

Passenger Operations International

Japan Airlines, in its ongoing effort to become the preferred international carrier for more customers, is increasing its number of flights, adding new routes, and expanding its code-share agreements with other airlines. Moreover, we are actively promoting several promotional programs, notably the new Reso'cha campaign. To encourage even greater passenger demand, by July 2001 JAL will introduce ten new Boeing 747-400s, a next-generation jumbo jet distinguished by an impressive range of in-flight entertainment features. Further, to achieve steady cost reductions, we are expediting the transfer of a number of flight operations to one of our low cost subsidiary airlines, JALways.

Results: Year Ended March 31, 2000

Concern over the Y2K computer problem did produce a temporary drop in passenger demand over the year-end and New Year's holiday season. Nevertheless, JAL enjoyed steady growth in its short-range flights to Korea, Guam, Saipan, and China. As for seating demand, the First Class category continued its sluggish trend, and the overall demand for Executive Class was also low, despite signs of improvement toward the end of the fiscal year.

The Economy Class performed well, however, leading to a total of 13.9 million JAL passengers on a consolidated basis during the period in review. There was a decrease in unit revenue due to reduced passenger numbers in First Class and Executive, but of course this was a direct result of slow demand in the business sector. In addition, there was also a decline in the value of revenues due to the rising yen. Nonetheless, non-consolidated revenues remained on a par with the previous year, standing at ¥580,057 million, with consolidated revenues amounting to ¥610,928 million.

Highlights of the Year

JAL has further enhanced its Goku Series, expanding the range of official discount fares in response to increased preference for individual travel over group tour packages. As a part of this

initiative, JAL has launched its Special Goku service by issuing Mother's Day Goku, Father's Day Goku, and Family Goku 28 discount tickets. To round out the series, we have added Maeuri Goku 35 and Maeuri Goku 21 advance-purchase discount tickets, which can be purchased one week later than other advance-purchase discount fares. This will further encourage passenger demand and increase our competitiveness in the global market.

As part of our promotional effort, we have launched the JAL Las Vegas campaign and a number of other sales programs in order to stimulate demand among leisure travelers. And in May 1999, a JAL Group company made Θ travel available to the public, on a comprehensive membership website that allows users to make reservations and purchase tickets, goods, and other services on-line. Transaction settlement is fast and easy, using the customer's credit card.

JAL has also expanded its service selection by adding new routes and flights. In April, we inaugurated service between Nagoya and Guam, and in May we began service between Osaka and Chicago.

We also increased the number of flights covering Tokyo to Dallas and Las Vegas, and in November we added service between Tokyo and São Paulo via New York. Finally, the numbers of JAL flights from Tokyo to Manila, Tokyo to Bangkok, and Osaka to

Seoul have been increased.

JAL expanded its service network during the year in review, thanks to code-share agreements with other airlines. JAL and American Airlines inaugurated code-share service in May, and have subsequently achieved a gradual increase in the number of routes and flights. In fact, as of the end of the fiscal year, we operated a combined weekly total of 1,137 flights (including 47 US domestic flights) on 78 routes. Moreover, JAL has signed a code-share agreement with Cathay Pacific Airways to include the Hong Kong flights from Osaka and Nagoya. We have also inaugurated Zurich-to-Geneva and Amsterdam-to-Madrid flights through code sharing with Swissair and Iberia, respectively. In all aspects of service operations, we have endeavored to increase revenues through the expansion of our worldwide service network in the global market.

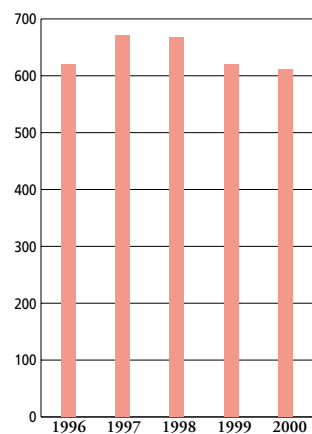
Outlook

In May 2000, as part of the e-JAL promotion effort on behalf of Web-based operations, JAL introduced e-Ticket Service for fast, convenient ticketless travel on international flights. This new service has been an unqualified success. JAL is the first Japanese airline to offer ticketless service, which takes information normally printed on a paper ticket, such as the date of departure, flight

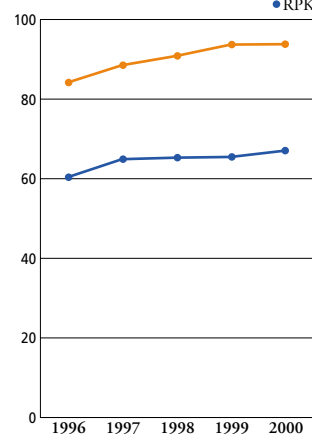
number, and airfare, and stores it digitally in the JAL computer system instead. With e-Ticket, the customer is spared the requirement of receiving tickets in advance or present tickets at the check-in counter. And itinerary changes can be made simply, with just a phone call.

Efficiency of flight operations is being enhanced by changing the numbers of JAL flights in accordance with seasonal fluctuations in profitability and demand. For example, we will enhance the versatility of our services by changing the number of Tokyo-to-Zurich and Osaka-to-Seoul flights to four and fourteen, respectively. Further, JALways (JAZ)—the Group's fifth airline subsidiary—will take over the operation of short-range flights to Pacific resort destinations in order to achieve greater international competitiveness. Flights to Guam from Tokyo, Osaka and Nagoya, as well as those to Honolulu from other regional airports throughout Japan, were turned over to JALways beginning in April 2000. Operation of the Saipan routes from Tokyo and Osaka, along with the Fukuoka-to-Honolulu routes, will be transferred beginning in October. JAL is actively engaged in these transfers to subsidiary airlines and will continue to investigate new means of achieving smooth, seamless flight operations.

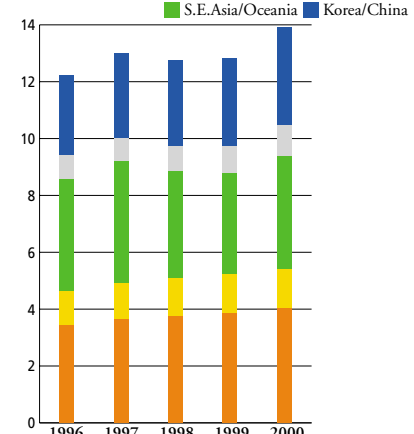
Consolidated International Passenger Revenues
(Billions of Yen)
Years Ended March 31



International Revenue Passenger-KM & Available Seat-KM
(Billions of Passenger-km)
Years Ended March 31



Breakdown of International Passengers Carried by Route
(Millions of Passengers)
Years Ended March 31



Introducing a New Reso'cha Design on JAL Aircraft

The Reso'cha Service, a resort service brand launched in 1994 for Pacific Rim routes, has enjoyed continually increasing popularity, thanks to services that create a pleasant "resort" atmosphere. Beginning in April 2000, as part of an effort to increase revenues, our aircraft donned a new design rich in the color and excitement of a South Pacific summer. New Reso'cha services were also introduced, including many outstanding entertainment features.



Inauguration of the Osaka/Chicago Route

JAL inaugurated service between Osaka and Chicago on May 1, 1999. The service utilizes O'Hare International Airport, a key hub for American Airlines, with which we have signed a partnership agreement encompassing code sharing and a wide range of other collaborative efforts. The launch of the Kansai/Chicago route increased the number of weekly JAL-operated Chicago flights to nineteen, significantly expanding the US service network on behalf of tourists and business travelers.



Code-Share Cooperation with American Airlines

On May 10, 1999, JAL and American Airlines inaugurated the code-share operation of transpacific services and their connecting domestic flights in Japan and the US. This code-share operation—the world's largest—was expanded in April 2000 to include a total of 106 routes. The JAL service network in the United States now links fifty US cities, providing a powerful strategy for increased international competitiveness.

Passenger Operations Domestic

No Japanese airline can avoid the emerging issue of increased competition, which has been carried forward in an atmosphere of deregulation and the entry of new carriers. Accordingly, JAL has been working to increase passenger demand by offering its customers a wider choice of services and airfares. Especially popular among these offerings is e-Discount. Launched on the Internet as Japan's first on-line airfare service, e-Discount offers fares at discounts of up to 29 percent. At the same time, JAL is working to build revenues through a number of promotional campaigns launched by the JAL Mileage Bank, which boasts Japan's largest frequent-flyer program, with nearly 7 million members as of April 2000.

Results: Year Ended March 31, 2000

Domestic air flights enjoyed steady growth in demand, especially with regard to trunk routes. This is a result of our active effort in sales promotion and airfare pricing to gain a winning edge over competitors and newly established airlines, not to mention other transportation providers. On a consolidated basis, domestic passenger volume totaled 23.3 million and domestic passenger revenues amounted to ¥309,531 million.

Highlights of the Year

After being granted permission, in April 1999, to increase the frequency of flights at Kansai Airport, JAL added flights to the routes from Kansai to Haneda, Okinawa, and Sapporo. Beginning in July, we also began offering more flights on the Nagoya/Kagoshima routes. With the objective of building demand throughout the business market, we have enhanced the service of our routes and flights by phasing in more flights on the Nagoya-Fukuoka route. This year, we also began year-round operation of the Fukushima-to-Sapporo service inaugurated the previous year. At the same time, to realize greater efficiency in our

route operations, we have deployed smaller aircraft on routes connecting regional cities. And we have gradually transferred the responsibility for certain flights to one of our low-cost subsidiaries, JAL Express.

In order to pass savings due to lower airport fees on to customers, JAL has lowered its normal fares for all routes except Tokyo-Osaka.

In addition, by expanding the range of Tokuuri Kippu discount tickets for limited flights—primarily for the Nagoya-Fukuoka route—and dramatically enhancing the range of Super Tokuuri round-trip limited-flight discount tickets for our Tokyo-Fukuoka and Tokyo-Sapporo routes, we have introduced a range of fares that challenge the increasingly fierce competition in our market. These measures allow us to gain a competitive edge not only over other carriers, but also over other providers of transportation.

In June 1999, JAL launched its nationwide JAL Online service, a privilege system for domestic business travelers. Providing access for corporate customers via their personal computers, JAL Online offers considerably greater convenience for this segment of the

commuting public. The various mileage campaigns implemented by JAL Mileage Bank also have great public appeal. An excellent example is JAL's convenient frequent-flyer program, which is attracting an increasing number of customers through its easy mileage accumulation and other benefits.

Outlook

With respect to competitiveness in the domestic market—a top-priority goal of JAL—the March 2000 opening of Haneda Airport's new Runway B is an exciting development. Built 380 meters from its predecessor, the new Runway B is 2,500 meters long and 60 meters wide, and features a parallel taxiway. This addition allowed Haneda airport to increase its takeoff and landing slots as of July 1, and it allowed JAL to add one more daily round-

trip flight to each of its nine routes. The number of flights on the routes to Nagasaki, Akita, Matsuyama, Komatsu, Miyazaki, and Hiroshima has thus been increased from two to three. Flights have also been added on the high-demand routes to Itami, Kansai, and Kagoshima. These increases give JAL a broad array of departure and arrival times, and will greatly enhance our competitive edge.

Further cost reductions will be achieved through JAL's transfer of additional regional-airport domestic flights to JAL Express (JEX).

The previous transfer of route operations from JAL to JEX at the end of fiscal 1999 resulted in significant improvements in both income and expenses. In response, all eight of our B737s will be transferred by the end of fiscal 2000, and further deployments of B737s and early transfers of B767s are being considered.



The Gray Jumbo Jet: Celebrating Hakodate-Haneda's 10th Anniversary

JAL's Hakodate-Haneda route celebrated its 10th anniversary in July 1999. To commemorate this milestone, JAL launched a tie-up campaign in co-operation with Gray, a popular musical group from Hakodate. Highlights included a band tour aboard the "Gray Jumbo," a tour plane decorated with images of the band members. The campaign attracted throngs of new customers and was considered a great success.



JMB Membership Reaches Seven Million

Membership in the JAL Mileage Bank (JMB) reached seven million in March 1, 2000. As the frequent-flyer program boasting the largest number of members in Japan, JMB runs a variety of campaigns. We will continue to improve service for JMB members, enhance our already high customer trust and brand recognition, and increase revenue through the development and implementation of JMB programs.



JAL Supports the Kyushu-Okinawa Summit

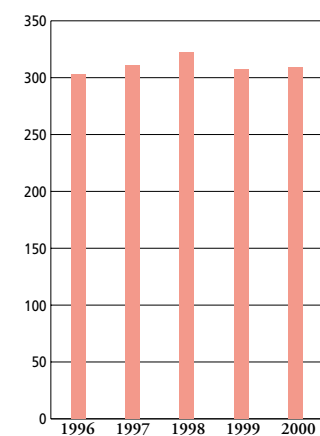
In July 2000, numerous state leaders and VIPs from the G8 nations visited Japan aboard special planes or on JAL scheduled flights to attend a series of summit meetings. Japan Airlines and its group companies offered their assistance—including comprehensive airport services for the special VIP planes—and did their utmost to ensure the success of the event.



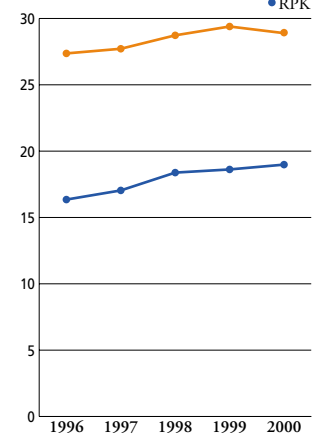
Introducing e-Discount, Japan's First Web-Based Domestic Airfare Service

The revision of the Aviation Act of Japan has facilitated the introduction of many new fares for JAL. Included in this offering is the new e-Discount service, providing discounts of up to 29 percent for reservations made through the Internet, JAL Online or i-mode via mobile devices. With e-Discount, the reduced fares are applied to all JAL routes and flights, even when reservations are made on the date of departure. Because of the convenience and savings it offers, e-Discount is stirring great enthusiasm in the public.

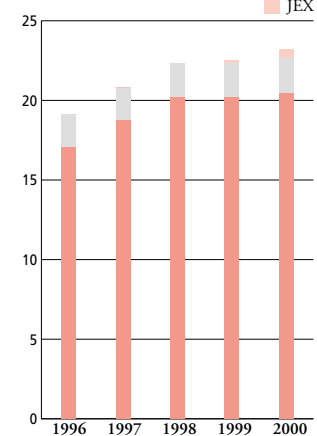
Consolidated Domestic Passenger Revenues (Billions of Yen) Years Ended March 31



Domestic Revenue Passenger-KM & Available Seat-KM (Billions of Passenger-km) Years Ended March 31



Domestic Passenger Numbers for JAL, JEX, JTA and J-Air (Millions of Passenger-km) Years Ended March 31



Cargo Operations

To meet the emerging needs of supply-chain management and e-commerce, JAL internally spun off its cargo operation and launched the in-house Cargo Company, under whose direct supervision the Cargo Sales Company and Narita Cargo Office were established. This allows us to offer reliable solutions for diverse shipper needs, thereby capturing a share of the growing market while maintaining and expanding our alliances with other carriers. In this way, JAL is reorganizing its domestic sales operations to accommodate regional needs, and is striving to increase operating revenues by way of an enhanced sales force.

Results: Year Ended March 31, 2000

The year ended March 31, 2000 saw favorable growth in outbound international cargo demand, as well as continued growth in international cargo volumes dispatched from overseas locations.

This was particularly true in the case of US-bound shipments from Southeast Asia, although the demand for shipments from the US weakened. Thus, while consolidated international cargo volume came to 4,394.48 million ton-kilometers, revenues amounted to ¥151,163 million, or a level similar to that of the previous year. This was due to a decline in the value of income from international cargo dispatches, brought on by the strengthening of the yen.

As for domestic cargo demand, although general cargo showed a sluggish trend, courier service cargo maintained steady growth, with shipments of fresh produce slightly exceeding the level of the previous year. All in all, the consolidated domestic cargo volume was 279.09 million ton-kilometers with revenues amounting to ¥28,826 million, up 3 percent from the previous year.

Highlights of the Year

Contemporary demand calls for a comprehensive transportation system from material procurement through consumer delivery, and accordingly, fiscal year 1999/2000 saw a trend toward reorganization in the logistics industry. JAL's Cargo Company, newly established as an in-house company, has been working to develop new services that will enable timely, priority transportation in conjunction with a new system for tracking late-breaking information. Together, these services will assist customers in their efforts on behalf of market globalization and optimized local production/delivery.

JAL has also endeavored to enhance transportation capacity in response to increased demand, thereby improving route operations. In April 1999 we resumed the operation of freighters to Atlanta, and began the weekly scheduled service of three freighter flights from Narita to Seoul. As part of our effort to enhance the quality of our cargo transportation services, we earned ISO 9001



New International Cargo-Freighter Products Employ Information Technology

The Cargo Company, a JAL in-house company, launched three new cargo-freighter services in April 2000: J Speed, J Freight, and J Special. Accordingly, JAL is extending its quality cargo-transport services throughout a worldwide network of 25 locations. Our JTR Cargo Tracker Report, a significant customer benefit, employs the latest information-management technology for the tracking and tracing of shipments.

certification for export operations at the Narita Cargo District in fiscal 1998. Furthermore, during the fiscal year in review, we received ISO 9001 certification for import/transit shed operations, domestic cargo operations, and consigned export operations.

Our recent promotional effort on behalf of domestic cargo operations included the operation of special freighter flights to meet growing demand from the courier service industry. We also identified an increase in airfreight demand, which was brought about through increased handling of products having shorter life cycles.

Outlook

Given the trend among shippers toward inventory-less management and optimized local production, many products will be allowed shorter life cycles. Thus, it is expected that the demand among shippers for supply-chain management and e-commerce will accelerate rapidly. Therefore, beginning in April 2000, we launched a series of freight-service products. Notable among them is Time Definite, which ensures cargo delivery at a precisely scheduled time.

In addition, J Speed (now upgraded) and J Freight are available as freighter services, combining a loading guarantee and priority express service. The J Special service offers quality transportation for sensitive cargo such as art pieces and precision machinery, with all the special handling such objects require. These cargo-transport products are available through our global network of 25 locations.

The JAL Cargo Tracker Report (JTR)—the industry's first system featuring automatic e-mail transmission—gives our customers the latest information in the tracking of cargo shipments.

JAL is working to expand its worldwide freighter network, and to that end we have obtained a code-share agreement on cargo-freighter service with Northwest Airlines. On September 1, 2000, we will inaugurate the code-share operation of transpacific freighter flights to and from Japan, as well as block cooperation regarding cargo space on freighter services between Japan and destinations in Asia.

Other Operations

As part of our plan to optimize efficiency and enhance profitability on behalf of the entire Group, we are directing our efforts toward collaborative operations in which all Group airlines work as one. Toward this end, we have established the JAL Sales Network Co., Ltd. (founded November, 1999) and given it responsibility for group-wide passenger sales operations. With regard to hotels and resorts, in-flight meal catering, trading and logistics, information systems and temporary staffing, we are enhancing each business segment by combining companies engaged in the same business. This effort even includes our core companies, in order that every aspect of operations might benefit. In so doing we are furthering our long-term strategies and implementing a variety of adaptive tactics.

Air Transport Related Business ("other" segment)

To establish a system of consolidated management as defined in the "Consolidated Management Vision for a Strong and Healthy JAL Group," we are working to achieve more efficient business operations and thus improve our general management capabilities. Specific efforts include the reduction of interest-bearing liabilities and improvement of the company's record of financial income and expenditure. Accordingly, given the Group's management policy of concentrating operational resources into air-transport operations, JAL Leasing Co., Ltd. and JAL Finance Corporation—our subsidiaries in financial services—are fronting the initiative to reduce assets not directly linked to operations of the JAL Group, as well as interest-bearing liabilities.

Travel Services

Despite a temporary decrease in passenger volume during the year-end and New Year's holiday season—mainly due to concern over the Y2K computer problem—the aggregate traveler volume handled by JALPAK Co., Ltd. increased 6% from the previous year, indicating steady growth in demand. Accordingly, revenues grew 3.7% to ¥350,160 million, while operating income increased ¥2,730 million to ¥2,460 million.

JALPAK launched *Travel* in May of 1999 as a comprehensive membership Web site that could provide travel information via the World Wide Web. This service allows Internet users to get information on air tickets, hotels, overseas package tours and other

travel-related topics. Registered members can also make online reservations and purchases using their credit cards. Our direct-marketing effort has served to increase demand, boosting our profitability. We will continue our e-business promotion efforts with regard to Web-based operations, ensuring a prompt response to increasingly sophisticated market needs.

Hotel and Resort Operations

In April of 2000, JAL Hotels Co., Ltd., operator of the world-renowned Nikko Hotels International chain, entered a strategic agreement on business alliance with Le Meridien Hotels & Resorts, an affiliate of the Forte Hotel Group of Britain, regarding the 22 overseas hotels throughout its network of 44 locations, excluding those in Japan. This collaborative enterprise has thus created a global network of nearly 145 hotels in 60 countries worldwide. We have also sold the Ihilani Hotel in Hawaii, promoting the restructuring of our hotel and resort operations.

These moves resulted in a revenue decrease of 28.7%, to ¥40,961 million. Nevertheless, our effort to achieve cost reductions and enhance profitability has produced operating income of ¥1,733 million, a jump of 6% relative to the previous year. Given this success, we will focus on the merits of consigned operations to further improve our profit potential and versatility of operations.

