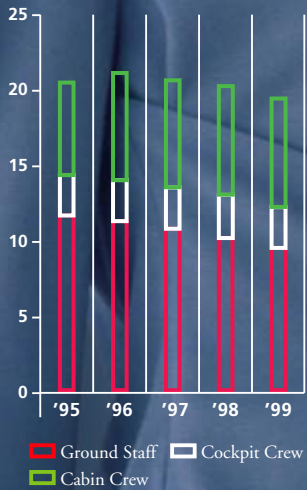


NUMBER OF EMPLOYEES
(JAL ONLY)
(Thousands)
Years Ended March 31



The Productivity and Flexibility for Success

A RELENTLESS COST CONTAINMENT DRIVE

JAL has been remodeling its cost structure for many years. General operating expenses are just the beginning. The process encompasses a review of contracts with external service providers, the suspension of almost all new investments and structuring the network of offices to optimize efficiency. Personnel expenses are going down, too. An annual salary system was started in 1997 for general managers and a new selective career path introduced for managers desiring other means of advancement. JAL's entire salary system was then reviewed in 1998. In the air, many subtle improvements have yielded substantial savings with no sacrifice in passenger services.

Benefits are already becoming apparent. Costs per seat-kilometer at JAL have fallen to a level comparable with most major U.S. and European airlines. But changes in the airline industry are outpacing the drop in expenses. To prevail against even harsher competition, JAL must slash costs even more. In this drive, a number of specific targets have been set forth:

- ◆ Cut costs per seat-kilometer at JAL for the year ending March 31, 2000 by 10 percent compared with the year ended March 31, 1998.
- ◆ Cut ground employment of the JAL Group, both in Japan and overseas, by 10 percent from 36,000 as of March 31, 1999 during the next three years. This will include a reduction of about 2,300 at JAL.

In terms of financial goals, the following guidelines have been established:

- ◆ Cut interest-bearing debt including leases of the JAL Group from ¥1,526 billion at March 31, 1999 to ¥1,400 billion by March 31, 2002 by reviewing fleet procurement plans and improving operating cash flows.
- ◆ An accounting center was formed in April 1999 to centralize all JAL Group accounting services and improve the efficiency of administrative activities. In April 2000, plans call for the establishment of a treasury center to handle all fund procurement and management activities.
- ◆ A comprehensive review of the pension system, including the revision of projected returns, for the purpose of preserving the financial soundness of JAL's pension system in line with yields on funds under management.

A NEW ROLE FOR DIRECTORS

To simplify and accelerate the decision-making process, JAL has decided to completely redefine the role of directors and other members of the management team. Under the guidelines of the new management plan, directors will become responsible for making decisions regarding strategies and policies. Corporate executive officers will then implement those strategies, and assume responsibility for their respective operations. In line with resolutions approved at the June 1999 stockholders' meeting, JAL has taken the following actions:

- ◆ The board of directors now has 15 members instead of the previous 28. Two of these directors are not employed by JAL. At the same time, the position of corporate executive officer was established.
- ◆ One-year terms were established for directors and corporate executive officers.
- ◆ The post of senior advisor was eliminated.

Groundwork is being laid for other actions as well:

- ◆ A management conference will replace the previous executive management board. This will provide a forum for the president, directors, auditors and corporate executive officers to make decisions about corporate issues.
- ◆ All JAL Group members will adopt similar systems.

FULFILLMENT OF SOCIAL RESPONSIBILITIES

Determined to restore the confidence of the public, JAL has created the Business Activities Reappraisal Committee and overhauled a number of internal procedures and corporate governance policies:

- ◆ JAL will continue to implement a rigorous internal inspection and supervision system.
- ◆ A comprehensive auditing function has been added to the Business Activities Reappraisal Department with the objective of ensuring that all operations are conducted in an appropriate, transparent and efficient manner.
- ◆ Knowledge gained about such environmental issues through the acquisition of ISO 14001 certification at JAL's maintenance facilities will be shared among all JAL Group members.