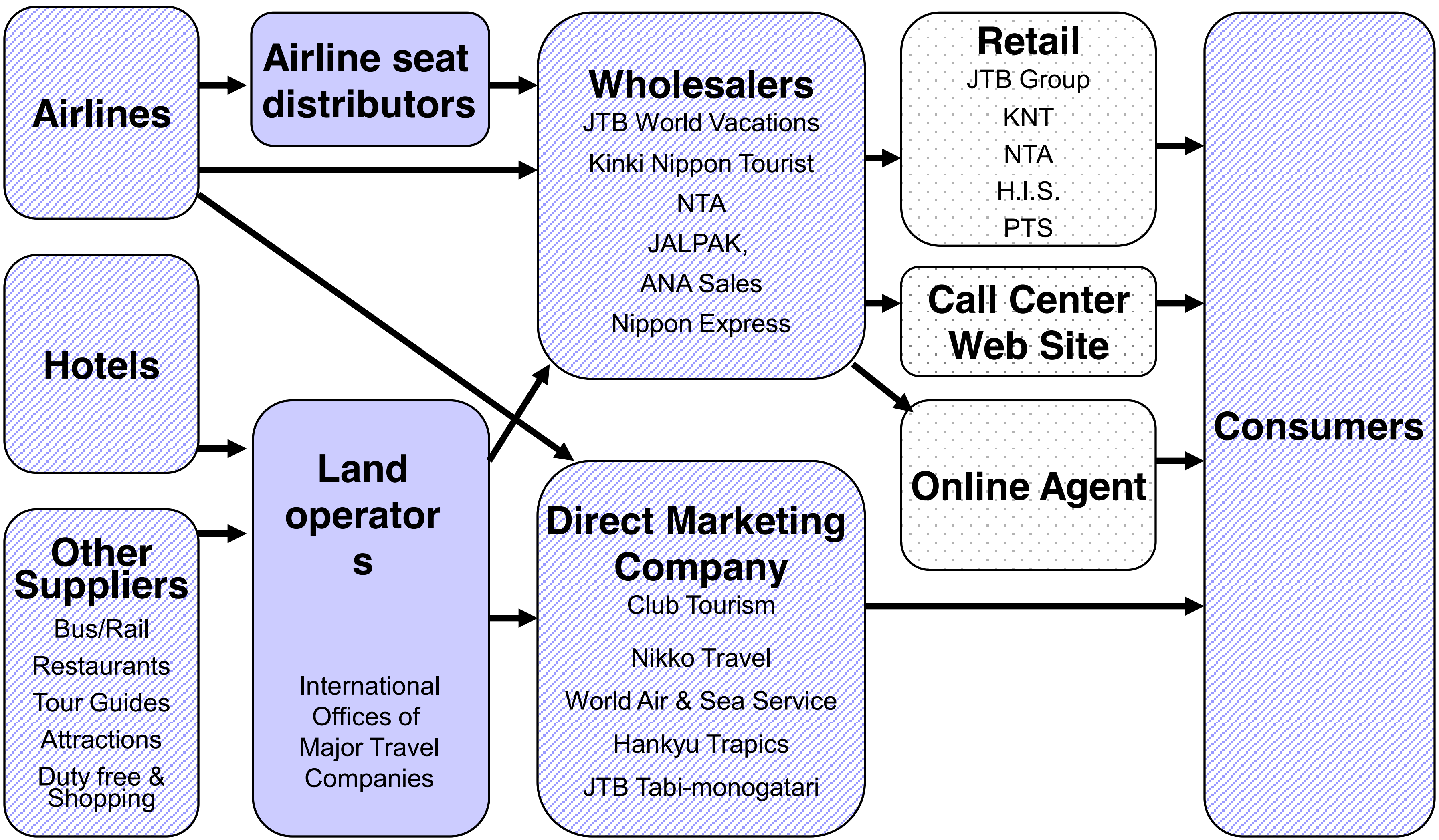
Types of Travel Agencies by Registration and Designated Services

Classifications of Reservation	To organize (produce) Wholesale Package Tour		To retail Package Tour		To make Travel Arrangements for the client as an agent		To handle Overseas Visitors
	International	Domestic	International	Domestic	International	Domestic	
1st category	○	○	○	○	○	○	○
2nd category	×	○	○	○	○	○	○
3rd category	×	○	○	○	○	○	○
Sub-Agents for Travel Agencies	×	×	○	○	○	○	×

Number of Registered Japanese Travel Agencies

Year	Travel Agencies Category			Travel-Sub agencies	Total
	1st	2nd	3rd		
2000	874	2,747	6,090	1,358	11,069
2001	868	2,762	6,188	1,308	11,126
2002	855	2,780	6,312	1,201	11,148
2003	841	2,782	6,314	1,129	11,066
2004	784	2,765	6,259	1,061	10,869
2005	781	2,727	6,179	1,015	10,702
2006	817	2,757	6,088	959	10,621

Package Tour Distribution Channel in Japan



Thank you for your kind attention!

Masato Takamatsu
Director and Vice President, Marketing (JTM)

JATA World Tourism Congress

Tokyo, September 13th , 2007