

# 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

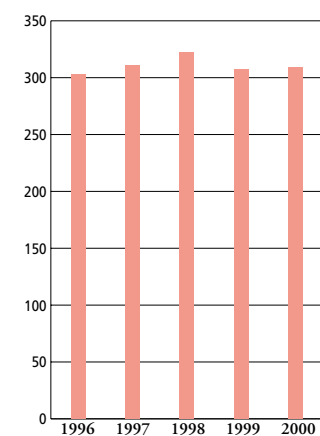
In July 2000, numerous state leaders and VIPs from the G8 nations visited Japan aboard special planes or on JAL scheduled flights to attend a series of summit meetings. Japan Airlines and its group companies offered their assistance—including comprehensive airport services for the special VIP planes—and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



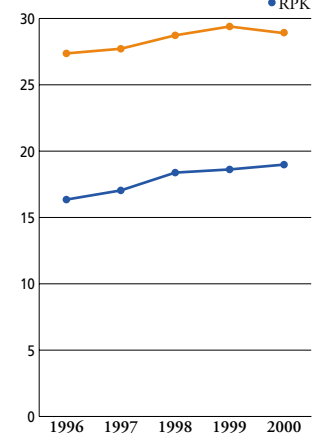
### Introducing e-Discount, Japan's First Web-Based Domestic Airfare Service

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

