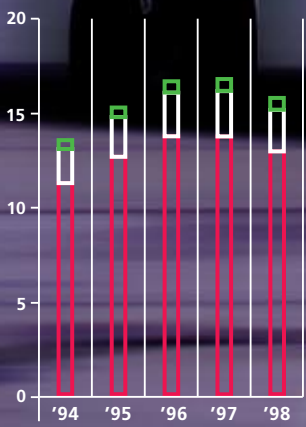




JAPANESE TRAVELING OVERSEAS  
(Millions)  
Years Ended December 31



■ Tourism ■ Business ■ Other

Source: Government white paper on travel

# A Relentless Drive to Achieve Higher Goals

## ALLIANCES WITH INTERNATIONAL PARTNERS

In today's airline industry, companies are forming relationships that extend far beyond a single activity. Airlines worldwide now regard broad-based alliances as a highly effective and valuable strategic tool.

JAL is no exception. Teams have conducted exhaustive studies of the advantages and disadvantages of possible alliances, particularly in relation to the Japanese air-transportation market. As a result, JAL is building multi-faceted relationships grounded in a long-term perspective. The year to March 1999 was an active one. In the passenger sector, JAL entered into agreements with American Airlines, British Airways, Swissair, Cathay Pacific and other carriers of world repute. Ties with Lufthansa Cargo, Singapore Airlines and other partners bolstered JAL's cargo operations. In all, JAL has ties with 16 foreign airlines in passenger and cargo service, as well as frequent flyer programs. Few rivals have as many partnerships.

JAL plans to maintain and enlarge where appropriate bilateral ties with other airlines. The resulting benefits are essential to improving services for all its customers worldwide.

## HOW DEREGULATION SPAWNS OPPORTUNITIES FOR JAL

Deregulation is redefining Japan's air-transportation market. One result is the appearance of new airline companies for the first time in 36 years. Skymark Airlines began service in September 1998 and Hokkaido International Air the following December. Five airline companies now operate on major domestic routes, offering a wide variety of deeply discounted tickets. Average fares have fallen steeply as a result.

Airlines will soon have the freedom to enter and withdraw from routes as they wish. This is certain to spark more competition. JAL has responded with new fares and other efforts to become more competitive, thus generating higher revenues. One move in the past fiscal year was the abolition of the extra jet charges. All expenses are now included in ordinary ticket prices. An advance purchase discount called Maeuri 21 was introduced to spur demand in the new year

period. Another discount ticket, Tokuuri Kippu, was expanded to cover more flights.

Protecting profit margins is essential as fares move downward. On this front, JAL formed a subsidiary carrier called JAL Express (JEX) that started service in July 1998. With expenses about 20 percent lower than at JAL itself, JEX turned in a strong performance during its first year in the sky.

## DEMONSTRATING THAT SAFETY COMES FIRST

Safety is integral to everything that JAL does. Every member of the JAL team keeps safety uppermost in his or her mind. At this time, JAL is following up on revisions to Japanese air safety laws and is mobilizing the latest technology to ensure safety of operations. New systems include a ground proximity warning system for aircraft and a new navigation system. Adopting new ideas and improving on existing systems are two of many ways in which JAL is constantly enhancing its safety procedures.

In 1999, airlines are tackling an additional safety issue: year 2000 compliance. JAL is placing top priority on ensuring that safe airline operations can continue uninterrupted when the new year comes. Remediation programs are supervised by a Year 2000 Committee. Air traffic control and other critical systems around the world are being monitored and back-up systems installed to prepare for an unforeseen problem.

Reaffirming JAL's safety posture is the regular disclosure of information. Data is available through many channels, including the Internet.



*Vital to JAL's future, safety and service have precedence above all other aspects of JAL's operations.*