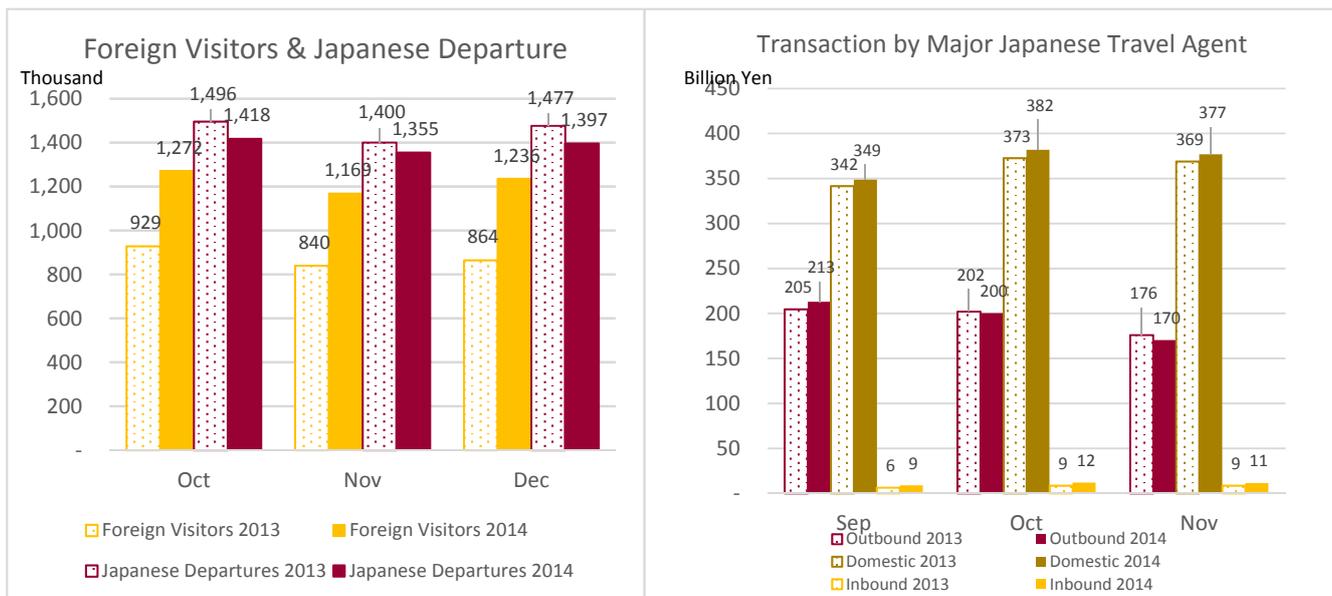


Japan Travel Market & JATA Activity Update Quarterly Report, October-December 2014 Issue

1. DATA



The introduction of a tax free system in October contributed to the increase of foreign visitors. (**39.6%** compared to 2013). The number of Japanese departures decreased by 4.6% compared to the previous year.

Domestic travel kept strong. A slight decrease was shown in the outbound market in October and November, but the 3-month total did not change. Inbound travel continuously recorded two-digit growth .

2014 Overview

According to preliminary figures released on January 20 by the Japan National Tourism Organization (JNTO), the number of Japanese departure declined 3.3% YOY to 16.903 million in 2014. This was the first time since 2011 that there were fewer than 17 million Japanese departures. Meanwhile, the number of foreign visitors in 2014 increased by 29.4% YOY to reach 13,413,600, surpass the 13 million mark for the first time, adding more than 3 million in one year. According to JNTO's analysis, factors contributing to the expansion of inbound demand include increased demand for overseas travel accompanying the economic growth in Asia, the spreading feeling that travel to Japan is relatively inexpensive due to the cheaper yen, the substantial relaxation of visa requirements, and expansion of consumption tax exemptions.

2. MARKET TRENDS & TOPICS

Outbound

Market

In spite of the 3.5% decrease in the Japanese overseas travelers, sales amount of major travel agencies from September to November maintained the same level compared to the same period of the previous year. The number of package tour travelers decreased by 9.9% from the previous year due to a continued slowdown of travel to China and South Korea, but this decline was offset by the rise of unit prices, which was up by 8.8% over the same period of 2013. Travel to long haul destinations such as Hawaii, USA and Europe was strong.

JATA Activity

未来の旅
交流を拓く



JATA launched a project to celebrate and promote the 50th anniversary of the normalization of diplomatic relations between Japan and South Korea in 2015. JATA and member companies made efforts to cultivate a friendly relationship between the two countries by taking advantage of this opportunity. To begin with, traffic card gift campaign began from February 1st in cooperation with Korea Association of Travel Agents (KATA). The relationship of mutual understanding and trust to build a future-oriented Japan- South Korea relationship through tourism is expected to help alleviate the current difficult situation.

Inbound

Market

The 34.3% increase of foreign arrivals from September to November contributed to the 36.8% increase in the sales amount of major travel agencies. Arrivals from Asian countries significantly increased, with arrivals from China, South Korea and the Philippines way beyond the average increase.

JATA Activity



JATA launched the Quality Assurance System for Tour Operators in 2012, and 40 companies have already been certified. JATA highly recommend using these 40 qualified tour operators for your valued customer's land arrangements in Japan. Applications are accepted once a year during the period January 1-31, 2015.

<http://en.tour-quality.jp/>

During FY2015, JATA must set certain criteria for the operations that it has underway so that it can prepare a new plan to begin in FY2016 and step up its level in view of the results heretofore.

Globally, international tourists have surpassed one billion and continue to grow. What has changed since several years ago when it became certain that we would surpass one billion is that the momentum from Asia is rapidly increasing. We had assumed that the main expansion in exchanges would be in Japan, China, and South Korea in northeastern Asia, but now we must change our way of thinking to include the growing trends in ASEAN.

Given such developments in Asia overall, the travel industry must think about Japan's position in Asia and Japan's position in the world. So, a major theme for 2015 is boosting the international presence of JATA.

There is an increasing likelihood that we can achieve 20 million inbound travelers visiting Japan before the year 2020. Inbound travel also means that tourism inside Japan will be internationalized. In the 50 years since Japan's deregulation of overseas travel, JATA has promoted internationalization by expanding outbound travel by Japanese people. Using our experience and our record, we in JATA must support the internationalization and globalization of tourism within Japan as well. Without JATA, there is no organization that can systematically promote the internationalization of tourism.

In the global economy, China ranks fourth and ASEAN fifth, following the US, EU, and Japan, and so it is conceivable that Japan's relative position may sink. Because the Japanese manufacturing industry was liable to think that "products built with high technology will always sell," a situation is developing in which Japanese manufacturing is playing second fiddle to manufacturing industries in emerging countries.

When promoting the internationalization of tourism, I think it will be important to "offer services suited to the needs of each country" rather than to "display Japan's services to the world".

Prior to the Tokyo Olympics and Paralympics in 2020, the Rugby world Cup will be held in Japan in 2019. The travel industry must show that it can play a leading role in these types of international mega-events.

JATA Tourism Expo Japan is a valuable opportunity to make known the travel industry's power and potential in both B to B and B to C business, and I would like to reaffirm the EXPO's significance and importance.

In order to continue increasing the presence of the travel industry in 2016 and beyond, we must promote trends that will appeal to the world in 2015. In December 2014, we organized a MEGA FAM Tour to South Korea for 1,000 employees of JATA member agencies. We may consider similar tours, for instance to China or ASEAN.

Due to political problems between Japan and China and between Japan and South Korea, two-way exchanges between these countries have tapered off, and the number of Japanese travelers who visited China and South Korea has dropped especially sharply. In view of this, I think it is perhaps essential for the travel industry itself to show the world what done to overcome this situation.

Following 2014, which marked 50 years since Japan's deregulation of overseas travel, we cut a new start for the next 50 years, and we should make this year an important "milestone" year during which we build a foundation with our eyes on 2016 and beyond.

MEGA FAM Tour to South Korea

JATA completed a 1,000-agent scale (basically employees of JATA member companies) of the "Korea experience MEGA FAM Tour" in cooperation with Korea Tourism Organization (KTO) during the five days from December 8 to 12 for the purpose of promoting the momentum of Korea sales towards 2015, the 50th anniversary of the normalization of the Japan-Korea diplomatic relations.

Tour participants came from 10 cities around Japan, including Sapporo, Sendai, Tokyo, Niigata, Nagoya, Osaka, Okayama, Hiroshima, Fukuoka and Naha.

In reflection of KTO's intention expressed in its 2015 catchphrase "Revitalize regional tourism", this MEGA FAM tour offered familiarization with seven courses in Seoul, three courses in Busan, and one course on Jeju Island. Japan and South Korea are currently aiming to make the two-way tourism exchange numbers between Japan and South Korea rise to 7 million persons.

JATA Tourism EXPO Japan 2015 - Even More Powered - up

In continuation from last year, the JATA Tourism EXPO Japan will be held for four days, from September 24 to 27, at Tokyo Big Sight. The first Tourism EXPO Japan held last year was a great success with 157,589 visitors in attendance, making it one of the largest travel events in the world. The EXPO displayed the power and potential of the travel industry in both B to B and B to C transactions. In its second year this year, while calling the attention of everyone in Japan and abroad to the fact that "Japan, A Travel Destination", it will bring together not only the power of the travel industry but also the power of all industries and regions as it evolves into an even more powered-up, comprehensive travel event.

4. AROUND THE WORLD

The following is a list of courtesy calls to JATA from October to December 2014.

Mr. Alexandru Serban, Romanian National Tourism Office Japan, visited Mr. Tatsuro Nakamura, President of JATA, on December 11th, Thursday

http://www.jata-net.or.jp/about/jata/visit/2014/141211_romania.html#romania

Mr. Dato' Syed Mohd Razif Bin Al Yahya, President of the Bumiputera Travel Tour Agents Association of Malaysia, visited the Main Office of JATA on December 4th, Thursday

http://www.jata-net.or.jp/about/jata/visit/2014/141204_malaysia.html#malaysia

Ms. Sally Balcombe, CEO of Visit Britain, visited Mr. Hiromi Tagawa, Chairman of JATA, on November 18th, Tuesday

http://www.jata-net.or.jp/about/jata/visit/2014/141118_britain.html#britain

Ms. Irene Hirano Inouye, President of U.S.-Japan Council, visited Mr. Hiromi Tagawa, Chairman of JATA, on November 12th, Wednesday

http://www.jata-net.or.jp/about/jata/visit/2014/141112_jpnusa.html#jpnusa

Mr. Darko Lorencin, Minister of Tourism of Croatia, visited Mr. Hiromi Tagawa, Chairman of JATA, on November 11th, Tuesday

http://www.jata-net.or.jp/about/jata/visit/2014/141111_croatia.html#croatia

Mr. Lee, Hyung Kook, General Manager, Tokyo Office of LOTTE DUTY FREE, visited Mr. Yoshinori Ochi, Director of the Board and Secretary General of JATA on November 4th, Tuesday

http://www.jata-net.or.jp/about/jata/visit/2014/141104_korea.html#korea

Mr. Baatarsaikhan, Chairman of the Japan Committee of MTA, visited Mr. Tatsuro Nakamura, President of JATA, on October 29th, Wednesday

http://www.jata-net.or.jp/about/jata/visit/2014/141029_mongolia.html#mongolia

Mr. Anthony Kaufman, appointed by Carnival plc to the position senior vice president Asia operations in March, visited Mr. Hiromi Tagawa, Chairman of JATA, on October 29th, Wednesday

http://www.jata-net.or.jp/about/jata/visit/2014/141029_cruise.html#cruise

H.E. Mr. Fumihiko Kato, Ambassador Extraordinary and Plenipotentiary to the Republic of Uzbekistan, visited Mr. Tatsuro Nakamura, President of JATA, on October 21st, Tuesday

http://www.jata-net.or.jp/about/jata/visit/2014/141021_uzbekistan.html#uzbekistan