



Japan Fact Sheet

Japan Overview

Japan is Hawai'i's largest international market and dynamic plans are being launched to grow interest in our islands. Hawai'i continues to thrive in an increasingly competitive travel environment. Instead of dropping prices and standards, HTJ is elevating its strategy. The organization is coming up with unique marketing campaigns to draw in new corporations to promote Hawai'i. They also nurture established travel partners in Hawai'i and Japan to ensure Hawai'i remains a preferred vacation destination for Japanese travelers.

Year-to-Date March 2018 Quick Facts¹

Visitor Expenditures: \$615.6 million
 Primary Purpose of Stay: Pleasure (328,031) vs. MCI (23,938)
 Average Length of Stay: 5.94 days
 First Time Visitors: 34.9%
 Repeat Visitors: 65.1%

| JAPAN MMA (by Air) | 2016 | 2017P | % Change 2017P vs 2016 | 2018 Forecast (Feb. 2018) | % Change 2017P vs 2018 Forecast | YTD Mar. 2018P | YTD Mar. 2017P | % change YTD |
|-------------------------------------|-----------|-----------|------------------------------|------------------------------|--|-------------------|-------------------|--------------------|
| Visitor Expenditures* (\$ Millions) | 2,095.9 | 2,218.3 | 5.8% | 2,332.1 | 5.1% | 615.6 | 563.1 | 9.3% |
| Visitor Days | 8,722,235 | 9,322,747 | 6.9% | 9,463,753 | 1.5% | 2,272,332 | 2,266,143 | 0.3% |
| Arrivals | 1,487,979 | 1,568,609 | 5.4% | 1,591,753 | 1.5% | 382,665 | 383,702 | -0.3% |
| Per Person Per Day Spending* (\$) | 240.3 | 237.9 | -1.0% | 246.4 | 3.6% | 270.9 | 248.5 | 9.0% |
| Per Person Per Trip Spending* (\$) | 1,408.6 | 1,414.2 | 0.4% | 1,465.1 | 3.6% | 1,608.7 | 1,467.5 | 9.6% |
| Length of Stay (days) | 5.86 | 5.94 | 1.4% | 5.95 | 0.0% | 5.94 | 5.91 | 0.5% |

*Excludes supplemental business spending

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¹ 2016 visitor data are the final numbers and reflect data from the National Travel and Tourism Office and updated reports from airlines. 2017 and 2018 data are preliminary.

Market Summary

- In 2017, arrivals rose (+5.4%) to 1,568,609 visitors, contributing to a 5.8 percent growth in visitor expenditures to \$2.22 billion. Daily spending was down slightly (-1% to \$238 per person) compared to 2016.
- Through the first three months of 2018, there was no growth in arrivals (-0.3% to 382,665 visitors). However, higher daily spending (+9% to \$271 per person) contributed to a 9.3 percent gain in visitor spending to \$615.6 million.
- For 2017, 95% of Japanese visitors went to O'ahu, 12% visited the island of Hawai'i, 4% visited Maui county and 2% visited Kaua'i. Through March 2018, 93% of Japanese visitors went to O'ahu, 14% visited the island of Hawai'i, 3% visited Maui and 2% visited Kaua'i.
- In 2017, 35 percent Japanese visitors were FIT who made their own travel arrangements. This was up from 30 percent FIT visitors in 2016. Through March 2018, the percent of Japanese FIT visitors is at 37 percent.
- In 2017, 34.9% of Japanese visitors were first timers to Hawai'i. Through March 2018, first time visitors also comprised 34.9%.
- In 2017, air seats from Japan rose 8.3 percent to 1,988,036 seats with new service to Kona from Haneda and Narita and increased service from Honolulu. Through March 2018, scheduled seats from Japan declined 1.3 percent.

Market Conditions

- Japan is a mature market with avid travelers who value quality over quantity and continues to hold high demand for Hawai'i with approximately 9% of all outbound travel from Japan choosing Hawai'i. Sixty percent of the travelers are also repeat visitors to Hawai'i.
- Japan's economy remains on a moderate path to recovery with unemployment at 2.8% and the exchange rate stabilizing approximately 100 JPY to USD.
- While Japan continues its focus on increasing inbound travel, they have also observed an increase on the outbound travel at 1.42 million travelers in January, up 9.9% YOY.
- JATA (Japan Association of Travel Agents) Outbound Promotion Committee has expanded its activities to promote outbound travel and is in discussion on JATA's goal of 20 million outbound visitors by 2020. JATA is also working towards sending 10% of total outbound business (2 million) to Hawai'i by 2020.
- Competitive destination efforts remain strong. Travel trade destination workshops by various countries and number of commemorative anniversaries are encouraging collaboration including governmental relations.
- Safety is top priority when traveling abroad for the Japanese market. Volatile global conditions, such as terrorist activities in Europe and North Korea's missile threat to Guam, have negatively affected tourism to such regions in the past.
- Hawai'i remains the number one outbound travel destination for Japanese weddings which has grown 20% over the last 5 years, and captured 67% market share (0.5% up from previous year) with average spending of under 2 million yen (\$20,000 USD).
- The development and use of VR goggles and island VR videos have been implemented for the Japan market's Millennial initiative VEBOSS.

- AI (artificial intelligence) is an increasingly popular digital trend use for applications such as consumer electronics, travel booking and travel concierge robots.
- Consumer and media are shifting to mobile.
- More than half of seniors use smartphone with social media usage.
- The overall trend in airline seat category for the Japan market is shifting to higher-end economy which reduces the number of seats for each aircraft, however, allows higher yield to airlines.
- Introduction of low cost carrier, AirAsia X and Scoot, and the relaunch of Japan Airline's direct air service to Kona have resulted in additional routes for the Japan market.
- Active collaboration with industry partners and private sectors maintains high exposure of Hawai'i within the Japan market. Some leading examples include HTJ's campaign, Gohoubi (rewards) Hawai'i, Locomoco All-stars (collaboration with McDonald, Lawson and Gusto featuring locomoco menus), Tully's Coffee Shop, and Calbee's tropical flavored granola.
- Some travel agents are shifting its focus from other destinations to Hawai'i as they see YOY positive results for Hawaii.
- Emphasis on Hawai'i Island and neighbor island promotions continues. Some examples include the development of Island of Hawaii promotional video footage, Hawai'i destination seminars, agent FAM tours as well as active discussion with local stakeholders for the improvements of infrastructure around Kona.

Distribution by Island

| JAPAN MMA (by Air) | 2016 | 2017P | % Change 2017P vs 2016 | YTD Mar. 2018P | YTD Mar. 2017P | % change YTD |
|--------------------|-----------|-----------|------------------------------|-------------------|-------------------|-----------------|
| O'ahu | 1,442,192 | 1,497,294 | 3.8% | 357,780 | 368,747 | -3.0% |
| Maui County | 55,225 | 58,467 | 5.9% | 12,414 | 14,993 | -17.2% |
| ...Maui | 54,298 | 57,054 | 5.1% | 11,993 | 14,784 | -18.9% |
| ...Moloka'i | 1,410 | 2,488 | 76.5% | 296 | 675 | -56.2% |
| ...Lāna'i | 1,101 | 2,082 | 89.1% | 343 | 418 | -18.0% |
| Kaua'i | 22,977 | 26,135 | 13.7% | 6,081 | 6,231 | -2.4% |
| Island of Hawai'i | 143,002 | 187,463 | 31.1% | 54,313 | 42,973 | 26.4% |

Airlift

| Departure City | 2018 | | | | | 2017 | | | | | % CHANGE | | | | |
|----------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|------------------|-------------|------------|------------|------------|------------|
| | Q1 | Q2 | Q3 | Q4 | Annual | Q1 | Q2 | Q3 | Q4 | Annual | Q1 | Q2 | Q3 | Q4 | Annual |
| JAPAN | 479,110 | 495,466 | 543,291 | 500,886 | 2,018,753 | 485,482 | 486,363 | 534,600 | 481,591 | 1,988,036 | -1.3 | 1.9 | 1.6 | 4.0 | 1.5 |
| Fukuoka | 14,464 | 17,176 | 18,984 | 14,916 | 65,540 | 14,690 | 16,265 | 19,874 | 14,464 | 65,293 | -1.5 | 5.6 | -4.5 | 3.1 | 0.4 |
| Nagoya | 35,252 | 37,748 | 40,696 | 36,402 | 150,098 | 36,651 | 37,363 | 42,817 | 36,402 | 153,233 | -3.8 | 1.0 | -5.0 | 0.0 | -2.0 |
| Osaka | 103,535 | 117,852 | 124,056 | 124,320 | 469,763 | 77,395 | 74,277 | 101,268 | 94,050 | 346,990 | 33.8 | 58.7 | 22.5 | 32.2 | 35.4 |
| Sapporo | 10,317 | 10,842 | 11,120 | 10,842 | 43,121 | 10,101 | 10,101 | 10,101 | 10,360 | 40,663 | 2.1 | 7.3 | 10.1 | 4.7 | 6.0 |
| Tokyo HND | 71,250 | 72,982 | 73,784 | 73,784 | 291,800 | 96,332 | 73,606 | 71,645 | 70,932 | 312,515 | -26.0 | -0.8 | 3.0 | 4.0 | -6.6 |
| Tokyo NRT | 244,292 | 238,866 | 274,651 | 240,622 | 998,431 | 250,313 | 274,751 | 288,895 | 255,383 | 1,069,342 | -2.4 | -13.1 | -4.9 | -5.8 | -6.6 |

Source: Diio Mii airline schedules, updated March 2018.

Group vs. FIT; Leisure vs. Business

| JAPAN MMA (by Air) | 2016 | 2017P | % Change 2017P vs 2016 | YTD Mar. 2018P | YTD Mar. 2017P | % change YTD |
|---------------------|-----------|-----------|------------------------------|-------------------|-------------------|-----------------|
| Group vs FIT | | | | | | |
| Group tour | 315,543 | 284,484 | -9.8% | 73,400 | 80,022 | -8.3% |
| True Independent | 443,843 | 550,603 | 24.1% | 139,828 | 117,139 | 19.4% |
| Leisure vs business | | | | | | |
| Pleasure (Net) | 1,209,988 | 1,298,083 | 7.3% | 328,031 | 323,044 | 1.5% |
| MCI (Net) | 126,145 | 103,417 | -18.0% | 23,938 | 26,129 | -8.4% |
| Convention/Conf. | 18,706 | 16,399 | -12.3% | 3,339 | 4,130 | -19.1% |
| Corp. Meetings | 2,968 | 5,112 | 72.2% | 385 | 1,999 | -80.8% |
| Incentive | 105,831 | 83,752 | -20.9% | 20,437 | 20,452 | -0.1% |

First Timers vs. Repeat Visitors

| JAPAN MMA (by Air) | 2016 | 2017P | Change 2017P vs 2016 | YTD Mar. 2018P | YTD Mar. 2017P | % change YTD |
|--------------------|------|-------|----------------------------|-------------------|-------------------|-----------------|
| 1st timers (%) | 38.2 | 34.9 | -3.3 | 34.9 | 38.3 | -3.4 |
| Repeaters (%) | 61.8 | 65.1 | 3.3 | 65.1 | 61.7 | 3.4 |

Tax Revenue

| JAPAN MMA (by Air) | 2016 | 2017P | % Change 2017P vs 2016 | YTD Mar. 2018P | YTD Mar. 2017P | % change YTD |
|--|--------|--------|------------------------------|-------------------|-------------------|-----------------|
| State tax revenue generated* (\$ Millions) | 244.65 | 258.94 | 5.8% | 71.85 | 65.73 | 9.3% |

*State government tax revenue generated (direct, indirect, and induced)

Industry

Major Tour Operators

The table below shows the current top tour operators in Japan in relation to market share. This is based on total numbers of arrivals to Hawai'i.

- JTB
- JALPAK
- H.I.S.
- Kintetsu
- Nippon Travel Agency
- Hankyu Travel International Co., Ltd.
- Toptour Corporation
- ANA Sales Co., Ltd.
- R&C Tours