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***Hawaii to continue tourism investment for its 50th anniversary**

State of Hawaii Lieutenant Governor James Aiona said at a news conference in Tokyo on November 18, "Hawaii's economy is under severe condition, and Japanese visitors to Hawaii have decreased. However, I believe Japan is a high potential tourism market for Hawaii. We will continue tourism investment," when he visited Japan with State of Hawaii Tourism Liaison Marsha Weinert.

Damaged by skyrocketing fuel surcharges mainly, the number of Japanese visitors to Hawaii for the first nine months of this year was down 9.3% to approximately 880,000 over the same period last year. To make matters worse,

visitors from U.S. mainland resulted in 20% reduction in September this year due to the recent economic crisis. The State suffers from 60 or 70 billion yen less revenue from the tourism industry than a year earlier, Lt. Gov. Aiona revealed.

Even under the condition, Lt. Gov. Aiona explained that the State would budget additional \$10 million for tourism promotions worldwide next year. The special budget will be allotted to each market through Hawaii Tourism Authority (HTA).

The State government will improve airport functions or traffic infrastructure as one of the efforts to leverage the tourism industry under the economy revival plan. Lt. Gov. Aiona said, "We will maybe cut budget for minor events, but continue supporting major tourism events."

As the State of Hawaii celebrates its 50th anniversary next year, the State government regards it as a chance to recover tourists to Hawaii. "Every market is important for us. The most important issue for us is how we can restore the Japan market," Lt. Gov. Aiona said.

***JTB to strengthen sales of Fly & Drive products in America**

JTB Tokyo Metropolitan has started strengthening sales of "Fly & Drive" products in America as a new travel style. It opened its website exclusively for "Fly & Drive" on November 21. On the website, JTB highlights California first, introducing three driving courses, including well-known wine country Napa and Sonoma and 17 miles driving between Monterey and Carmel.

JTB aims to increase sales of the Fly & Drive products by 200% for FY2008 compared to FY2007 and intends to expand the product lineups to Eastern America, Canada or Australia in FY2009.

JTB Tokyo Metropolitan will offer a special campaign that you can receive a driver's license translation service for free when you apply for an air ticket and rent-a-car at the same time at designated JTB retailers. The campaign will be

effective until the end of March next year.

***JAL and ANA to apply for reduction of fuel surcharges**

JAL and ANA applied for reduction of their fuel surcharges for the period from January 1 to March 31 2009 to the Ministry of Land, Infrastructure and Transport on November 17. Both of the airlines adopted a benchmark of Singapore Kerosene oil price from \$110 to \$120 per barrel, as the average oil price for the period from August to October 2008 was \$115.92 per barrel.

The followings are detailed fuel surcharges on a one-way flight basis by destination for the first three months of 2009:

<ANA>

Korea = from 4,000 yen today to 2,500 yen

Hong Kong, Taiwan and China = from 10,500 yen today to 6,000 yen

Vietnam and Guam = from 13,000 yen today to 7,500 yen

Thailand, Singapore and Malaysia = from 20,000 yen today to 12,500 yen

Hawaii and India = from 22,000 yen today to 14,500 yen

Europe, North America and Middle East = from 33,000 yen today to 22,000 yen

<JAL>

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Vietnam, Guam and Philippine = from 13,000 yen today to 7,500 yen

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Hawaii, India and Indonesia = from 22,000 yen today to 14,500 yen

Europe, North America, Middle East and Oceania = from 33,000 yen today to 22,000 yen

Brazil = from 38,000 yen today to 26,000 yen

If a benchmark of Singapore Kerosene oil price for the period from November 2008 to January 2009 further reduces to a range from \$80 to \$90 per barrel, fuel surcharges for the period from April to June 2009 will dramatically reduce, as such 1,000 yen for Korea, 3,500 yen for Guam or 7,000 yen for

Hawaii. It is probable that many consumers will wait and see how fuel surcharges reduce after April next year, which maybe discourages them to go abroad for the first three months of 2009.

***Japan and U.K. agreed to Haneda-London flights after 2010**

The bilateral aviation talks between Japan and U.K., which were held in Tokyo on November 11 and 12, agreed to one Haneda-London flight a day by each airline of Japan and U.K. during the late night and early morning time zone (22:00 to 7:00) after October 2010. U.K. is the second European country to have a right to fly into Haneda, following France.

For this winter schedule, JAL and ANA serve a total of 21 passenger flights and three cargo flights a week to London from Narita and Kansai, and British Airways and Virgin Atlantic Airways serve a total of 21 passenger flights a week to Narita from London. Those airlines carried 972,000 passengers in total in FY2007.

To date, Civil Aviation Bureau of Japan agreed with Korea for Haneda-Seoul and Haneda-Pusan during the daytime zone and with Malaysia, Korea, Singapore, France and U.K. for Haneda flights during the late night and early morning time zone. The aviation negotiation with U.S. for Haneda flights has deadlocked because the U.S. authority has asserted complete open sky.

***SQ is positive about flying into Haneda with A380 or B777**

Singapore Airlines (SQ) General Manager Japan Philip Goh said at an interview with the Wing Travel Weekly that the airline is considering the possibility to fly into Haneda Airport after October 2010. "I believe Haneda will be a large market for us. It is possible for us to serve the flights with A380 or B777, though it depends on demand trends," he added.

SQ began serving Singapore/Narita flights with A380 on May 20 this year, and since then the load factor has been more than 90%. Goh explained that the

business class has almost been full so far. On the contrary, SQ has had relatively hard time in serving Kansai and Nagoya flights. "We can keep load factors of 60 to 70% on both of the routes, however it is true that we had a hard time in the short run this year," Goh said.

On the Kansai route, SQ plans to maintain daily flights even in the summer schedule next year and to change aircraft from B777 today to A330 from the middle of 2009. Goh said, "A330 is smaller than B777, however we will be able to provide passengers with new products."

Goh also mentioned introduction of zero commission to travel agencies: "It is already a fixed system not only in Japan but also other countries. We are examining introduction of zero commission in Japan carefully. We will make a final decision by the end of this year, but before that we need to talk with travel agencies."

***NAA worsens its financial condition for the first six months of FY2008**

Narita International Airport Co. (NAA) recently released its consolidated financial result for the first six months of FY2008 (April 1 to September 30 2008), reporting that it reduced both revenue and profit, damaged by the economic crisis in the world today.

According to the financial report, revenue for the first six months of FY2008 was down 2.5% to 98,100 million yen over the same period of FY2007, primarily resulting from less revenue of landing fee and fuel facility usage fee because smaller aircraft and higher fuel-efficient aircraft have increased. At the same time, reduction of passengers helped reduce revenue of retail businesses in the terminals. NAA analyzed that increase of international flights from Haneda Airport has certainly influenced the revenue condition of Narita.

Operating profit and recurring profit decreased by 11.2% to 16,000 million yen and by 26.6% to 11,500 million yen respectively compared to a year earlier. The half year net profit was down 28% to 5,500 million yen. As of

September 30 this year, interest-bearing long-term liabilities reached 556,200 million yen, 2,200 million yen more than a year ago.

NAA has revised downward its financial forecast for the full year of FY2008 ending March 31 2009 as follows:

Revenue from 196,900 million yen originally to 192,000 million yen (199,800 million yen for FY2007)

Operating profit from 28,100 million yen originally to 23,700 million yen (32,800 million yen for FY2007)

Recurring profit from 18,300 million yen originally to 14,500 million yen (23,500 million yen for FY2007)

Net profit from 8,500 million yen originally to 6,100 million yen (10,900 million yen for FY2007)

***Kansai resulted in 50% reduction of net profit for the half year of FY2008**

Kansai International Airport Co. released its consolidated financial result for the first six months of FY2008 (April 1 to September 30 2008) on November 14, reporting that it reduced both revenue and profit, although it increased aircraft movements for international flights by 6.1% to 67,000 through the half year compared to a year ago.

The financial report finds that revenue for the first six months of FY2008 was down by 3.5% to 51,765 million yen over the same period of FY2007, broken down into 22,516 million yen from the aviation-related business (down 3.3%) and 29,248 million yen from the non-aviation-related business (down 3.5%). Smaller aircraft operated by airlines and decrease of international flight passengers are main reasons for the revenue reduction.

Operating profit and recurring profit largely decreased by 17.7% to 11,616 million yen and by 41.4% to 4,614 million yen respectively compared to a year ago. The airport company received about 4,500 million yen as a governmental subsidy, however it suffered from payment of interests as non-operating expenses and special losses. As a result, the half year net profit

was down 50% to 4,001 million yen compared to a year ago.

The airport increased domestic flights a day by 11.1% to 72.8 and also increased domestic flight passengers by 2.7% to 2,935,000 through the first six months of FY2008, compared to a year ago. On the contrary, the number of international flight passengers was down 5.5% to 5,266,000, despite increase of flights a day.

Taking the recent world recession into consideration, the airport company has revised downward its consolidated financial forecasts for the full year of FY2008 as follows:

Revenue from 104,439 million yen originally to 100,488 million yen (106,114 million yen for FY2007)

Operating profit from 20,704 million yen originally to 18,399 million yen (25,023 million yen for FY2007)

Recurring profit from 5,888 million yen originally to 4,117 million yen (11,397 million yen for FY2007)

Net loss from 2,604 million yen originally to 3,629 million yen (net profit of 10,867 million yen for FY2007)

***Kansai reduced Japanese passengers by 10% in October**

Kansai International Airport Co. recently reported that the number of passengers in October this year decreased by 5% to 1,374,410 over the same month last year, broken down into 873,660 international flight passengers (down 6%) and 500,750 domestic flight passengers (down 3%).

Out of the monthly total of international flight passengers, Japanese passengers largely reduced by 10% to 539,870 in October this year compared to a year earlier. Foreign passengers also decreased by 2% to 289,890, but transits largely increased by 51% to 43,900.

The airport handled 11,375 aircraft movements in October this year, 4% more than a year earlier. Out of the monthly total, the number of aircraft movements for international flights was up 2% to 6,906, consisting of 5,274 for passenger

